2016 Integrated Consolidated Financial Statements

CLOSE
TO REALITY.
TOGETHER
BEYOND NUMBERS.

Unipol
GRUPPO

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Mercurio GP Srl

Unipol Gruppo Finanziario

Annual Integrated Report and Consolidated Financial Statements 2016

CLOSE TO REALITY. TOGETHER BEYOND NUMBERS.

To provide a description of the financial information and representation of the environmental, social and governance performances in a single, complete way is the aim of this first Integrated Report of the Unipol Group. A report which, in continuity with the decisions about social and environmental responsibility also made in the past, tells of a firm commitment that goes beyond the results for the year.

Close to reality, together beyond numbers. This is how we aim to reiterate 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.

Company bodies

	HONORARY CHAIRMAN	Enea Mazzoli	
BOARD OF DIRECTORS	CHAIRMAN	Pierluigi Stefanini	
	VICE CHAIRMAN	Maria Antonietta Pasquariello	
	CHIEF EXECUTIVE OFFICER GENERAL MANAGER GROUP CEO	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	

Board of Directors and Board of Statutory Auditors appointed by the Shareholders' Meeting on 28 April 2016

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Letter from the Chairman

After 23 years of corporate reporting, the Group's first Integrated Report represents a new phase for us in our commitment to transparently and comprehensively telling our story. The work done this year by all areas of the company together was oriented towards identifying and making explicit the elements that characterise us, and on which we believe it is important that our stakeholders evaluate us. Our efforts to stay concise and the need to be comprehensible led us to reduce certain elements for the benefit of others, but we have done this while remaining convinced of the importance of modifying language and content in the relationship between the company and the market, to support a new financial culture oriented towards supporting medium/long-term approaches.

Indeed, we are increasing our focus on the non-financial impacts of the business, not only due to the growing commitment of institutions within regulatory processes - from the Non-Financial Reporting Directive, to the commitments undertaken by the 175 signatory countries of the COP21 to fight climate change, to the objectives promoted by the Agenda 2030 to generate sustainable development on our planet - but also due to the widespread awareness that companies should be evaluated not only based on the economic value that they generate directly, but also for the numerous externalities they produce and the contribution they make to managing emerging issues. The seventeenth goal of the Sustainable Development Goals is a clear indication of the methods of interaction between the public and the private, which must characterise the sustainable development model towards which we are striving.

To follow this path, an evolution of the corporate culture is fundamental in organisations as complex as ours. This is why we have integrated the concept of sustainability within our Business Plan to present an Integrated Plan for the first time, and we have developed a Code of Ethics training module which we have included in courses for everyone responsible for resources, to make leadership styles more uniform so that everyone understands the significance of everyday work. We are working to develop integrated thinking in order to improve our capacity to cultivate our financial, productive, social, human, intellectual and natural capital.

Pierluigi Stefanini

Letter from the Chief Executive Officer

This year, for the very first time, the Unipol Group is presenting an Integrated Report, in which we provide an account of our financial and non-financial performance while highlighting the Group's capacity to create value for all of its stakeholders, by properly leveraging all types of capital.

This decision results from an increased awareness of the need to adopt a transversal approach capable of connecting objectives, activities and capital while understanding the entire spectrum of the external and internal impacts of our decision-making processes.

This is why the 2016-18 Plan, presented in the spring, already includes sustainability actions and sets quantitative targets for expected outcomes.

This is an initial application of the models of "integrated thought" which help us to maximise our capacity to create shared value to respond in an innovative, effective and efficient manner to the needs arising from new trends.

As an Insurance Group, it is important for us to deal with emerging risks by developing protection solutions that meet new needs and that protect our country's well-being. It is not possible to think about our function and our capacity to create value without reflecting on new models for preventing natural phenomena and on systems of welfare, in our capacity as a financial as well as insurance practitioner.

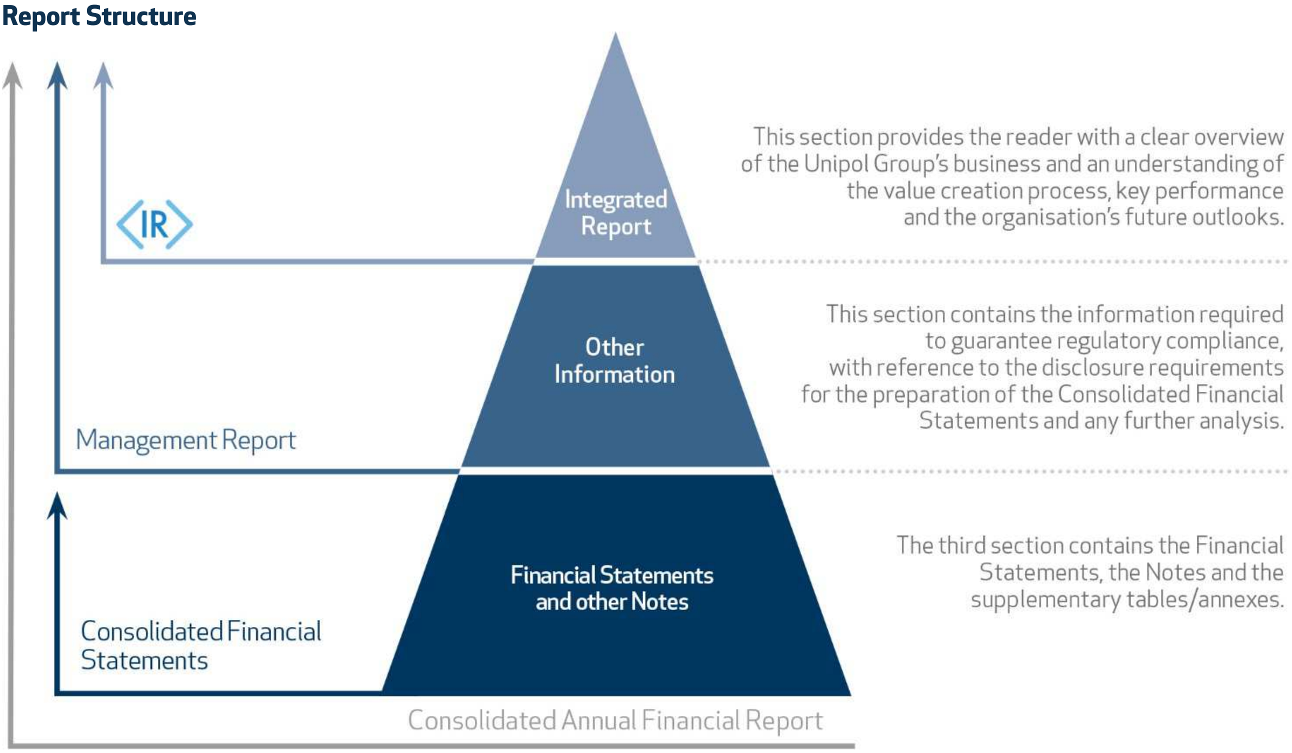
None of this can be faced without investing significantly in innovation, not only in our products, but also in the process, while expanding the services offered and our network of partners. In 2016, the Unipol Group met this challenge by redesigning its business model and changing its organisational culture, to create special-purpose companies dedicated to innovation in which it can test, experiment with and implement new value connections.

Carlo Cimbri

Annual Integrated Report preparation criteria and methods

For the first time, the Unipol Group has integrated its financial and sustainability information by publishing an Integrated Report developed on the basis of the standards laid out in the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)[1] in December 2013.
The reporting process aims to integrate the information contained in the traditional financial statements with an account of environmental, social and governance performance, within an integrated 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.

Report Structure

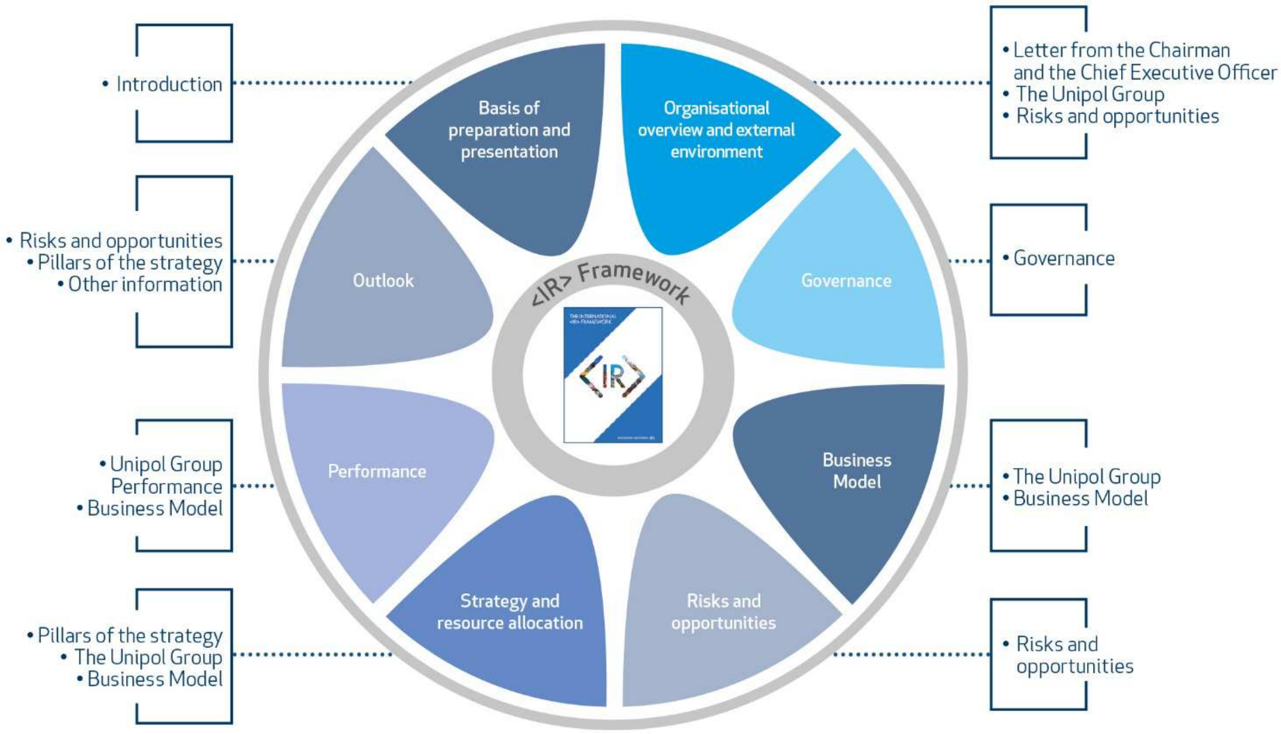


The Unipol Group's Integrated Report was prepared in accordance with the Guiding Principles (Strategic focus and future orientation, Connectivity of information, Stakeholder relationships, Materiality, Conciseness, Reliability and completeness, Consistency and comparability) and the Content Elements (Organisational overview and external environment, Governance, Business model, Risks and opportunities, Strategy and resource allocation, Performance, Outlook, Basis of preparation and presentation) suggested by the International <IR> Framework. The sustainability disclosure was drafted in line with the "G4 Sustainability Reporting Guidelines" issued by the Global Reporting Initiative (GRI) in 2013, and in the preparation of the Integrated Report the reporting areas laid out in Legislative Decree 254 of 30 December 2016, implementing Directive 2014/95/EU on the disclosure of non-financial information, were also considered on a voluntary basis.

[1] The IIRC is a global entity consisting of regulators, investors, companies, standard-setters, accounting professionals and NGOs.

The figure below shows how the content of the Framework is arranged within the Unipol Group's Integrated Report:

Framework Content



Thus represented, the creation of value implies not only the commitment to protect the company's assets and profitability, but also to protect the safety of people and their belongings, in addition to the dedication to protecting savings and promoting sustainable and balanced development in the communities in which Unipol operates. In 2016, in line with its history, the Group consolidated its capacity to interact and dialogue with stakeholders to respond to essential, concrete needs, as well as its capacity to integrate product and service distribution models.

The SapSuPM IT system was used to gather non-financial data and process them within the Integrated Report. The use of the SapSuPM IT system guarantees that information can be tracked. As regards the comparability of non-financial indicators over time, in certain cases the 2016 figures were compared with those from 2015, if the comparison was deemed significant in accordance with the new criteria underlying the preparation of the Integrated Report.

A management approach marked by Sustainability implies considering the expectations of the various categories of stakeholders, balancing them and integrating them within corporate strategies.

In order to monitor, manage and improve its reputation, Unipol decided to initiate a reputation management and building procedure with the Reputational Institute, which combines the preventive approach, regarding potential reputational risks, with an ex-post approach that monitors and strengthens its reputation amongst stakeholders. Indeed, within the Group, reputation is considered an element of strategic competitiveness, as well as a factor which creates a sense of belonging within the corporate culture. Since 2016, the system has surveyed reputation with respect to the workplace, governance, citizenship, leadership, innovation, products and services and performance.

In accordance with the RepTrak® model, the tools used in the continuous stakeholder listening system are:

- an annual survey of the corporate population of the Unipol Group;
- an annual survey with Key Opinion Leaders (opinion makers, the financial community, institutions);
- periodic surveys on Customers, Agents and Public Opinion.

Stakeholder listening is also instrumental in the evaluation and prioritisation of reputational risks, by involving public opinion to measure the impact of risks in terms of reputation and the business. Within the Reputational & Emerging Risk Observatory, one of the keystones of the methodology is the integration of the external view of stakeholders with the internal view of Group Management in order to monitor the alignment between stakeholder needs and Group responses, where significant reputational risks could arise.

Through **Agent Groups**, UnipolSai maintains a frequent, privileged relationship with its Agents in order to build an effective partnership functional to achieving its stated strategic objectives.

Customer listening is conducted with ***customer satisfaction*** surveys carried out for the individual Group Companies and in the main phases of customer contact, to pinpoint critical aspects and identify suitable corrective measures.

Material topics

The content of the Integrated Report was selected on the basis of the principles outlined in the IIRC's "Integrated Reporting" Framework, the Global Reporting Initiative guidelines and the AccountAbility AA1000APS standard. In particular, the IIRC's most recent publication, "Materiality in Integrated Reporting", was also taken into account.
The work done to analyse and select the content was particularly imprinted with the principle of materiality, as described in the GRI - G4 standard, with the objective of marking out the topics with regard to which, on the one hand, the interests and expectations of the stakeholders toward the Group and, on the other, the strategic priorities of the Top Management are concentrated. At the same time, the topics identified are consistent with the IIRC guidelines, which define as material those topics which significantly impact the organisation's capacity to create value in the short, medium and long term.

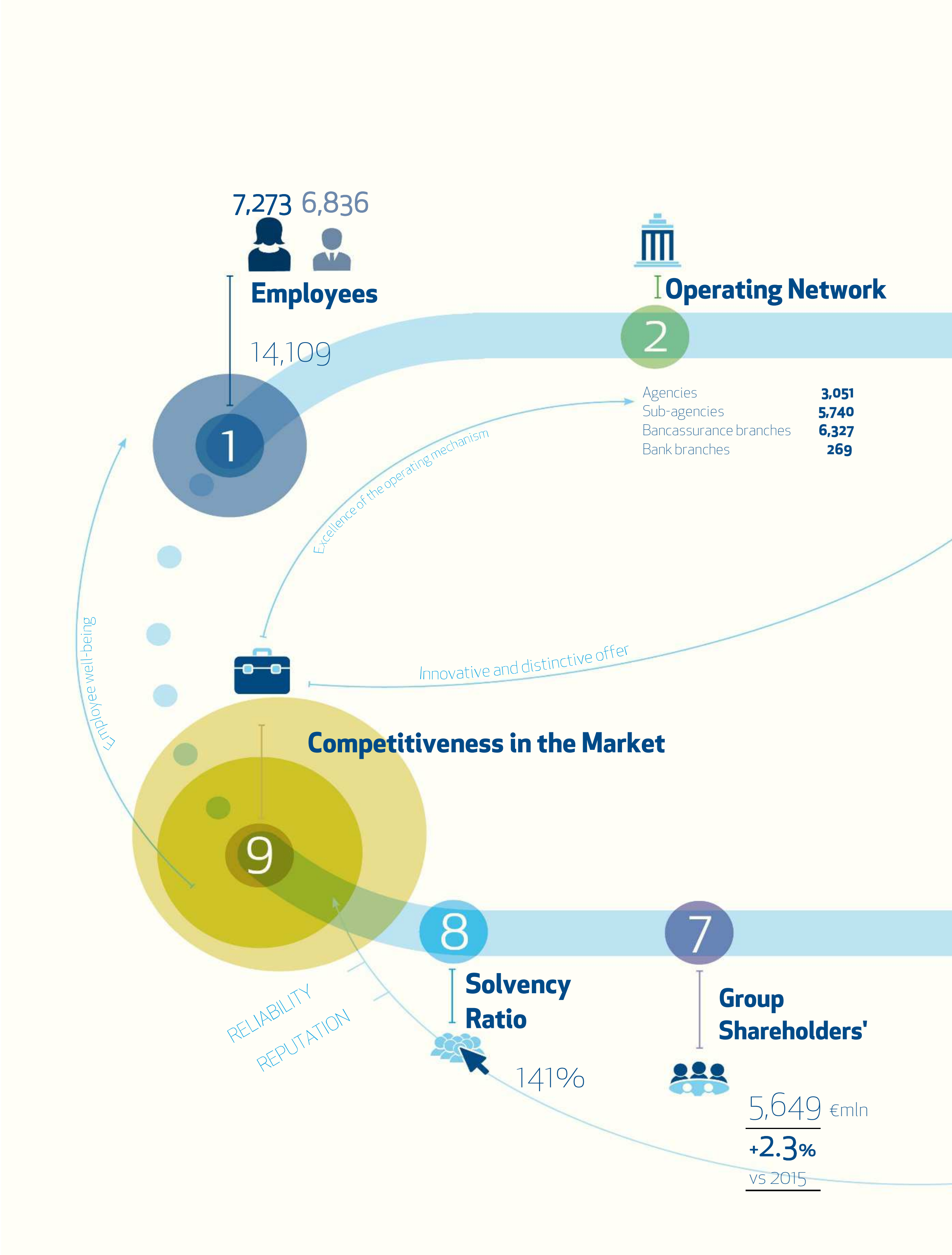
The analysis was started by building a 'tree' of sustainability topics important for the sector and for the company. The work took also into account the analysis done by the Observatory for monitoring and managing reputational and emerging risks of the Unipol Group.

The order of the topics was determined according to two evaluation measurements: strategic importance for the Group and importance perceived by the stakeholders.
The Strategic importance for the Group was identified with one-to-one interviews with the Senior Executives of the Unipol Group and of UnipolSai and of the main insurance and banking Companies.
The relevance perceived by stakeholders was determined on the basis of the evidence gathered by listening to, and discussing activities with the Group's stakeholders.

The most important topics, i.e. with a high score on both axes of the matrix, are those identified for the reporting of risks and opportunities of greatest impact for the Group and the representation of the business model, value chains and the other sections of the Integrated Report.

The materiality matrix

ANNUAL
INTEGRATED REPORT



7,273 6,836
Employees
14,109
1
Operating Network
2
Agencies 3,051
Sub-agencies 5,740
Bancassurance branches 6,327
Bank branches 269
Excellence of the operating mechanism
Employee well-being
Innovative and distinctive offer
Competitiveness in the Market
9
8
7
Solvency Ratio
141%
Group Shareholders'
5,649 €mln
+2.3%
vs 2015
RELIABILITY
REPUTATION

3 Customers and Policyholders

INDIVIDUALS
13.8 milion

LEGAL ENTITIES
1 milion

4 Performance

	€mln	Var. on 2015
PREMIUMS		
Non-Life direct insurance	7,809	-0.9%
Life direct insurance	6,997	-18.6%
- of which Life investmentproducts	698	-26.6%
Direct insurance premiums	**14,806**	**-10.1%**
Bank direct customer deposits	**10,535**	**5.2%**
Non-Life Loss Ratio - net of reins.	68.1%	
Non-Life Expense Ratio - net of reins.	27.5%	
Non-Life Combined Ratio - net of reins.	95.6%	
Group pro-rata APE (€mln)	484	
Life Expense Ratio - net of reins.	4.1%	
Consolidated profit (loss)	**535**	**-7.6%**

	€mln	Var. on 2015
Investment and cash and cash equivalents	**83,428**	**1.9%**
Technical provisions	**64,110**	**1.5%**
•Non-Life	15,862	-4.3%
•Life	48,248	3.6%
Financial liabilities	**16,898**	**8.5%**

Group profit

330 €mln

+21.3%
vs 2015

5

6 Value for Shareholders

ROE	6.6%
EPS	0.46
BVPS	7.87

Significant events during the year

JAN

Merger by incorporation of Liguria Assicurazioni and Liguria Vita into UnipolSai
On 25 January 2016 the deed of merger by incorporation of Liguria Assicurazioni and Liguria Vita into UnipolSai Assicurazioni was signed, with legal effects from 31 January 2016 and accounting and tax effects from 1 January 2016.

MAR

Start of AlfaEvolution Technology
On 1 March 2016, AlfaEvolution Technology started its operations relating to the management of ITC services ("black boxes").

MAY

Approval of Business Plan 2016- 2018
On 12 May 2016, the Boards of Directors of Unipol and UnipolSai approved the Business Plan 2016-2018.

For additional details, please refer to the "Pillars of the strategy" chapter.

JUL

Velasca progetto design - Idee sotto la torre (Velasca ideas under the tower design project)
On 4 July 2016, in Milan, the first edition of Velasca Progetto Design - Idee sotto la Torre ended; it is the contest called by UnipolSai Assicurazioni in collaboration with Lissoni Architettura SpA within the Urban Up project, for the requalification of the Group's properties.

UnipolSai Assicurazioni main sponsor of the Italia Olympic Team for the 2016 Olympics
At the 2016 Olympics in Rio, the most prestigious sporting event in the world, UnipolSai launched a communication campaign to stress the company's closeness to people and sport.

AUG

Unipol Group: Support plan for communities hit by the earthquake
As support for the populations and businesses in Central Italy, struck in 2016 by an earthquake, the Unipol Group launched a structured and integrated plan of action in favour of the various categories of stakeholders of the Group located in that area. In this context a collection of funds has been raised, donated by employees and agents and doubled by the Group, reaching thus a global amount of €1,055k.

SEP

The Unipol Group at the meeting of the Clinton Global Initiative
The Unipol Group participated in the annual meeting of the Clinton Global Initiative (CGI) held in New York from 19 to 21 September, alongside Filippo Grandi, the United Nations High Commissioner for Refugees (UNHCR), in providing healthcare to Syrian refugees in Lebanon.

OCT

Unipol Group best practices at international level in reputation building and protection
The Unipol Group was considered a "best case" at the "Global Reputation Leaders Network Summit", an international event organised by the Reputation Institute[1], held in Boston on 4 and 5 October 2016.

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.

(1) A world leader in corporate reputation management.

DEC

Acquisition of the hotel and property management business "Una Hotels & Resorts" finalised
On 29 December 2016, the subsidiaries Atahotels and UnipolSai Investimenti SGR began execution of the agreements signed with Una SpA on 25 May 2015, based on which Atahotels became a new national leader in the Italian hospitality sector.

Establishment of Leithà dedicated to new technologies
On 28 December 2016, Leithà Srl, a single-member company, was established 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, in line with the provisions of the Group Innovation Plan.

For further information, refer to the "Press Room" section of the www.unipol.it website.

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.

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 within the paddock for each of the 18 races on the schedule and for the official tests.

Authorisation to the use of the Partial Internal Model in the determination of the solvency capital requirement for the companies UnipolSai and Arca Vita

Following the authorisation process launched with the application of 14 November 2016, on 7 February 2017 the Supervisory Authority authorised the companies UnipolSai Assicurazioni and Arca Vita to use the Partial Internal Model for calculating the individual Solvency Capital Requirement with effect from 31 December 2016.

Unipol Group Vision, Mission and Values

The Unipol Group aspires to guarantee people more security and confidence in the future while supporting them in making protection, savings and quality of life decisions thanks to the active presence of local networks, the expansion of the services offered and emerging technological opportunities.

Vision	Mission
"We strive to be a great Italian group proud of its history, which knows how to be close to people and their needs, a market leader capable of offering and receiving trust and of working competently, simply and quickly, while creating value for all stakeholders".	*"We are responsible for improving the quality of life of our customers by proposing solutions for the protection, support and realisation of their projects. We pursue efficient, profitable and sustainable business management over time, based on the contribution and enhancement of our people".*

The Vision and the Mission provide the foundation of the areas of intervention of the Unipol Group's Sustainability strategy, approved for the first time this year in integrated form with the strategy and the Business Plan 2016-2018.

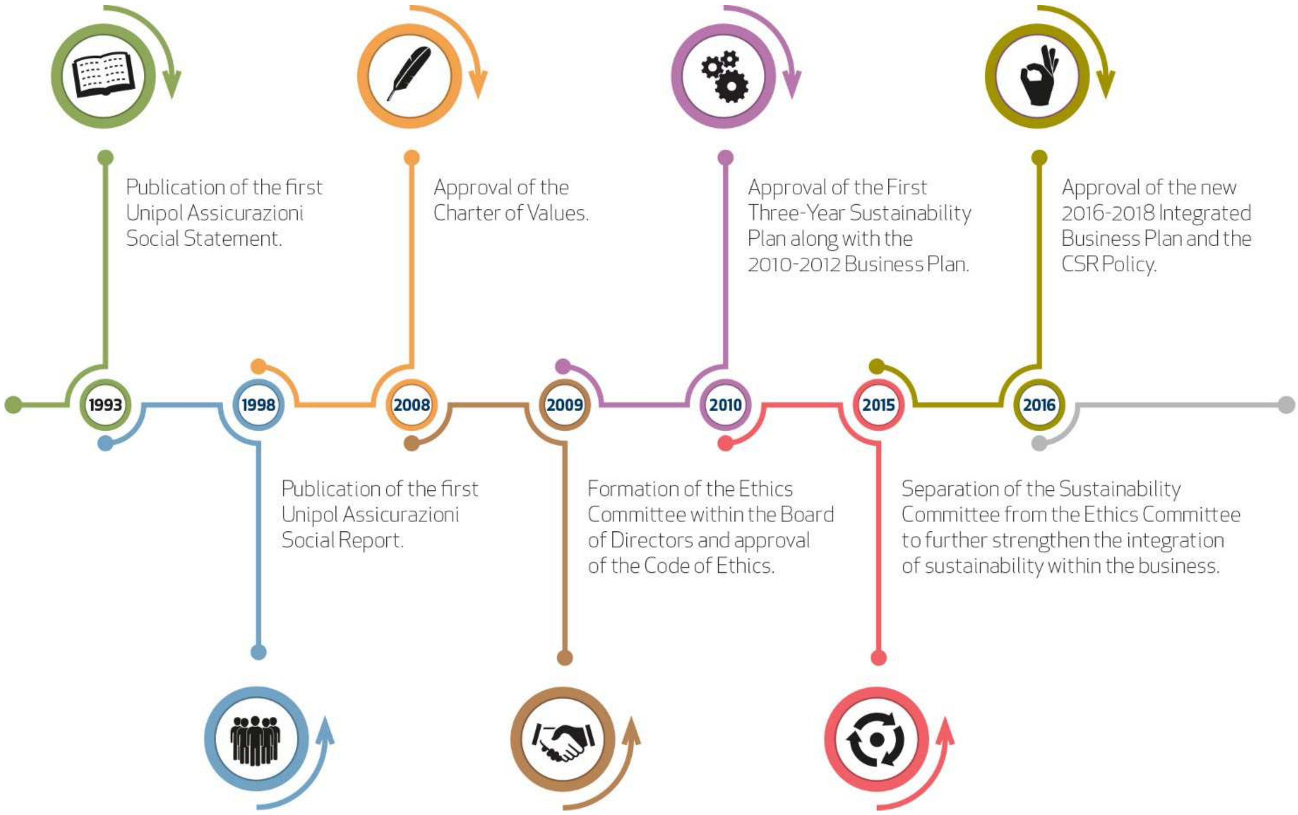
The tools adopted in 2016 are combined, in terms of commitments, with the path embarked upon in 2008 through the definition of the **Charter of Values.**

Our Core Values are expressed in our **Code of Ethics** as behavioural principles towards the various stakeholders. The Code of Ethics is the instrument which commits the Group and its stakeholders to respect the fundamental values defined in the UN Universal Declaration of Human Rights and, more specifically, the principles of the International Labour Organisation, as well as to support a preventive approach to environmental challenges; to combat corruption in all of its forms, including corruption and bribery, while maintaining a transparent relationship with the Policy.

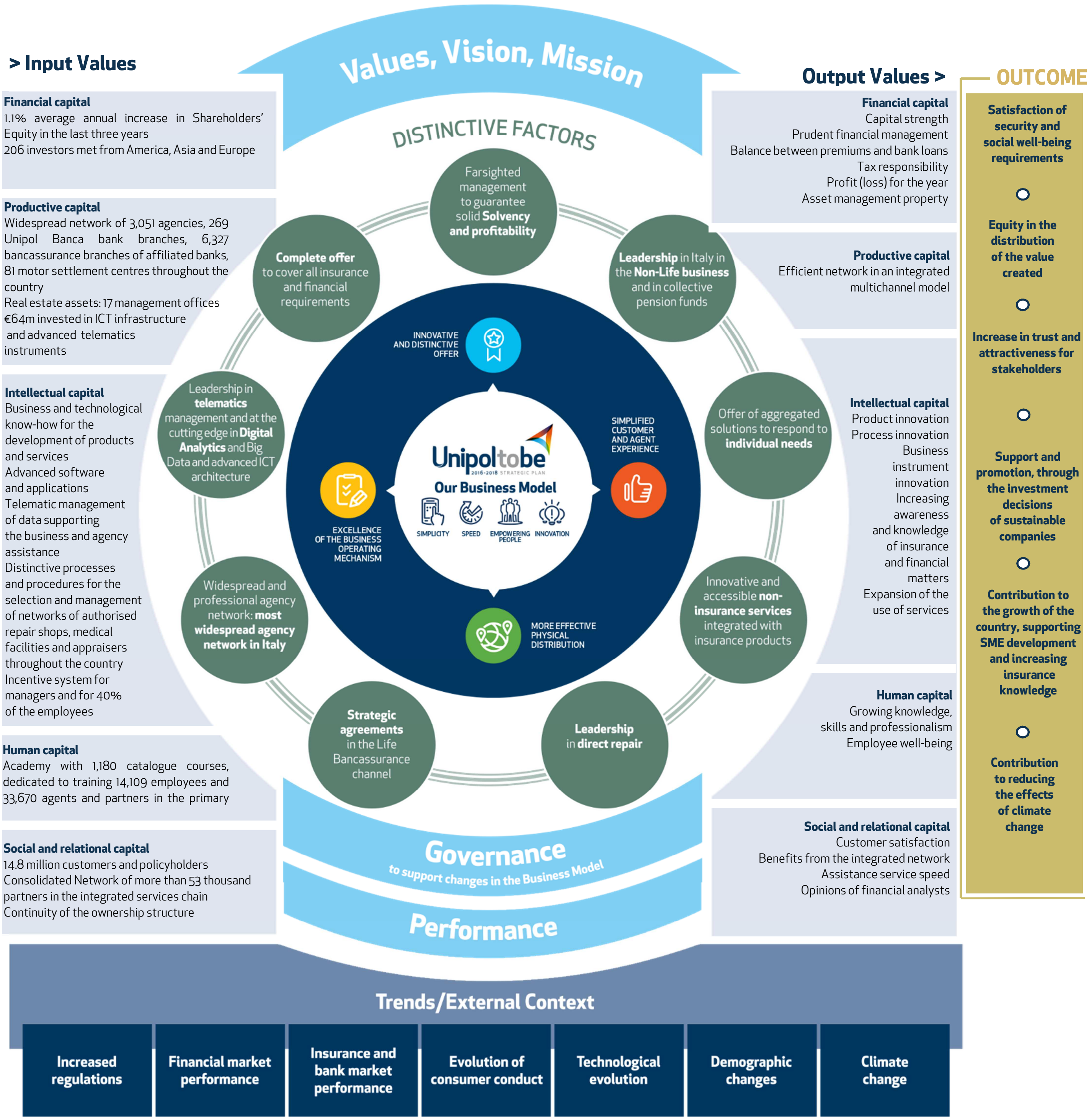
Accessibility
Farsightedness
Respect
Solidarity
Responsibility

At the end of 2015, the Code of Ethics was updated to reinforce its reference to human rights, gender equality, transparency and integrity versus international principles of ethics and the fight against corruption and describes the role and behaviours of directors in greater detail.
The Unipol Group has not currently evaluated the risk of violating human rights as significant, either within its organisational units or with direct suppliers, operating primarily in Italy and making recourse to Italian suppliers for 97% of its supplies, with low-risk product types. Therefore, the commitment made in the Code and then outlined in the CSR Policy was deemed sufficient in this regard.

Our Path


1993
Publication of the first Unipol Assicurazioni Social Statement.
1998
Publication of the first Unipol Assicurazioni Social Report.
2008
Approval of the Charter of Values.
2009
Formation of the Ethics Committee within the Board of Directors and approval of the Code of Ethics.
2010
Approval of the First Three-Year Sustainability Plan along with the 2010-2012 Business Plan.
2015
Separation of the Sustainability Committee from the Ethics Committee to further strengthen the integration of sustainability within the business.
2016
Approval of the new 2016-2018 Integrated Business Plan and the CSR Policy.

The creation of value



Within an external context of rising complexity, the Unipol Business model supports the strategic policies of the 2016-2018 Business Plan, focused on the core insurance business, by leveraging the excellence and distinctive factors of the Group.
The Values that have continuously characterised Unipol's presence within the Italian insurance market and have accompanied its path of growth are at the basis of its strategic decisions.
The financial solutions it offers to customers are based on a model for the creation of value which entails the use of quantitatively and qualitatively characterised capital to obtain output capital consistent with Business Plan objectives.
Its market conduct has significant positive external effects, impacts that can be recognised by stakeholders, and drives the well-being of the communities in which the Group operates.

Capital performance

Financial Capital

As an insurance and banking Group, Unipol's capital management strategy focuses on structurally sustaining financial returns in the medium and long term by means of policies that allow for the maintenance of an adequate level of solvency. In 2016, the Unipol Group achieved a **Solvency II index equal to 1.41**[2] and 1.61 based on economic capital[3], and adopted a *Risk Appetite* assessment based on an *enterprise risk management* approach that considers all current and projected risks to which it is exposed.
In quantitative terms, the Group's *Risk Appetite* is determined on the basis of the following elements: capital at risk, capital adequacy and Liquidity/ALM ratios.
Quality objectives are also defined in reference to compliance, strategic, emerging, reputational and operational risks.
In the banking sphere, the Group has maintained a watchful eye on the **ratio between bank loans and deposits, which is currently at 86.51%.**

By means of prudent management, in 2016 the Unipol Group managed to begin to diversify its investment *asset allocation* and maintain a stable level of liquidity sufficient to meet the operational requirements of the Group Companies.

Against a consolidated net profit for the year of €535m, the Group recorded income tax for the year of €171.3m, contributing overall with an impact of 24.3% on gross profit.

Productive Capital

Investments in ICT (Information and Communications Technology) infrastructure and in advanced telematics instruments were aimed, inter alia, at trying out innovative distribution channels and increasing the use of digital instruments to simplify the customer and agent experience, with a view to boosting network efficiency within an integrated, multi-channel model.

Intellectual Capital

The Unipol Group is committed to caring for and protecting businesses and households alike by providing products and services that meet emerging insurance and banking needs.
By establishing the companies **AlfaEvolution** (new UnipolSai telematics provider) and **UniSalute Servizi** and creating a unit dedicated specifically to innovation, **Leithà**, the Group has made oversight over innovation processes a strategic priority.
Investments support the development of analysis models and the use of *advanced analytics, Big Data and lean prototyping*, and make use of *scouting* and *open innovation* processes in relation to the system of startups and research networks.

The Unipol Group is also committed to increasing awareness and knowledge about insurance and financial matters in Italy, with the conviction that IT tools can only express their full potential if there is simultaneous growth in the capacity to understand and manage personal needs. For institutions, it began the "Welfare, Italia" initiative, and for residents it developed the "Eos. Conoscere l'assicurazione" project; it also launched Changes, the digital *magazine* focused on the themes of *Technology, Society 3.0, Sharing, Environment, Well Being and Close to You*.

[2] Figure calculated in the Standard Formula with the use of USP (Undertaking Specific Parameters).
[3] Economic capital is the measure of capital absorbed determined based on the principles and models applied in the Partial Internal Model and valid for operating purposes

Human Capital

To achieve the strategic objectives envisaged for 2018, the Unipol Group makes use of various levers inherent in human capital, ranging from training to organisational model simplification, from development plans to contractual harmonisation.
With respect to training, the strengthening of internal skills supports the service model evolution plan: in March 2016, Unica was founded, the Unipol Group's **Corporate Academy** focusing on professional and skills training for all Unipol Group structures in Italy. The goal is to spread and increase knowledge, and share the managerial model while strengthening the corporate culture. Overall, **1.2 million training hours were completed,** of which **86%** by the agency network and **14%** by employees.

With the goal of improving the well-being of its employees, the Unipol Group invests in the development of work-life balance programmes and initiatives, thereby making it easier for employees to work, decreasing the risk of stress and protecting personnel throughout the lifecycle.

13 Pension Funds

85%
Percentage of employees enrolled in the Pension Fund

€66m
Total contributions made

18 Assistance Funds

92%
Percentage of employees enrolled in the Assistance Fund

€18m
Total contributions made

- **The health and safety system:** to support occupational health and safety, aside from routine activities such as workplace inspections (more than 650 in 2016), health monitoring and activities linked to properly following reference laws, voluntary health monitoring activity continued, a new work-related stress assessment was conducted in accordance with the INAIL 2011 Guidelines and the **Health and Safety Management System** manual inspired by the **BS OHSAS 18001:2007** standard was instituted.

- **The welfare system** encompasses institutions existing for many years, such as the employee pension funds and the healthcare assistance funds.
More than 11,900 employees, including managers, are enrolled in the Pension Funds, while the Group's Assistance Funds have more than 12,900 participants, including managers.

- **Mobility**: considering the complex distribution of the Group throughout the country, it has made a particular commitment to promoting and supporting sustainable mobility, also encouraging increased use of public transport and *conference calls*, *car pooling* and other activities that can help with achieving its objectives.

Development activities have been companied by an in-depth review of company processes, roles and procedures so as to increase speed, simplicity and proactivity. All activities with an impact on employees and the organisation of work were discussed with the trade unions.
This model of union relations led to the use during the contractual renewal phase in 2016 of 31,991 hours of strikes and 192,341 hours of union leave as well as the organisation of 56 union meetings for a total of 18,190 hours.

- The **definition of a single Supplemental Corporate Agreement ("CIA")**, just two years after the merger between Fondiaria-SAI and Unipol Assicurazioni into UnipolSai Assicurazioni, made it possible to unify the regulatory, economic and support conditions for all of the Group's insurance area employees.

Once the insurance restructuring process was completed, other critical situations were also managed in agreement with the union: a new window for accessing the Solidarity Fund subscribed for the banking sector was opened, in which 109 people chose to participate; the mobility procedure (pursuant to Law 223/1991) was activated for 110 employees following the placement into liquidation of Centro Oncologico Fiorentino with the relative dismissal of the company's entire staff (for whom public sector solutions and specific incentives were activated) and for 135 employees of AtaHotel, following the termination of hospitality activities at the properties owned by ENPAM, which were returned when the lease agreements expired.

All of this contributes to increasing the share of "ambassadors" amongst employees, with a 2016/18 Plan objective of reaching 25%, starting from a share of 21%.

Social and Relational Capital

The capacity to engage, manage, control and help to grow the network of partners in the chain - who accompany the customer by providing solutions, not only compensation, for the damages suffered - is fundamental in the internalisation of the service model, which represents a distinctive element of Unipol's business model.

This model is reflected in the results of the **customer satisfaction and loyalty surveys**. Amongst the elements that were most appreciated is recourse to telematics for settlements, which constitutes another element characterising the Unipol Group's social and relational capital, making the process more objective and reliable while also speeding up timing, and therefore reducing any inconvenient delays.

Reputation amongst customers was also good, at 73.2

The **relational capital** created is also growing within the market, with positive **opinions from financial analysts**: seven buy recommendations and two neutrals have been issued for the Unipol security, whilst two analysts have given buy recommendations and six were neutral for the UnipolSai security. In 2016, there were no negative ratings.

Customer satisfaction surveys

The impacts generated by the Unipol Group

Satisfaction of security and social well-being requirements

€11,195m
Payments to policyholders

€767m
loans disbursed

Unipol's leadership position, particularly in the Non-Life and Pension Funds segments, is in and of itself an important response to the increasingly significant welfare and security needs arising in the communities in which the Group carries on business.

One element characterising the Group's offer is **the integrated pension and social/healthcare assistance model**, to guarantee adequate tools and resources to residents to support their needs during old age in light of declining benefits from public pensions and the simultaneous increase in needs for healthcare services due to the ageing of the population.
The annual increase in the penetration of welfare (Life and Health) coverage for Italian citizens from 8.0% in 2015 to 9.2% this year bears witness to this commitment. The 2018 objective is to reach penetration of 10.0%.

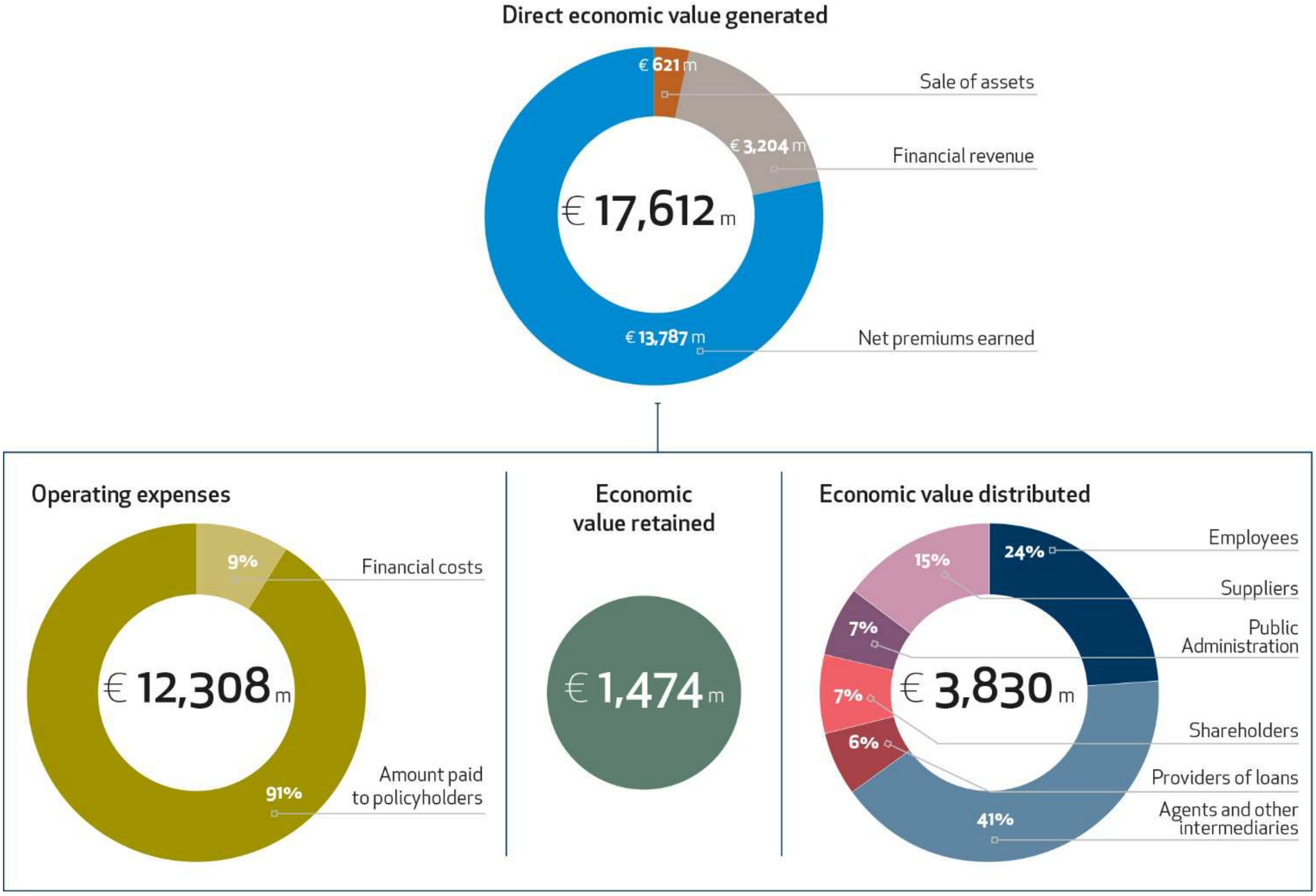
In the Life Business, despite the difficult competitive environment, the Unipol Group plays a key role in all forms of supplementary pension schemes dedicated to employees and other workers, managing assets of €4,348m for 405,565 enrolees of the Occupational Pension Funds. As regards the Open Pension Funds, it manages €881m (+4% compared to last year) for 45,133 enrolees. In addition, a total of 89,907 people participate in personal pension funds and individual pension schemes, and there are 87,967 insured through the Pre-existing Pension Funds.

The Group's commitment to supporting the SDGs (*Sustainable Development Goals*) takes shape first and foremost in its offering of products with a particular environmental and social slant: in 2016, premiums from these types of policies reached €1,575m, 19% of total premiums from the corresponding product families. These premiums are fuelled by products meant to respond to immigration and multi-cultural trends, as well as the evolving composition of nuclear families, unemployment and unstable employment, to guarantee accessibility to insurance products to the most vulnerable segments of our society. As regards pension plans, the "Protezione Etica" segment, one of the four segments of the Unipol Insieme Open Pension Fund, invests in a diversified portfolio of primarily bonds and marginally equity instruments in the Eurozone which are fully managed according to ESG (*Environmental, Social and Governance*) criteria. The relative *assets* amount to €82.1m, up 2.2% compared to 2015, equal to 9.2% of the assets of the corresponding pension segment.

Equity in the distribution of the value created

The fair distribution of the overall value generated by the business to stakeholders, value that they themselves contributed to producing, is represented in accordance with the model laid out in the EC1 standard of the Global Reporting Initiative, GRI G4, which was adapted to the reality of the Group's core insurance business.

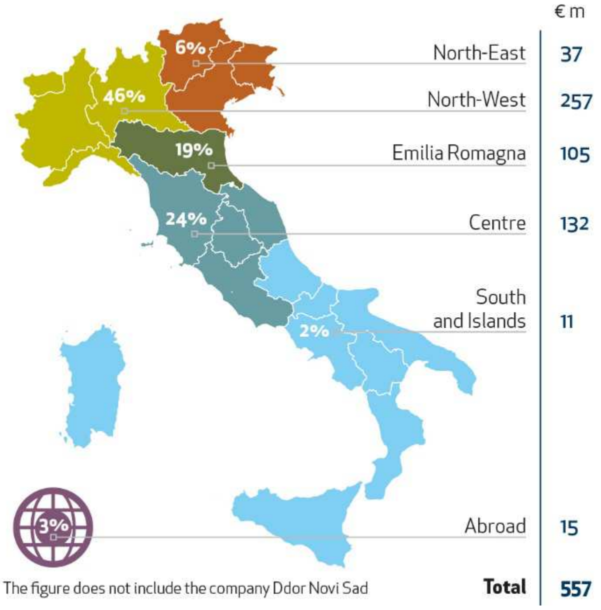
Economic value generated and distributed



The components of "Direct economic value generated" of standard EC1 are derived from the Consolidated Income Statement; in particular, sales revenue was identified as premiums earned.
"Operating Expenses" are represented separately from "Distributed value", to improve readability

At the end of December 2016, the Group traded with roughly 5,800 companies. Overall, 97% of expenditure for supplies was in Italy.

Value disbursed to suppliers by area

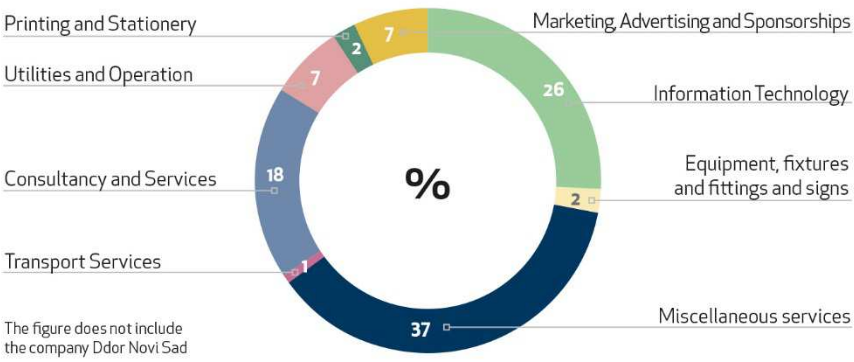


The Group's Purchasing policy is meant to favour the creation of measurable value in the development of synergies and integration opportunities in risk management, cost containment and the limitation of social and environmental impacts.
From this perspective, the Unipol Group operates by implementing supply assessment and measurement procedures based on transparency, fairness and reliability.

€557m

value disbursed to Group suppliers (+1% compared to 2015)

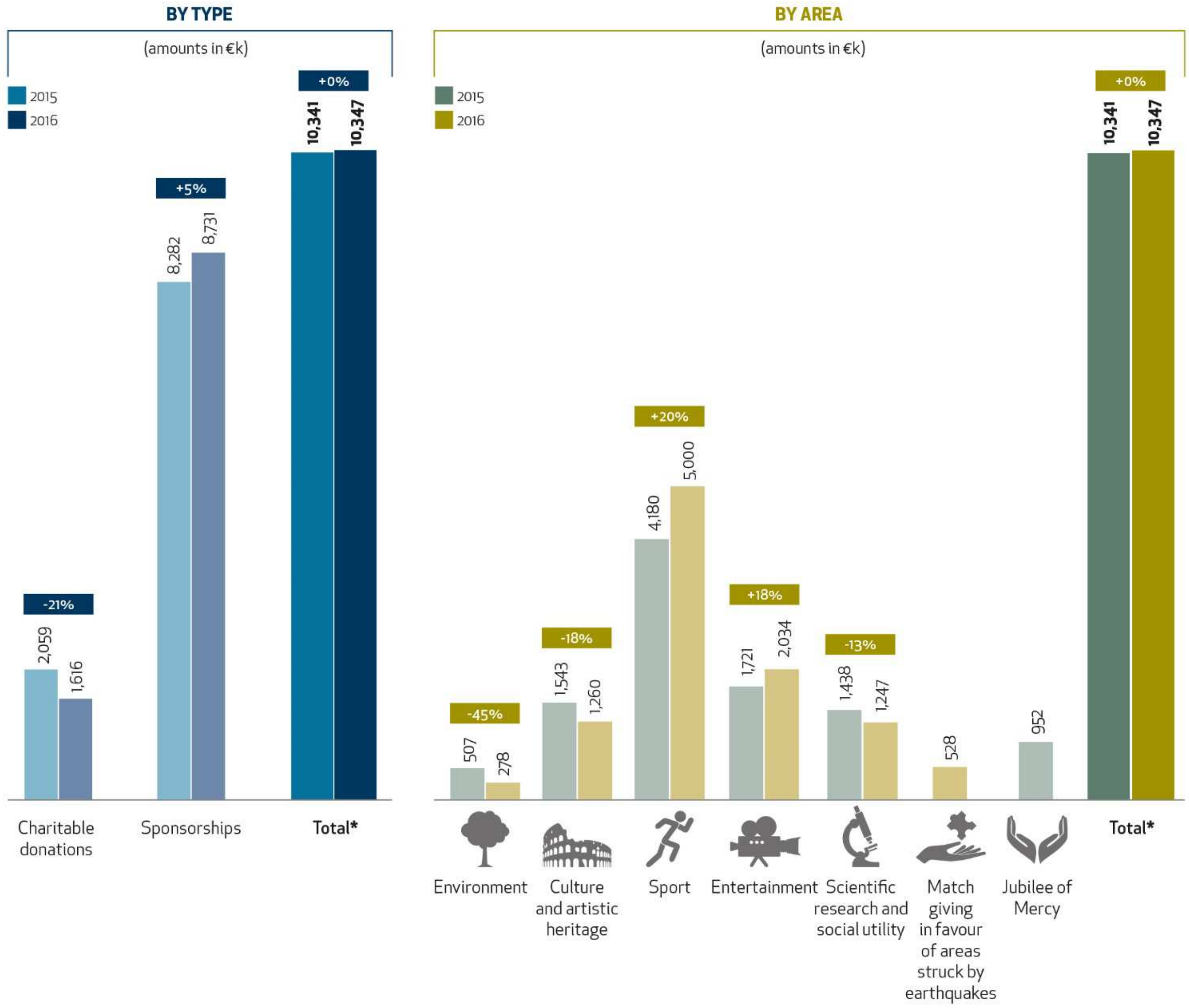
Breakdown of suppliers



The Group's suppliers are regularly and accurately surveyed, monitored and selected with a view to establishing partnerships and long-term relationships that take shape in the **Supplier Portal** where, aside from highlighting economic and financial capacities and technical/organisational characteristics, the process also provides information to guarantee regulatory/legal compliance. This translates into commitments by the same suppliers to fight against all forms of discrimination, comply with anti-corruption measures, occupational safety regulations, current laws and National Labour Agreements and ensure to the Group that they have enacted the necessary protections which govern the assignment of activities to external individuals/businesses.

Also to ensure supplier relationship oversight, the Unipol Group is developing a model for the reduction of environmental, social and governance (ESG) risks along the entire supply chain, in accordance with its 2016-2018 Plan objectives. The control system, as well as compliance with the *Global Compact*[4] International Standard, will be implemented next year.

Contributions to the community



*Excludes the contribution to the Unipolis Foundation. A report on the activities of Unipolis Foundation is published in the Mission Report, available on the website www.fondazioneunipolis.org

The Unipol Group stands out due to its deep roots in and focus on the community, and its continuous and significant **support of the areas** in which it operates. This support takes the form of various types of contributions in areas ranging from culture and arts, to the environment, scientific research and social benefits, to sports and *entertainment*, as governed by the relative policy.
In 2016, the contribution to the community came to €10.3m, 1.5% of the pre-tax profit of €706m, up 0.4 p.p. and corresponding to an average contribution per employee of €733.

[4] United Nations initiative launched in 2000 to encourage companies all over the world to adopt sustainable policies and make their results public. In detail, the Global Compact requires participating businesses and organisations to share, support and apply within their sphere of influence a set of fundamental principles regarding human rights, labour standards, environmental protection and the fight against corruption.

Increase in trust and attractiveness for stakeholders

Reputation represents the social and relational capital par excellence, especially for an insurance company, for which trust is a fundamental element of business development.

The reputational value of the Unipol Group in terms of public opinion, on the basis of the Reputation Institute's Rep Trak analysis model, has grown in the last two years of surveys and is higher than the sector average of 66. Indeed, the survey conducted in January 2017 (which measures perceptions from 2016) reached 69, a value that expresses a "moderate" reputational performance. The 2018 objective is to reach the "strong" level (equal to a minimum value of 70).

69

reputational index

The Company's commitment has improved its relational capital amongst agents, as shown by the **sentiment indicator** surveyed annually by Innovation Team (Mbs Consulting Group). A summary indicator that expresses the degree of network satisfaction with and loyalty to the Company and positioning with respect to the market benchmark. In 2016, UnipolSai already reached its target of improving its positioning compared to that surveyed throughout the plan (3.19 vs 3.12). Rising trust and loyalty within the sale network can also be measured based on **attractiveness for sub-agents**, which grew by 14.8% in 2016.

Support and promotion, through the investment decisions of sustainable companies

An additional lever that the Unipol Group makes use of to enact its strategy of shared value regards *Responsible* Asset Management activities, which aim to combine economic and profitability targets with social, environmental and governance objectives (ESG – Environmental, Social and Governance approach). In this regard, for the sixth year, non-financial risks are monitored every quarter based on the ESG guidelines. To further strengthen this monitoring, starting this year the Group pledged to comply with the **Principles for Responsible Investment (PRI)**[5].

For the selection and reporting of **private equity, real asset and hedge fund investments which also are relevant for SRI (Sustainable and Responsible Investment) purposes**, methodological *due diligence* was conducted which, alongside the usual financial analyses, calls for an analysis of social/environmental and governance (ESG) criteria which are continuously revised and updated, and the mapping of non-financial risks which could have a reputational impact.

In the field of the green economy, investments were made primarily in alternative energies, also selecting important sustainable mobility initiatives. In Welfare, we maintained our investment in residential care services.

We also boosted investments in the area of infrastructure for digital innovation (particularly fibre for high-speed connections) dedicated to introducing networks into rural areas, triggering social benefits for local communities. There is also a fund which applies the sustainable investment strategies, defined by Eurosif[6], of *integration*[7] and *soft engagement*[8].

Overall, the value of these investments comes to roughly **€144m**, of which 73% is invested in the sectors and strategies described above.

As regards **socially impactful investments**, Unipol is present within the social housing sector through its investments in several specific Funds. These Funds develop and manage social real estate with the goal of supporting a new supply of accommodation for those who are unable to satisfy their housing needs in the market, for economic reasons as well as due to the lack of adequate availability.

At the end of 2016, investments in social housing totalled around **€3.3m**.

Contribution to the growth of the country, supporting SME development and increasing insurance knowledge

Within a particularly difficult economic and social environment for companies, especially SMEs, the Unipol Group has developed products and services for segments of business customers deemed most important within the social and economic fabric in which the Group operates: the organised world of employees, SMEs, the professions and cooperation.

The measures implemented to boost the productivity and competitiveness of business customers (7% of the total portfolio) leverage the specialisation of the agent network, process innovation and improved risk management.

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[5] Principles promoted in 2006 by the United Nations to favour the spreading of sustainable and responsible investment amongst institutional investors, which are signed and implemented by financial sector companies. The companies commit to incorporating ESG concerns within investment analyses and decision-making processes, as well as their company policies and practices.

[6] Eurosif (European Sustainable Investment Forum) is an international non-profit association whose mission is to develop sustainability through the European financial market.

[7] Explicit integration by the financial operator of ESG opportunities and risks within traditional financial analysis and investment decisions based on a systematic process and appropriate research sources.

[8] Dialogue between the investor and the investee company

These measures, along with the strengthening of coverage for production risks, to support credit and the financing of innovation and growth, aim to improve policyholder services and reduce the impact of losses. Indeed, to deal with an interruption in production activities, Unipol and its specialised partners have launched a service for business customers (particularly SMEs) which entails **prevention** activities based on the definition of *Disaster Recovery Plans* and **highly specialised support services** post claim, such as emergency intervention and rescue actions, which reduce recovery times to a minimum.

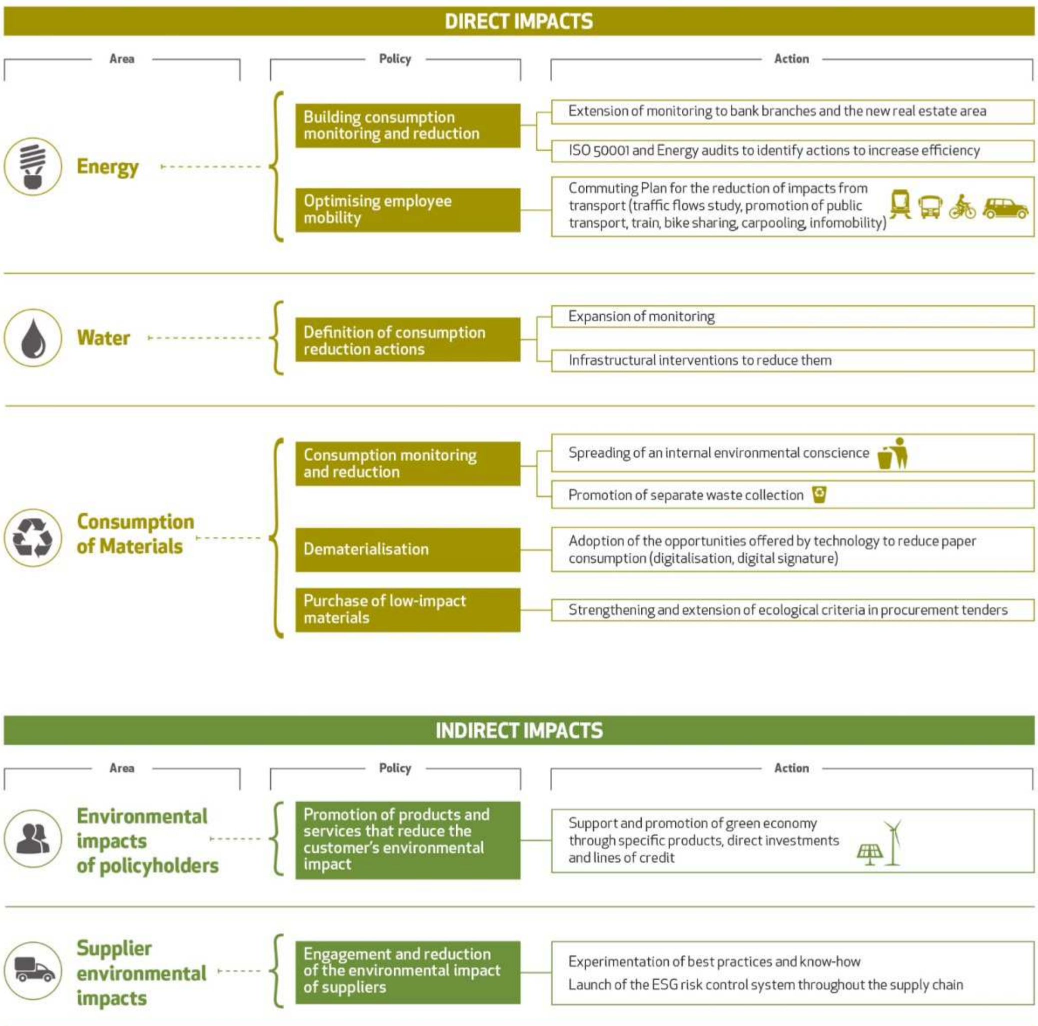
In keeping with this approach, to face the damages arising from the **catastrophes** that struck Central Italy in 2016, the Group disbursed €29m. In both cases, advances were provided within 15 days of the date of the event.

The commitment to supporting the adoption of risk reduction behaviours at individual and company level is a fundamental lever to boost production system resilience.
This is why in 2015 the Unipol Group launched a European project entitled **Life DERRIS** – *Disaster Risk Reduction Insurance* to try out an innovative multi-stakeholder collaboration model that involves the public administration, insurance companies, the world of research and businesses to reduce the risks caused by extraordinary weather events.

Contribution to reducing the effects of climate change

The Unipol Group's environmental performance has improved thanks to the increasing attention it dedicates to the topic of energy efficiency in all buildings owned by the Group and in particular in the main operating sites, where already for some time consumption governance and control measures have been launched to guarantee transparency and continuous monitoring capacity.
As regards environmental impacts, responsibilities, objectives and the relative policy documents are distributed amongst the various functions whose activities directly impact the environment. Over the years, specific policies and commitments have been defined to reduce direct and indirect environmental impacts, also thanks to the involvement of employees, partners and suppliers.

Management of environmental impacts



In 2016, the process of certifying consumption management in all buildings owned by the Group, and in particular at the operating sites, in accordance with the **ISO 50001 standard**, continued.
For the 19 buildings certified, the Group committed to reducing its electricity and thermal energy consumption by 2% compared to 2014, and based on the certification of 2016 data, the objective was met and renewed for this year. The aim of this objective is to pursue standardisation in the activities carried out, by enabling the reporting, tracking and repeatability of the Energy Management System as an integral part of the Certification.

For all properties within its scope, the Group has committed to reducing CO_2 emissions, as reported in the 2016-2018 Plan, according to which tonnes of CO_2 per employee should be reduced by 15% by the end of the three-year period. The decline was 4.9% in 2016, against a reduction in total heat and energy consumption. Since 2015, 100% of the energy supplied comes from renewable sources, based on framework supply agreements.

-4.9%

CO_2 emissions per employee

Consumption and emissions

ENERGY CONSUMPTION		EMISSIONS		Var. 2015-2016
Gas	m^3 2,541,381	Direct emissions (Scope 1)	6,315 t CO_2	**-31%**
Diesel	Lt 323,251			
Gpl	Lt 89,360			
Electricity	mWh 88,478	Emissions from purchase of energy (Scope 2)	196,937 t CO_2	**-2%**
District heating and District cooling	mWh 896,678			
		TOTAL	**203,252 t CO_2**	**-3%**

With respect to reporting, for many years now the calculation methodology laid out in Directive EU/86 of 2003 on the *emission trading scheme* has been adopted, in addition to the international classification laid out by the *GHG Protocol* standard in *Scope 1, Scope 2 and Scope 3*. This decision was dictated by the desire to promote greater transparency and comparability of environmental data, including in comparison with other Companies, in addition to cultivating a culture of transparency regarding environmental data, which is not very widespread in the sector, although the Group has placed importance on this aspect with a view to the full assessment of its corporate performance and responsibility.

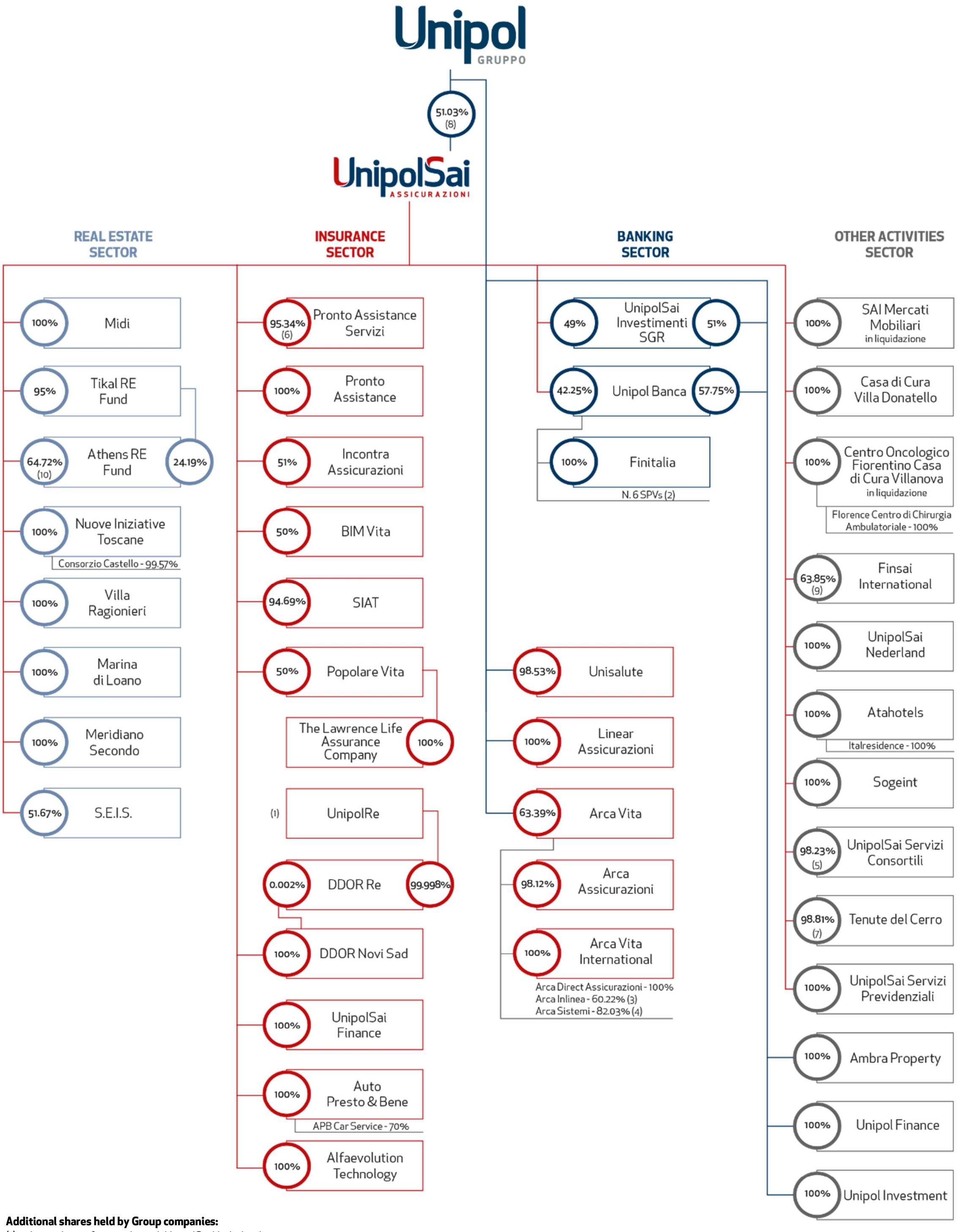
In the future, the Group will continue to be committed to maintaining its downward trend in direct emissions of CO_2 recorded in recent years by coming into line with what has been defined at European level with regard to the achievement of COP21[9] objectives.

Within the Group, the use of water is primarily linked to civil uses; in limited cases it is also used for technological purposes in air conditioning systems. The water used comes from the mains system or other water service management companies. The total consumption came to 1,588,144 m^3 in 2016.

For waste management, the Group followed municipal directives for proper waste disposal, including by changing its processes and procedures to comply with separation rules. The majority of separated waste collected is paper and cardboard. Waste toner and other hazardous waste (neon tubes, batteries, etc.) are disposed of separately in the appropriate manner, in accordance with regulations in force, through specialised firms and in line with the rules on compulsory record keeping.

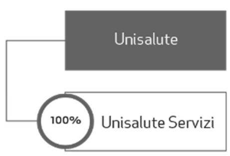
[9] Paris climate change conference held from 30 November to 12 December 2015. This was the 21st annual Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC). The conference negotiated the Paris agreement, a global agreement on limiting climate change, which will become legally binding if ratified by at least 55 countries, which together represent at least 55% of global greenhouse gas emissions. The parties should sign the agreement in New York between 22 April 2016 and 21 April 2017, and also adopt it within their legal systems (through ratification, acceptance, approval or adhesion). Italy ratified the agreement in 2016. The commitment assumed by the countries and governments is to maintain the temperature increase below 2°C with respect to the pre-industrial period, while making all possible efforts to limit this increase to 1.5°C.

Activities and sectors



Additional shares held by Group companies:

(1) indirect share of 100% 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% by Unipol Investment
(9) 36.15% share held by UnipolSai Finance
(10) 0.68% share held by Unipol Banca



Unipol Gruppo Finanziario S.p.A. (Unipol or UGF) is the holding company at the top of the Unipol Insurance Group, a leading Italian insurance group, as well as of the Unipol Banking Group. Unipol is listed on the Milan Stock Exchange and manages and coordinates all the subsidiaries. The main shareholder of Unipol is Finsoe S.p.A., the holding company that currently holds 31.40% of the share capital, in turn owned by companies of the cooperative movement in Italy. The sectors in which the Group carries out business are described below.

Insurance Sector: activities are carried out primarily through **UnipolSai Assicurazioni S.p.A.**, a company in turn listed on the Milan Stock Exchange which carries out insurance and reinsurance activity in all Non-Life and Life segments, primarily through the agency network. Aside from UnipolSai, the Unipol Group is active with the following specialised companies:

- **Linear**, a company specialised in direct sales (online and call centre) of MV products;
- **SIAT**, a company operating in the Transport class, with Corporate customers reached primarily through brokers;
- **UniSalute**, the top health insurance company in Italy by number of customers managed, specialised in the Healthcare segment (Health and Assistance).

Unipol is also the second operator in the Serbian market with its subsidiary **DDOR Novi Sad**.

The Group presides over the bancassurance channel through the Unipol Banca branches and joint ventures with leading Italian banks. In particular, **Arca Assicurazioni** and **Arca Vita** distribute their products through the branches of 60 banks with which dedicated agreements have been entered into, including Banca Popolare dell'Emilia Romagna and Banca Popolare di Sondrio; **Popolare Vita** and **Lawrence Life** based on agreements with the Banco Popolare BPM Group; **BIM Vita** with Banca Intermobiliare and **Incontra Assicurazioni** with the Unicredit Group.

The companies specialised in reinsurance are **UnipolRe**, a company that offers reinsurance services to small and medium sized companies headquartered in Europe and **Ddor Re**, the Serbian reinsurance company.

Companies instrumental to the insurance business which characterise and make the Group's insurance offer distinctive with the direct and integrated governance of service processes:

- **Auto Presto&Bene,** network of repair shops present throughout the country to offer MV policyholders certified repairs with no cash advance;
- **APB Car Service (MyGlass),** for repair and glass replacement services;
- **AlfaEvolutionTechnology,** a company established in 2016 as the telematics provider of UnipolSai and other Group companies.

Banking Sector: the Group carries out traditional banking activity, portfolio management services and other investment services through **Unipol Banca**. Through the financial services of **Finitalia**, the Group is also active in consumer credit, particularly in providing personal loans and zero-rate financing services for the insurance premiums of Unipol Group customers.

Real Estate Sector: the Unipol Group manages real estate assets totalling €4.4bn through the company UnipolSai Assicurazioni, which directly holds roughly 97% of the Group's real estate, and through 9 specific companies (including two Property Funds).

Holding and Other Businesses Sector: the Group operates in the Italian hospitality sector thanks to the 43 resorts, hotels and apartments managed by the subsidiary Atahotels in some of the main cities and most renowned tourist destinations in Italy. It is active in the agricultural sector with the company Tenute del Cerro, which owns roughly 5,000 hectares of land in central Italy for the production of high quality wine. In the healthcare sector, the Group is present through the Villa Donatello health care facility (Florence) and the Centri Medici Unisalute healthcare centre of the company Unisalute Servizi.

The performance of the various business areas in which the Group operates is reported in the Performance of the Unipol Group section

Identity profile

The Unipol Group is the second insurance group in the Italian market and the first in the Non-Life Business, amongst the top ten in Europe. At consolidated level, as at 31 December 2016 the Group earned direct insurance premiums of roughly €14.8bn, of which €7.8bn in Non-Life and €7bn in Life. Unipol adopts an integrated offer strategy to cover the entire range of insurance and financial products.

The Group's positioning is focused on the core insurance business, leveraging its excellence with a view to strengthening its leadership in the MV segment and further developing its offering dedicated to covering Health, Pension and Investment requirements, to offer customers innovative and distinctive products and services capable of combining the potential of mobile devices, assistance and the service companies.

The banking sector is focused especially on the retail segment, which often consists of UnipolSai policyholders, in addition to family-owned companies, artisans or cooperatives, with the goal of working alongside small businesspeople in their activities and ensuring business continuity. The bank's customers, including individuals and legal entities, number roughly 1.4 million, for direct premiums as at 31 December 2016 of €10.5bn (+5.2% compared to the figure at the end of 2015).

Commercial presence in the community

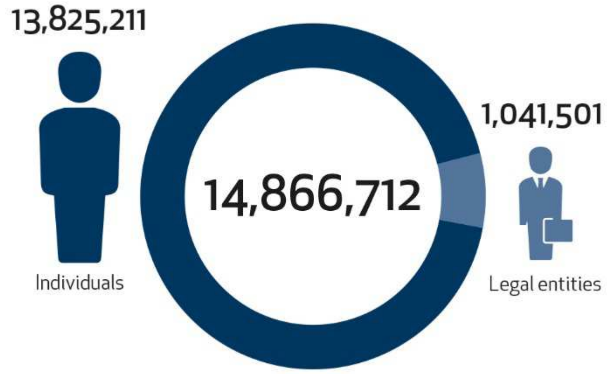
The Group provides its insurance and banking services to nearly 15 million direct customers and policyholders through collective policies: of these, more than 13 million are individuals, with a good rate of retention and cross selling amongst the Group companies.

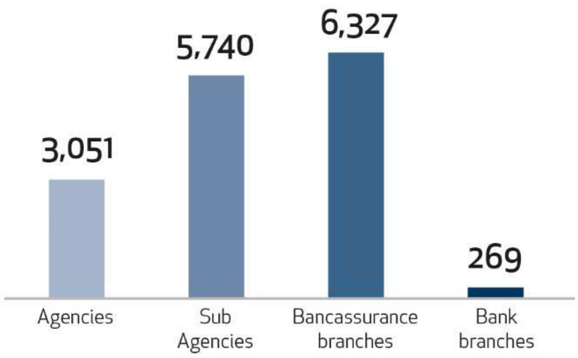
The segment of companies is broken down into two macro-categories based on characteristics and needs: small and medium-sized enterprises (SMEs) and Corporate. The former, as regards UnipolSai Assicurazioni and Unipol Banca, come to a significant extent from Member Organisations, autonomous workers' organisations and associations of small and medium-sized companies (CNA, Confesercenti, CIA) and cooperatives (Legacoop).

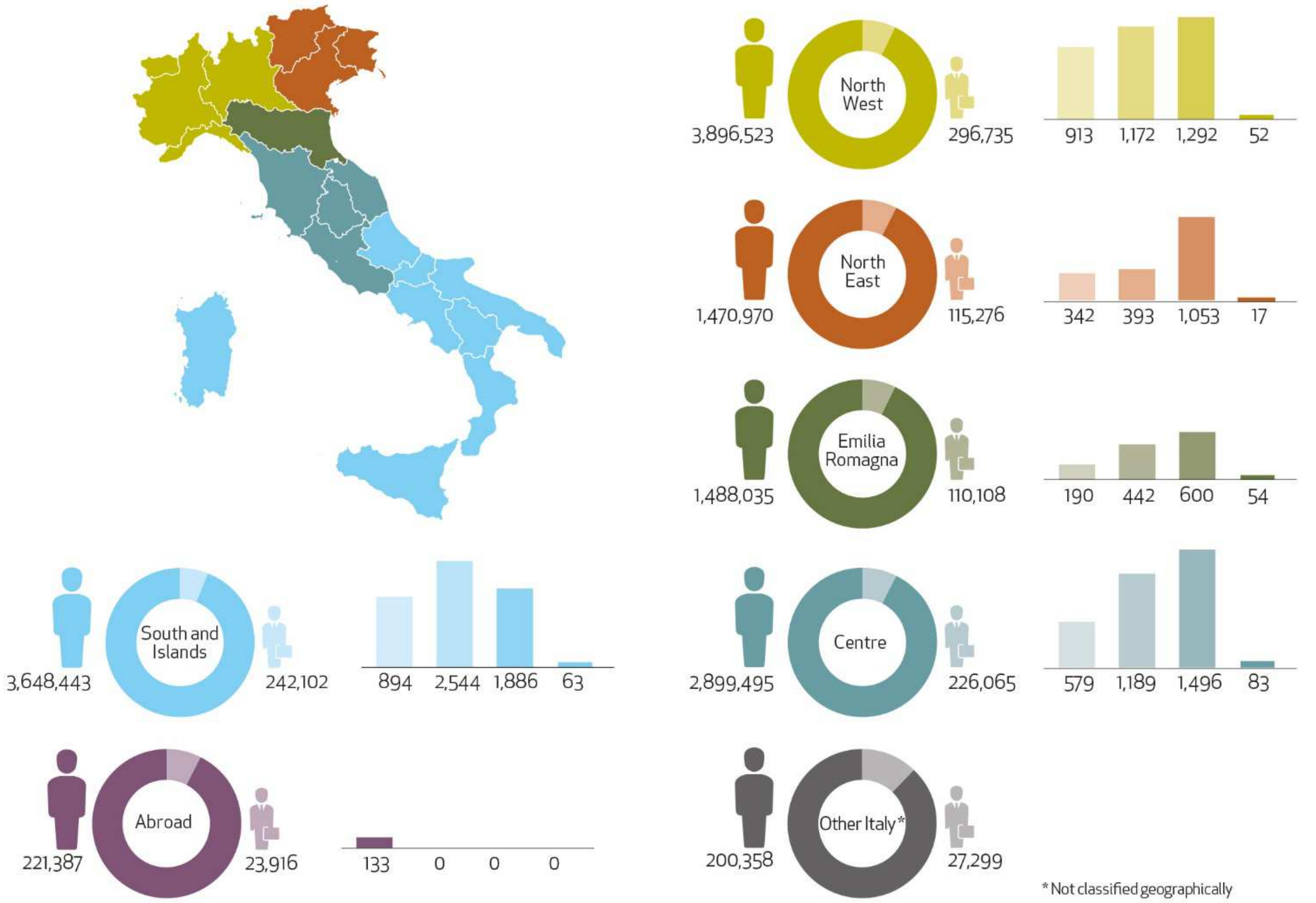
In the Corporate segment, which is defined based on turnover (in excess of €50m), Unipol offers a full range of insurance products and solutions adequate for the needs and characteristics of large companies.

At the end of 2016, the Group's companies portfolio (Corporate and SMEs) counted over 1 million customers (equal to 7% of the total), of which roughly 98% in Italy.

Customers/Policyholders and Local distribution network







*Not classified geographically

Changes in Italian network 2015/2016

- 450
Agencies

+ 74
Sub-agencies

- 2
Bank branches

- 266
Bancassurance network branches

In terms of geographical distribution, it is particularly notable that 28% of the Group's customers in Italy are from the North-West, whilst 26% are from the South and Islands, demonstrating the Group's balanced coverage of the entire country. This coverage is guaranteed first and foremost by the widespread distribution of roughly 33 thousand qualified professionals (of which 523 multi-firm agents), which operate through 2,918 agencies and 5,740 sub-agencies, the intermediation of 670 brokerage firms and seven Corporate Agencies (Assicoop), invested in directly by UnipolSai.

This extensive agency network guarantees complete geographical coverage of the Italian market, and is supported by 269 bank branches and 6,327 points of sale that are part of the bancassurance partnership.

The Group's presence throughout the country is also guaranteed by the presence of UnipolSai and Siat settlement units. UnipolSai's MV settlement centre has 4 head offices, 12 Macro Areas, which include 9 Metropolitan Areas and 81 Settlement Centres responsible for the individual Settlement Units; TPL and Accident Settlement overall comprises 3 Head Offices and 3 Regional Areas organised into 12 Hubs responsible for the individual Settlement Units. In addition, the Siat settlement units are broken down into a head office and 2 settlement units, one dedicated to Goods and one to Land Vehicle Hulls.

Outside Italy, the Group operates in Serbia through a multi-channel network made up of both internal and external structures. The 133 points of sale (+23% over 2015) rely on roughly one thousand external partners and employees to provide services mainly in the northern part of the country, supported by direct sales channels through the Internet.

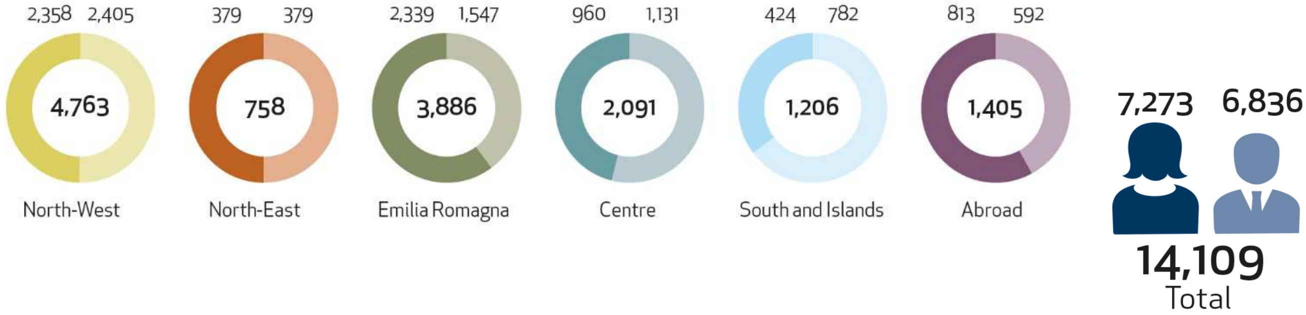
Human Resources

As at 31 December 2016, there were 14,109 people employed by the Unipol Group Companies.
With respect to last year, employees increased by 1.7%, concentrated in the insurance segment.

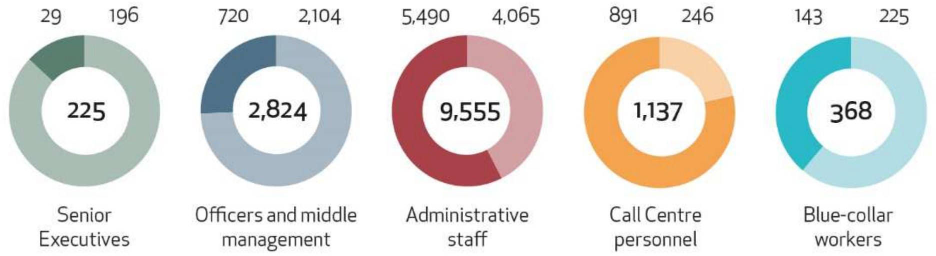
Women represent roughly 52% of the workforce, whilst there are 749 women in managerial positions.
Of the 7,273 women, 27% work part-time.

Number of employees by sector

Number of employees by geographical area



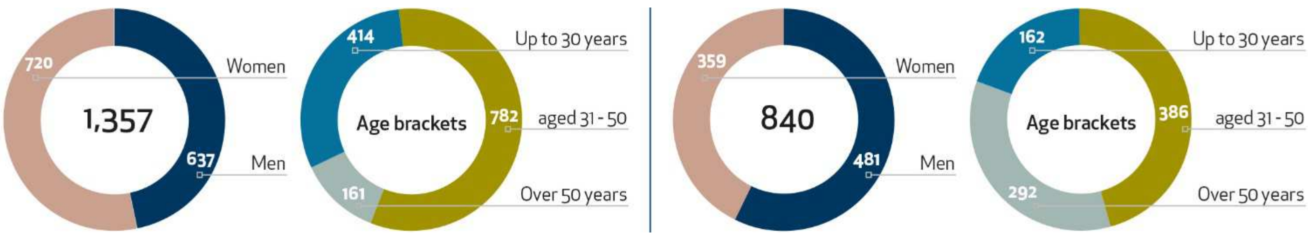
Number of employees by job-level category



+245
Increase in the number of employees

The turnover ratio, calculated as the ratio between the sum of the number of people taken on and those leaving and the total number of employees (excluding seasonal personnel), was 16%. The average age of personnel on staff as at 31 December 2016 is 46.5 years, while the average seniority is just under 20 years. As regards education, 43% of the staff has a university degree and roughly 50% have completed high school. 4.5% of the staff belongs to disadvantaged categories.

Turnover by age brackets



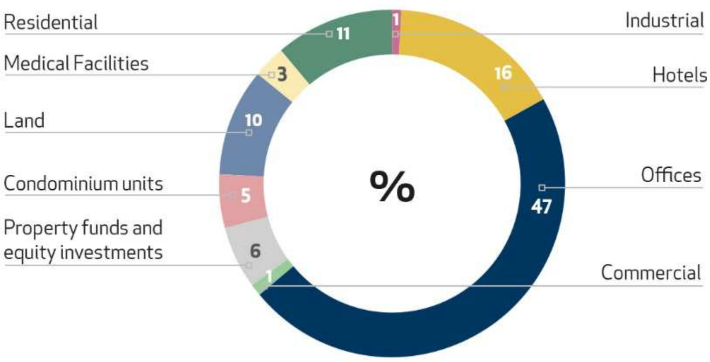
Number of employees by age brackets

The Group's focus on stable employment is also confirmed by its marginal use of staff supply contracts: overall, 96% of employees have a permanent contract. Roughly 16% of the staff work part-time, of which 86% are women.

Real estate portfolio

In the real estate sector, the Unipol Group is one of the top players in Italy in terms of the extent of its assets.

Real estate assets by intended use



The Group's properties can be broken down into two macro-categories:

- property "used by third parties", buildings owned by the Group but not used by Group Companies. These assets are leased primarily to third parties based on approximately 1,700 lease agreements;
- "instrumental" property, assets used mainly to carry out the business of the Group Companies.

Geographical breakdown of the real estate assets

RISKS AND OPPORTUNITIES

Macroeconomic background and market performance

Macroeconomic background

global economic growth

+2.9%

Euro area GDP

+1.7%

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

The Euro area should achieve an expansion of the Gross Domestic Product (GDP) of around 1.7%, higher than in 2015 and than the potential growth estimated between 0.9% and 1.2%.

In 2016, the ECB intervened in monetary policy during its March meeting, reducing to zero the discount rate and to -0.40% the deposit rate paid by the monetary authority on the treasury accounts of commercial banks; and during the December meeting, deciding to adapt its quantitative easing to a European economic environment of moderate but constant growth.

- In the **United States**, economic activity developed at a rate just over 1.5%. After modest growth year on year in the first quarter, equal to 0.8%, the rest of the year saw the economy bounce back significantly thanks to domestic consumption, buoyed by the high level of employment attained (December unemployment was 4.7%).
- **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 prices, especially of oil, widespread positive
- **China** saw the growth of its gross domestic product (+6.7%) align to the target set by the government (between 6.5% and 7%). However, the risk associated with excessive debt in the private sector. remains.
- **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.

- The **Italian economy** achieved a growth rate of approximately 0.9%, thanks to the less restrictive fiscal policy and the resulting recovery in domestic demand. However, the general unemployment rate rose to 12%, whilst the youth unemployment rate returned above 40%. With regard to public finances, while debt seems substantially under control, the unsatisfactory pace of growth of our economy is being revealed as an obstacle to reducing the incidence of the Italian public debt on the GDP.

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.

The spread between Italian and German securities rose across all maturities, from 34 points for the two-year security (from 0.33% to 0.67%) to 79 points for the thirty-year security (from 1.20% to 1.99%).

The euro started 2016 at 1.089 to the dollar, then weakened towards year end, standing at 1.055 at 31 December.

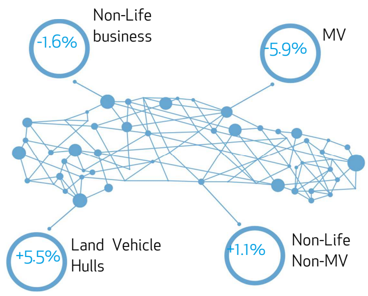
Eurostoxx 50:
+0.7%

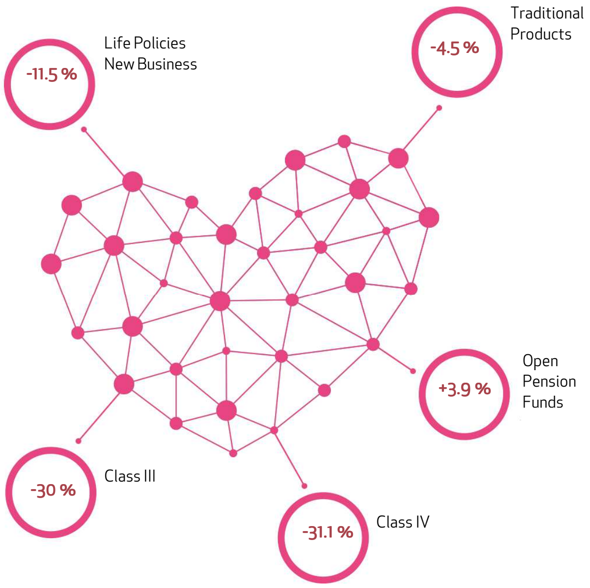
Ftse Mib:
-10.2%

Itraxx Senior Financial:
-8.2 bp

Insurance Sector

The year 2016 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** in the first three quarters of 2016, with respect to the same period in 2015. The downturn was concentrated in the MV segment, in which **MV TPL declined 5.9%** due to the average premium reduction of nearly 5%, while **Land Vehicle Hulls rose 5.5%**, also thanks to the 16% rise in vehicle registrations.
In the first nine months of the year, **Non-Life Non-MV market premiums increased by 1.1%**. In particular, certain classes recorded significant growth: Health (+8.3%), Bonds (+7.5%) and Assistance (+7.5%).





The new production of individual Life policies recorded an 11.5% decrease compared to 2015, for a monetary volume close to €101.6bn. This result arose from the low insurer propensity to place class I products (with interest rates at a new low), and the modest appeal of unit-linked policies due to financial market volatility, especially in the first half of 2016. These dynamics caused a modest decline in the premiums relating to 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, and modest growth was recorded for open pension funds (+3.9%). The agency networks had a modest drop in premiums: -1.7%.

Net Life flows, i.e. the difference between premiums and services paid by insurers, remained positive. Lastly, technical provisions for the Life business increased by more than €51bn compared to €608bn at the end of September 2016.

Banking Sector

In 2016, the problem of **impaired loans** afflicting the Italian banking system emerged in all its severity. In addition, the application of "bail in" to four small local banks, in hardship at the end of 2015, induced marked risk aversion and the ensuing severe volatility of the sector's index. These factors required the government to intervene by approving an allocation of €20bn to strengthen the Italian banking sector.

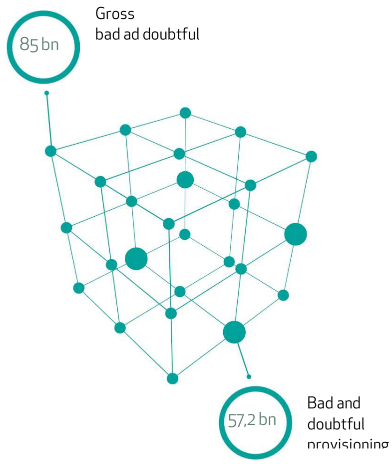
In November 2016, **loans to non-financial companies** decreased by 1% on the end of 2015, while loans to households increased by 0.7%. The overall stagnation of loans also dragged down direct deposits, which declined by 1.5%. The most rapidly declining form was bonds (-10% compared to December 2015).

Funding from abroad contracted by 5.3%, while the **securities portfolio** grew by more than €6bn (+0.9% compared to the end of 2015). The component of Italian government bonds declined by only the modest amount of just over €6bn, reaching €382.8bn.

Net of impairments, the **total amount of gross bad and doubtful loans** fell to slightly above €85bn. 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 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% in November 2016.

With regard to direct deposits, there were only slight limitations 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%).

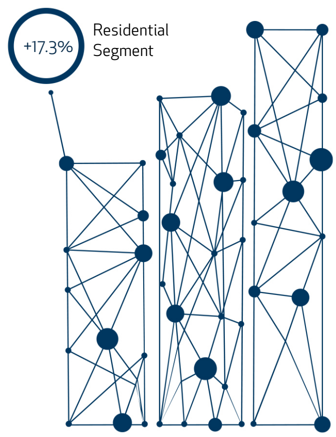


Real Estate market

In the third quarter of 2016 the number of **real estate transactions** in the residential segment recorded a 17.3% increase with respect to 2015 (figures: Land Agency). 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.

For 2016, a decline has been estimated in the unit prices of all types of property, from -1.2% for homes to -2.3% for offices (source: Nomisma).

The economic survey on the Italian housing market reported the prevalence of expectations of price stability, the decline in the average discount relative to the initial price (dropped to 13% in the third quarter of 2016) and a reduction of roughly nine months in selling times.



Main regulatory developments

The main regulatory updates applied in 2016 relate to the new Solvency II framework. Legislative Decree 74/2015 supplemented and amended the Private Insurance Code ("Codice delle Assicurazioni Private" or CAP) published in the Italian Official Gazette on 16 June 2015 in order to implement Directive 2009/138/EC ("**Solvency II**"), in force since 1 January 2016. At the same time, an in-depth revision of secondary regulations was necessary to enact the actual harmonisation and consistency with Solvency II.

JAN

IVASS Regulation no. 17 of 19 January 2016 - regulating in details solvency calculation criteria and procedures by groups (Solvency II), abrogating ISVAP Regulation no. 18/2008 on proper solvency verifications..

MAR

IVASS Regulation no. 18 of 15 March 2016, aside from providing provisions that specify the general principles, the application rules and the methods to be adopted to determine the technical provisions and their validation, 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.

MAY

IVASS Regulation no. 21 of 10 May 2016 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. The Regulation identifies the criteria for identifying entities subject to reporting, the general principles of periodic quantitative information as well as the content, terms and formats for transmitting data to the supervisory authority.

JUN

IVASS Regulation no. 22 of 1 June 2016 relates 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 the first case, the supervision instruments prescribed on the national subgroup do not apply, unless otherwise provided by IVASS, while in the second case the supervision instruments apply on the Italian subgroup, unless otherwise provided by the same Authority.

IVASS Regulation no. 24 of 6 June 2016 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.

JUL

IVASS Regulation no. 25 of 26 July 2016 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.

OCT

IVASS Regulation no. 30 of 26 October 2016 encloses the supervisory provisions for intercompany transactions and risk concentrations, with the aim of updating the rules for intercompany transactions and for monitoring risk concentrations both at the individual and at group level..

NOV

IVASS Regulation no. 32 of 9 November 2016 pertains to Own Risk and Solvency Assessment (ORSA) provisions. 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.

DEC

IVASS Measure no. 53 of 6 December 2016 amends ISVAP Regulation no. 22 of 4 April 2008 as well as no. 7 of 13 July 2007, regarding the layouts for the financial statements of insurance and reinsurance companies obligated to adopt international accounting standards. These amendments regard the Unipol Group relating 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;
- transmission of the financial statements and of the half-yearly financial report to the Supervisory Authority only in digital format.

IVASS Regulation no. 33 of 6 December 2016 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.

2017

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).

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.

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 in 2017 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:

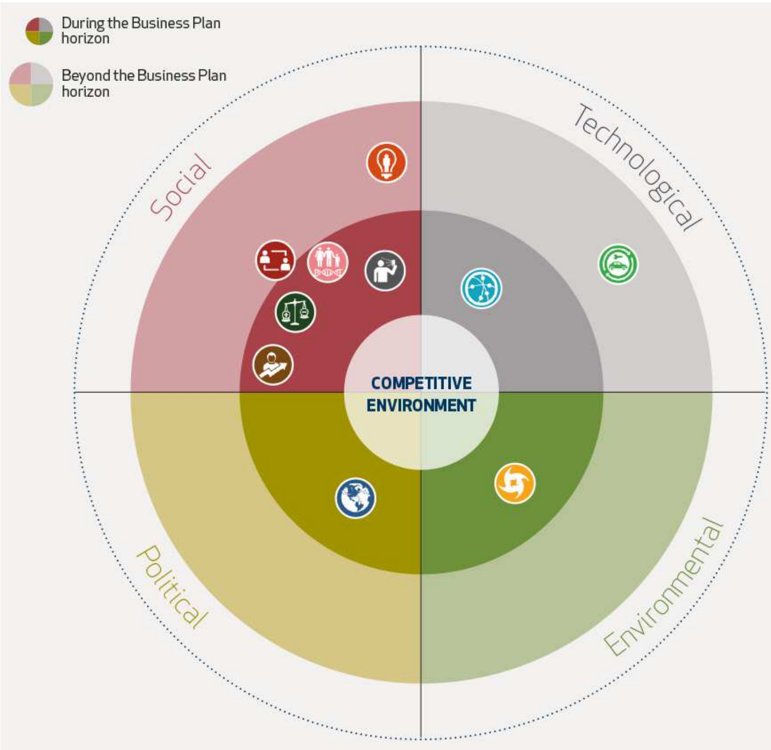
<u>Decree Law no. 193 of 22 October 2016 converted with Law no. 225 of 1 December 2016 ("Connected to the 2017 Budget Law")</u> introduces some changes pertaining to periodic VAT obligations directed at contrasting evasion, as well as some tax simplifications. Among the latter, of note is the move to 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.

<u>Law no. 232 of 11 December 2016 ("2017 Budget Law")</u>, among the various provisions, introduced individual long-term saving plans (PIR), management 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.

Group response to macro trends

The Group's decision to create the Reputational & Emerging Risk Observatory meets its objective of guaranteeing structured listening to signs of change in the external environment, represented by the four aspects: "social, technological, environmental and political", and ensuring a 360 degree view of emerging trends, in order to protect itself from threats and identify new opportunities early.

Unipol Group Emerging Trend Radar



The **Reputational & Emerging Risk Observatory** is based on four methodological pillars:

- the formation of a Technical Panel, to guarantee an integrated and synergistic approach amongst the various company functions;
- the involvement of the Business Departments, to create a strategic tool supporting Group development;
- the use of a predictive model to adopt a "*forward-looking*" approach, meant to anticipate future risks and opportunities;
- the integrated evaluation of stakeholder expectations with the internal view of Group Management.

On the basis of the first cycle of analysis conducted within the Observatory, **10 emerging Macro Trends** were identified, which over the 5-year time horizon will significantly impact the insurance sector. These macro trends were included within the Group's emerging trend radar in order to analyse their dynamics and interconnections, evaluate their impacts on the various phases of the value chain and identify their risks and opportunities, also with a view to the Group's strategic planning.

SOCIAL

HYBRID CONSUMER

Always connected: virtual mobility, mixing between the real and the virtual, e-commerce, credibility and security of cyber-space.

The "prosumer": loyalty, role, values.

Risks

- Potential increase in lack of customer loyalty.
- Potential conflict between the various company access channels available to customers and misalignment between information and the image conveyed.
- Potential threat from comparison tools, direct companies and non-insurance *players*.
- Growing relevance of reputational risk.

Opportunities

- Integrated multi-channel and multi-access strategy.
- Enhancement of the offer to provide customers with 360° service.
- Simplification of products and communications with a view to transparency.
- Improvement of the *customer experience*.
- Leveraging best customer practices.
- Procection from risk.

GROUP RESPONSES

- **Multi-channel strategy.**
- **Projects for the digitalisation and streamlining of processes with a view to simplifying the customer and agent experience.**
- **Strengthening of distinctive direct repair and assistance services in the MV segment.**
- **Extension to Non-MV of the service model based on direct damage repair and assistance.**
- **Integrated Reputation management model, with the dual objective of Construction and Protection.**

SOCIAL

HUMAN SOCIETY 2.0

Longevity and ageing, generational changeover, immigration and multi-culturality, evolution of nuclear families, role of pets.

Risks

- Underestimation of trends and failure to update Life policy rates.
- Inability to maintain appeal with younger generations.

Opportunities

- Awareness-raising and education with regard to using insurance as a planning tool throughout the life cycle.
- Strategies for increasing offer personalisation, also in light of the evolution of the family 2.0.

GROUP RESPONSES

- **Telematics as a lever for personalisation and engaging with customers.**
- **Agency organisational model oriented towards sales force specialisation.**
- **Doctor Pet - UniSalute insurance for cats and dogs.**

SOCIAL

INSTABILITY AND POLARISATION

Fear, unemployment and unstable employment, uneven distribution of wealth, social tension, frugality and combating waste.

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Risks

- Reduction of disposable income with potential impacts on demand for insurance coverage.
- Increase in insurance fraud.
- Search for low prices and competitive pressure from low-cost channels.
- Extended scenario of low interest rates.

Opportunities

- Offering payment of policies in instalments
- Offering basic low-cost coverage to guarantee accessibility to the most vulnerable segments of our society.
- Offer segmentation and differentiation.
- Offering new forms of coverage linked to the growing sense of vulnerability in standards of living.

GROUP RESPONSES

- **Financing services with monthly zero-rate instalments.**
- **Tools for protecting family standards of living (Salvabenessere and Salvapremio guarantees).**
- **Increase in the number of Family Welfare and SME Business Specialist consultants.**

SOCIAL

WELL BEING

The importance of health and welfare, development in the field of biology and biogenetics and predictive models., preventive medicine, personalised medication, lifestyles and eating habits, dependants, rebalancing of State welfare, market and sharing economies.

Risks

- Lack of consideration of nutrition, physical activity, obesity and prevention in risk profiling factors.
- Lack of consideration of the epidemiological shift, with the predominance of chronic/degenerative illnesses.
- Increased privacy risk.

Opportunities

- Complementarity of the State for welfare system management.
- Offering prevention and predictive diagnostics services.
- Improvement in the capacity to profile and monitor risk, thanks to genetic diagnostics tools or digital devices.
- Encouragement of healthier lifestyles through wearable devices.
- Offering home care and digital health services.
- Possibility of extending protection accessibility to more vulnerable categories of the population.

GROUP RESPONSES

- **New offer dedicated to healthcare protection requirements.**
- **New partnerships with the public sector.**
- **Prevention and diagnostics tools linked to chronic illnesses.**
- **Sale of UniSalute healthcare plans through Unipol Banca bank branches and UnipolSai agencies.**

SOCIAL

SHARING ECONOMY

Paradigm shift: from property to access, collaborative consumption, circular economy.

Risks

- Reduction of the insurance base due to the sharing of assets, car sharing and *pay per use* policies.
- Changeover in customer types, with the gradual shift from *business-to-consumer* to *business-to-business* relationships.

Opportunities

- Role of insurance in favouring a climate of trust in relationships between peers.
- Partnerships for the creation of integrated ecosystems.
- Development of new forms of insurance linked to new consumption models.
- Leveraging of stakeholders as Group "ambassadors".

GROUP RESPONSES

- KM sicuri and KM&Servizi policies with a "Per Kilometre" rate on a pay per use basis.
- Service models based on the concept of access through the implementation of telematics.
- Leveraging of customers as Group «ambassadors» by monitoring the Net Promoter Score indicator.

SOCIAL

NEW SKILLS

Need for new skills, new organisational models, leveraging of intangibles and human capital.

Risks

- Lack of a timely response to emerging trends.
- Lack of a timely response to changes due to difficulties in communication and collaboration between functional areas.

Opportunities

- Continuous training of resources.
- Human capital development and engagement activities.
- Evolution of organisational models.
- Increase in efficiency and productivity through *smart working* initiatives.
- Development of innovation capacity.
- Offering new forms of coverage linked to the increasing commingling between domestic and non-domestic environments.

GROUP RESPONSES

- UNICA, Unipol Corporate Academy.
- Leithà, dedicated to Innovation.

TECHNOLOGICAL

INTERNET OF EVERYTHING

Black box, digital devices, Big Data, privacy, data security, cyber risk.

Risks

- Loss of oversight over data and customer relationships.
- Difficulty of attracting and retaining specialised resources for *Big Data* analysis and management.
- Increasing *cyber* vulnerabilities.
- Increasing *privacy* risk vulnerabilities.

Opportunities

- Evolution of the role of insurance from "compensation" to "prevention".
- Optimisation of claims management and strengthening of fraud prevention.
- *Increasingly* personalised pricing.
- Growing frequency of customer relationships and services.
- Growing demand for protection from *cyber risk*.
- Management process optimisation.

GROUP RESPONSES

- Leadership in MV insurance telematics.
- Leveraging of telematics for customer service and claims management optimisation.
- Range of insurance products associated with telematics devices (business policy).
- Strategic nature of Alfa Evolution Technology to oversee data, know-how and service model.

TECHNOLOGICAL

NEW MOBILITY

New models of mobility, technological evolution of automobiles.

Risks

- Disruptive change in the insurance market with a medium/long-term contraction in the traditional MV TPL business.
- Need for evolution of the insurance contract due to the transformation of the concept of liability.

Opportunities

- Creation of new insurance products oriented towards the multiple aspects of new mobility (driverless cars).
- Development of partnerships with vehicle manufacturers and technological players to create system ecosystems.
- Active role in the improvement of road safety.

GROUP RESPONSES

- **Insurance telematics for the MV segment**

ENVIRONMENTAL

CLIMATE CHANGE

Climate change, greenhouse gas emissions , distribution of animal species, spreading of new illnesses.

Risks

- Failure to incorporate impacts in terms of the growing exposure to extreme weather events into pricing.

Opportunities

- Contribution to the creation of a mixed public/private system.
- Creation of products that incentivise prevention and responsible behaviours
- Offering prevention and disaster recovery consulting services.
- Campaigns of commitment in favour of the climate and environmentally responsible business policies.

GROUP RESPONSES

- **Reduction and optimisation of direct environmental impacts (ISO 50001)**
- **Derris Project**
- **Climate guarantees**

POLITICAL

NEW FRONTIERS

Offer and service internationalisation, contagion risk, increasing political instability, anti-EU sentiment.

Risks

- Increasing system interconnections with the resulting possible growth in contagion risk.
- Need for new skills to manage multi-culturality and complexity.

Opportunities

- Growth and diversification of risks.
- Development of aggregation processes and strategic alliances.
- Offering protection and global risk management services to businesses.
- Increased protection expectations for emerging risks connected with internationalisation.

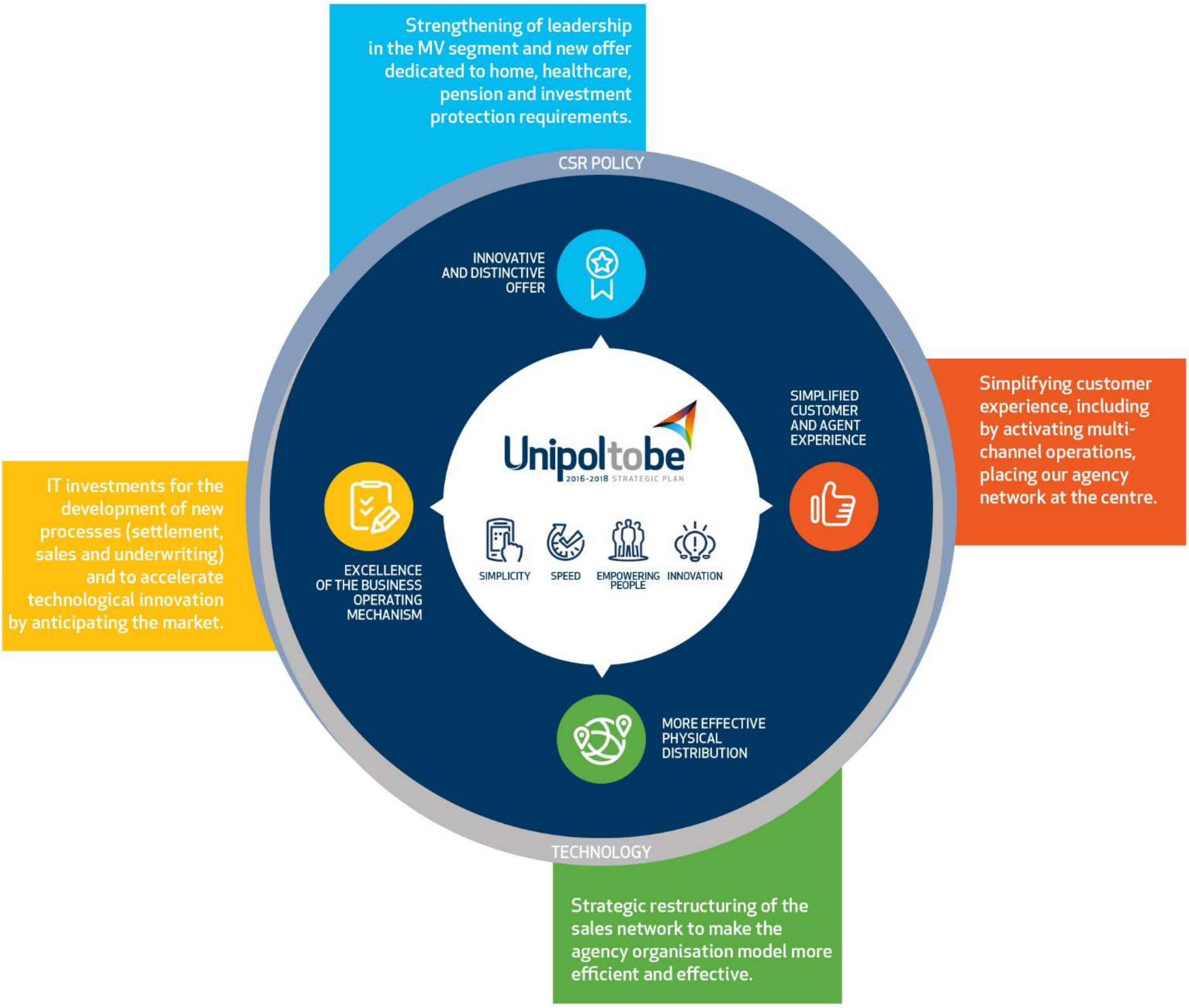
GROUP RESPONSES

- **UnipolRe, the Group's Reinsurance company as a vehicle for growth in foreign markets**

PILLARS OF THE STRATEGY

The Unipol Group, a national leader in Non-Life insurance (with a market share of 21% in the Non-Life sector and 25% in the MV TPL segment[10]), represents a solid business active in five sectors (insurance, banking, real estate, hospitality and "diversified") capable of offering customised and innovative solutions to everyday needs and the long-term plans of households and companies alike, thanks to its proximity to the customer and its widespread professional agency network.

Having concluded the complex and detailed integration project in 2015 of the Fondiaria-Sai Group, which was able to respect value creation targets while maintaining standards of excellence in terms of capital strength and shareholder returns, the Group's new Three-Year Strategic Plan ("UnipolToBE") was launched in 2016.



[10] Source: ANIA, "Italian direct premiums 2015", Italian Companies, EU and non-EU.

UnipolToBE aims to strengthen leadership in the Italian insurance market by leveraging its distinctive elements and generating sustainable profitability over the medium/long-term, thanks to the implementation of a detailed programme of initiatives.

These initiatives were launched within a market context of rapid change that has been particularly challenging due to the still weak macroeconomic environment, the extremely low level of interest rates and a legal and regulatory framework that significantly affects companies' operations and strategic decisions, as well as rapidly evolving customer behaviours, which are tending towards seeking out increasingly personalised solutions through alternative virtual channels.
Closely monitoring customer needs constitutes the underlying spirit that guides all initiatives laid out in the Business Plan, according to four **key drivers: Simplicity, Speed, Innovation and Empowering People.**

In this market context, the Plan calls for pursuing a strategy focused on the *core* insurance business, by leveraging the Group's areas of excellence in insurance services and in the application of telematics in insurance products, using the primary agency distribution network in the Italian market.

UnipolToBe results and objectives

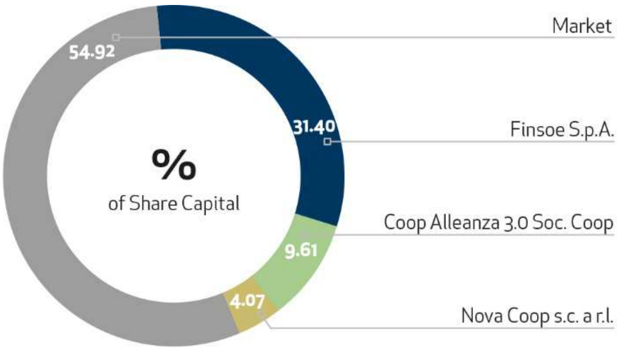
	2016 Actual	2018 Plan Target
Innovative and Distinctive Offer		
New MV Customers	+ 125k	+ 500k
AP&B Claims Channelling	~ 30%	40%
Finitalia financed premiums	830m	~ 1bn
Black Box out of MV portfolio	~ 32%	~ 45%
Penetration amongst the public of welfare coverage	9.2%	10.0%
Impact of products having social and environmental value	19.2%	22%
Simplified customer and agent experience		
Agent sentiment indicator in line with the market	3.19 > 3.12 mkt	> mkt
Customer satisfaction index	97.9	97-98
More Effective Physical Distribution		
Number of Family Welfare Consultants	197	~ 350
Number of Business Specialist Consultants	323	~ 450
Excellence of the Operating Mechanism		
IT investments	64m	~ 150m
Share of "ambassadors" amongst employees	21%	25%
CSR Policy		
Achieving a "solid" reputational index	69.0	70
CO_2 emissions by employee	14.4 tonnes CO_2	12.2 tonnes CO_2
Entry into the main SRI indexes	1	2

For further details, please refer to the 2016-2018 Business Plan "Unipol ToBe" www.unipoltobe.it.

Corporate Governance

SHAREHOLDERS

The main shareholder of Unipol Gruppo Finanziario S.p.A. is Finsoe S.p.A., the holding company that currently holds 31.40% of the share capital, in turn owned by companies of the cooperative movement which operate in various sectors (large-scale retail, agri-food, construction and services).



SHAREHOLDERS' MEETING

The Shareholders' Meeting is the body that expresses the will of the company via its resolutions; the resolutions it passes in compliance with the law and the By-Laws are binding for all shareholders, including those which are absent or dissenting. The Board of Directors considers the Shareholders' Meeting, even in the presence of a broad diversification.

BOARD OF DIRECTORS

CHAIRMAN

Legally represents the Company and exercises the powers laid out in the By-Laws.

CHIEF EXECUTIVE OFFICER/ GROUP CEO

Responsible for the operating guidance of the Company and the Group, in line with the general programmatic and strategic policies defined by the Board of Directors.

Board of Statutory Auditors

Exercise supervision over observance of the law and the By-laws, respect for the principles of proper management.

Independent auditors

Pricewaterhouse Coopers S.p.A., external auditor responsible for the legally-required audit of the accounts.

Chairman's Committee

Carries out an advisory and support role in identifying development policies and the guidelines of the Company's and the Group's strategic and operating plans.

Appointments and Corporate Governance Committee

Carries out a propositional and advisory role in the identification of the optimal composition of the Board of Directors and in the definition of the corporate governance system of the Company and the Group.

Control and Risk Committee

Provides a judgment to the Board of Directors on the definition of the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Company and the Group are correctly identified, and adequately measured, managed and monitored.

The Related Party Transactions Committee

Carries out an advisory, discussion and propositional role with respect to transactions with related parties and associated parties, in compliance with the provisions of regulations in force.

Remuneration Committee

Carries out an investigative, propositional and advisory role regarding remuneration.

Sustainability Committee

Carries out investigations, makes suggestions and provides advice on Unipol Group Sustainability, conducting, inter alia, periodic updates on the main preliminary activities directed to ensure that the Sustainability targets are fully met.

Ethics Committee

Carries out advisory, propositional and decision-making functions relating to the content and purposes of the Group's Code of Ethics, for which it is the main manager, along with the Head of Ethics, for its promotion, proper interpretation and implementation.

Management Committee

A company committee with the objective of supporting the CEO and Group CEO in ensuring more structured control and more integrated supervision of the activities carried out by the companies belonging to the Group, verifying in particular operating performance, in terms of the budget and in terms of the maintenance of the economic, financial and capital balance parameters defined for each company, also in correlation with the risk profiles defined at individual company and Group level.

BOARD OF DIRECTORS

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company. Therefore, it is able to carry out all deeds, including disposals, that it deems appropriate to achieve the corporate purpose, excluding only those that the law expressly places under the responsibility of the Shareholders' Meeting.

○	○▲	●
Chairman **Stefanini Pierluigi**	Vice Chairman **Pasquariello Maria Antonietta**	CEO / Group CEO / GM **Cimbri Carlo**

COMPOSITION OF THE BOARD OF DIRECTORS APPOINTED BY THE SHAREHOLDERS' MEETING OF 28 APRIL 2016

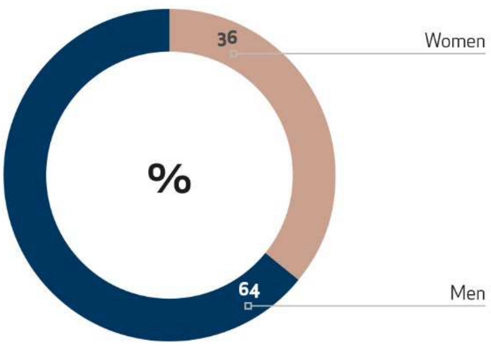
○▲ **Balducci** Gianmaria	○(a) **Berardini** Francesco	○▲ **Candini** Silvia Elisabetta	○(a) **Cattabiani** Paolo	○(a) **Dalle Rive** Ernesto	○▲ **De Luise** Patrizia	
○▲ **Ferraboli** Anna Maria	○▲ **Ferré** Daniele	○▲ **Gualtieri** Giuseppina	○(a) **Levorato** Claudio	○▲ **Morara** Pier Luigi	○▲ **Mundo** Antonietta	○(a) **Pacchioni** Milo
○▲ **Pierri** Sandro Alfredo	○▲ **Trovò** Annamaria	○(a) **Turrini** Adriano	○▲ **Zambelli** Rossana	○(a) **Zini** Carlo	○ **Zucchelli** Mario	

● Executive ○ Non-executive ▲ pursuant to the Corporate Governance Code (1)

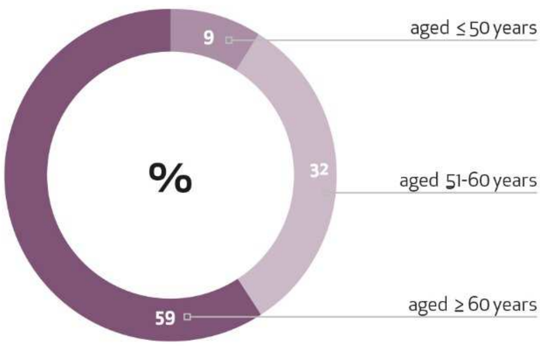
(1) Indicates whether the Director has been classified by the Board of Directors as independent in accordance with the criteria laid out by the Corporate Governance Code and at the same time meets the independence requirements established by Art. 148, paragraph 3 of the Consolidated Law on Finance.

(a) Director excluded from the group of Independent Directors, as he/she has a role within the company bodies of the direct holding company Finsoe S.p.A.

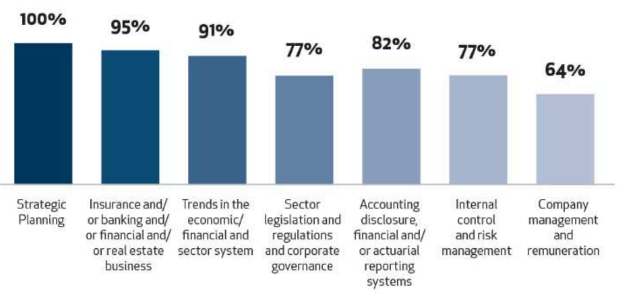
Board of Directors - Breakdown by gender (b)



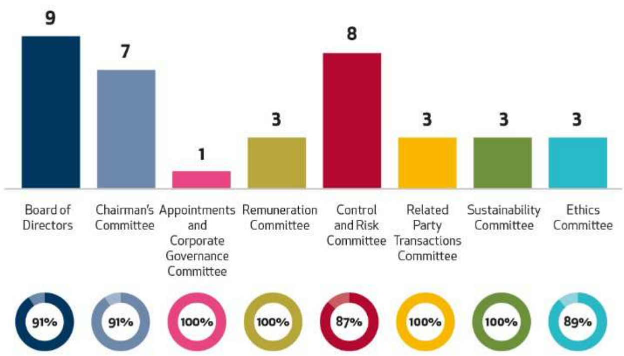
Board of Directors - Breakdown by age (b)



Skills (b)



Number of meetings and percentage of participation (c)



(b) Referring to the Board of Directors in office as of 28 April 2016.

(c) For the entire year 2016.

For detailed information, please refer to the Report on Corporate Governance and Ownership Structures, available in the "Governance" section of the Unipol Group's website.

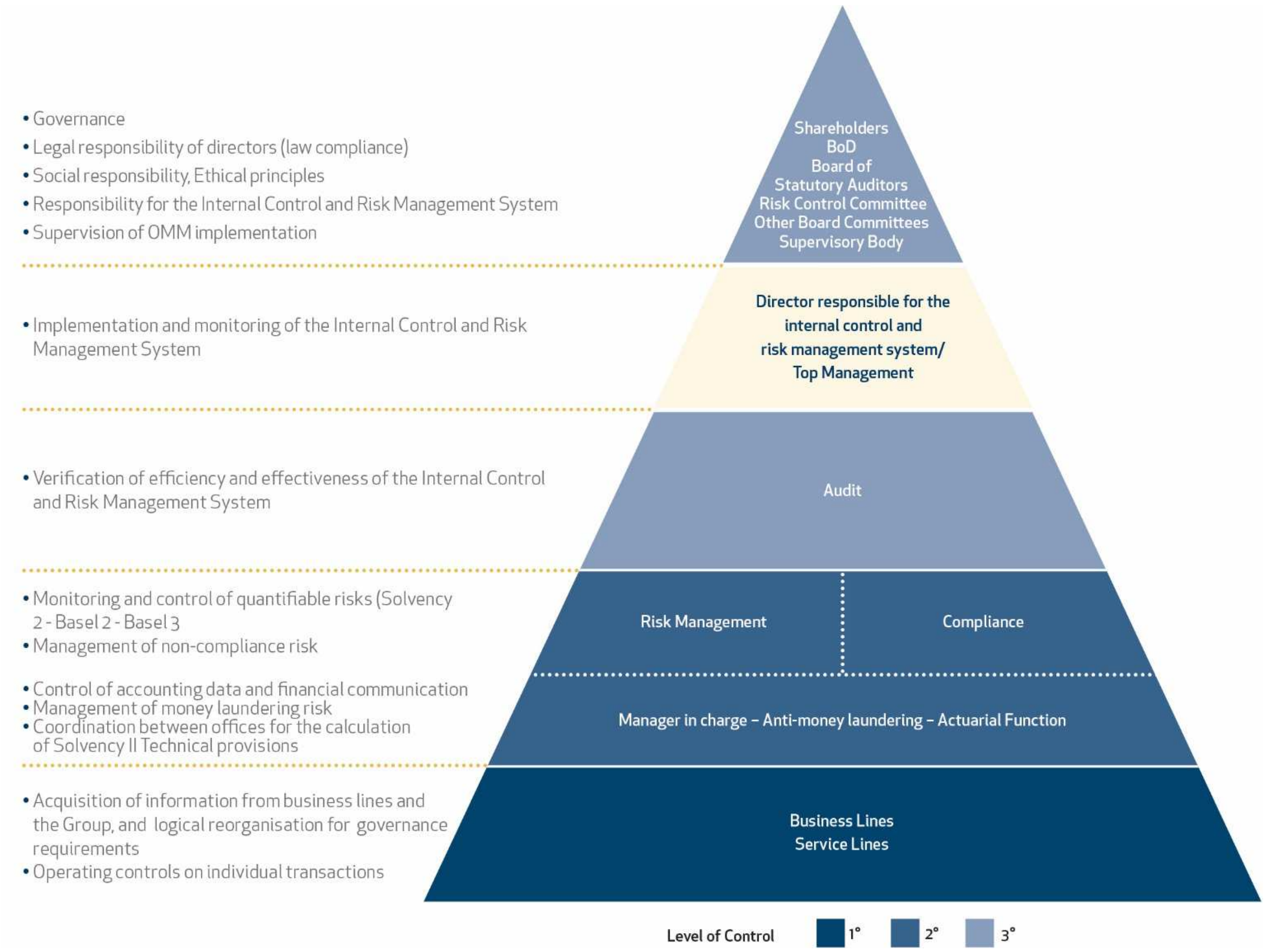
Internal Control and Risk Management System

The Internal Control and Risk Management System (the "System") is a fundamental element in the overall 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.

Risk and Control Governance Model



Line controls (so-called "first-level controls"), aimed at ensuring transactions are carried out correctly, are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the different units which report to the managers of the operating structures, or carried out as part of back office activities.

Risk and compliance controls (so-called "second-level controls") aim to ensure, among other things, the correct implementation of the risk management process, the implementation of activities assigned to them by the risk management process, the observance of the operating limits assigned to the various departments, the compliance of company operations with the regulations.

Internal review (so-called "third-level controls") is the verification of the completeness, functionality and adequacy of the Internal Control and Risk Management System (including the first- and second-level controls) and that business operations comply with the System.

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. 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 **Board of Statutory Auditors** is responsible for supervising the completeness, functionality and adequacy of the organisational, administrative and accounting structure adopted and the comprehensive internal control and risk management system, and is required to ascertain that all functions involved in the system are adequate.

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.

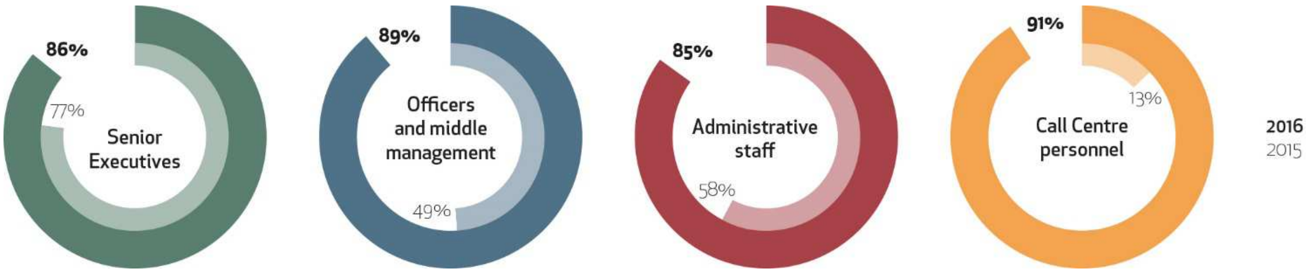
The **Supervisory Board** ("SB") has the task of monitoring the functioning and updating of the Organisational, Management and Control Model ("OMM"), a well-structured and organic prevention, determent and control system aimed at developing awareness of being able to give rise to sanctions not only for themselves, but for the Unipol Group Companies as well, if offences are committed by parties who either directly or indirectly work on sensitive activities (directors, managers, employees and partners).
UGF's Organisational, Management and Control Model, updated on 22 December 2016 with a view to incorporating recently introduced legislation, has a General Part as well as 13 Special Parts, each dedicated to a category of crime that could theoretically take place within the Company. The update also had the goal of conducting a general document review to guarantee that the Organisational, Management and Control Models are set up in a uniform manner within the Group, as well as to ensure internal consistency between the General and Special Parts.

In 2016, the training programme for Company employees was broken down into:
- on-line distance course ("FAD") relating to Decree 231 and the OMM ("OMM Course") provided through the Unipol Web Academy platform for UGF employees;
- meetings with Senior Management personnel – plan of specific meetings with the first line managers, their first subordinates and the *Risk Takers* (general managers, key managers and managers, and also personnel of the internal control functions of a higher level and the other personnel categories whose activity may significantly impact the company's risk profile);
- classroom-based training for employees in "sensitive areas" concerning specific risks/crimes identified following the analysis and mapping activities.

73%
Percentage of agents informed about anti-corruption policies and procedures.

55%
Percentage of suppliers informed about anti-corruption policies and procedures.

Percentage of employees trained on anti-corruption policies and procedures



The OMM calls for oversight and control mechanisms put into place to combat corruption in Special Part 1, with reference to the crimes laid out in the criminal code, and in Special Part 2 with reference to the crime of corruption between private parties laid out in the Civil Code.
In particular, these Special Parts highlight the general conduct principles applied to the corporate bodies and employees directly and to partners on the basis of dedicated contractual clauses. The specific principles of conduct for preventing the commission of each type of crime considered are also laid out in detail.

In 2016, the Unipol Group did not incur costs for any penalties pursuant to Legislative Decree 231/2001 deriving from charges for crimes of corruption.

For further details on the OMM, please refer to the "Governance" section of the Unipol Group's website.

The **Director responsible (Group CEO)** 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.

The **Board committees** are formed within the Parent's Board of Directors. They offer advice and make suggestions, and play a role in the internal control and risk management system, particularly regarding relations with the Audit, Risk Management and Compliance functions.

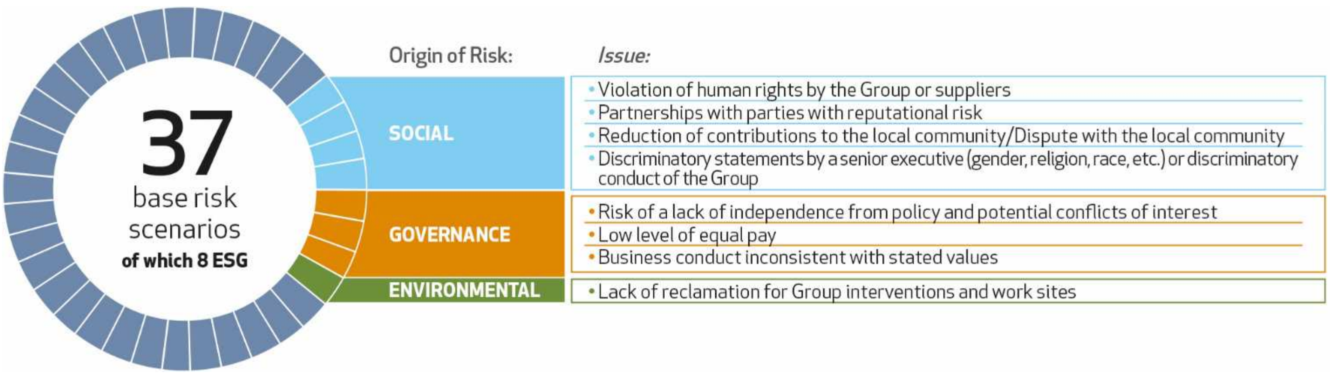
Corporate Control Functions: pursuant to applicable industry legislation, the Company's organisational structure requires that the Corporate Control Functions (Audit, Risk Management and Compliance) report directly to the Board of Directors and operate with the coordination of the Director responsible for the internal control and risk management system.

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.

Audit is independent from the operating structures, reports hierarchically and functionally to the Board of Directors and operates under the coordination of the Director responsible for the Internal Control and Risk Management System.
The activity is carried out in compliance with the Code of Ethics of the Institute of Internal Auditors and operates within the scope of the duties and responsibilities defined in specific directives issued by the Board of Directors, as well as with respect for regulations in force (IVASS, Bank of Italy, Consob and Covip) on internal control and risk management.
Audit is responsible for assessing the completeness, function, reliability and adequacy of the Internal Control and Risk Management System in relation to the nature of business activities and the level of risks undertaken, as well as its updating, also through support and advisory activities provided to other company departments.

Risk Management is responsible for ensuring an integrated evaluation of the various risks *(Enterprise Risk Management – ERM)* at Group level. It supports the Board of Directors, the Chairman 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. Risk Management 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.
Within the risk management system, Risk Management is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at individual and aggregated level which the Company and the Group are or may be exposed to and the relevant interdependencies.
The **Emerging and Reputational Risks Observatory** is placed inside Risk Management. It identifies the organisation's risk appetite in relation to these types of risks and presents it to the Board of Directors for approval. The relative mapping activity, conducted on the basis of the analysis of internal and external drivers, entailed the identification of 37 basic risk scenarios, deriving from past experience or plans in place, which were enhanced with 10 "what if" scenarios, or risk/opportunity scenarios that can be useful for strategic purposes. Of these 37 risks, 8 are related to ESG matters.

ESG risk scenarios



Compliance is responsible for evaluating the suitability and efficacy of procedures, processes, policies and internal organisation according to a risk-based approach; its objective is to prevent compliance risk, considered as the risk of judicial or administrative sanctions, sustaining losses or reputational damages as a result of failure to observe laws, regulations or measures of the Supervisory Authority or self-regulations such as By-Laws, codes of conduct or corporate governance codes; risk arising from unfavourable amendments to the legislative framework or case law decisions.

The Group's system is subject to periodic assessment and review in relation to developments in company operations and the reference context.

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.

21,281
Claims reported to Special Areas, of which
68.1%
reported by the network
12,573
Claims contested on reporting to Special Areas

Anti-money laundering and Anti-terrorism is responsible for applying the Anti-money laundering regulations falling under Legislative Decree 231/2007 (the "Decree") that are implemented within the Unipol Group for the Insurance Companies operating in the Life Business (UnipolSai Assicurazioni, Popolare Vita, BIM Vita and Arca Vita), for the companies of the banking sector (Unipol Banca and Finitalia) and for the asset management company (UnipolSai Investimenti SGR). All of the Unipol Group Companies subject to the Decree have a dedicated structure responsible for managing the risk of money-laundering and terrorist financing.

Anti-fraud carries out its activity of preventing, intercepting and combating fraudulent conduct perpetrated to the detriment of UnipolSai, as well as the Unipol Group Companies - without their own dedicated independent structure - on the basis of intragroup service contracts. As in previous years, again in 2016 significant efforts were made to combat fraud in the underwriting and settlement phases, privileging - when possible - the investigation "workflows".

Anti-fraud: Cases reported, verifications, complaints

The Manager in charge of financial reporting is responsible for certifying the correspondence to documented accounting results, books and entries of the documents and communications distributed by the company to the market and relating to accounting information, including interim. The Manager in charge of financial reporting manages compliance risk relating to the financial statement assumptions within the scope of administrative/accounting procedures and the relative key controls.

The Unipol Group has established dedicated organisational controls, including the "**Legal Privacy Function**" in order to guarantee that personal data (of customers, employees and, in general, everyone who comes into contact with the various Group companies) is processed in compliance with the provisions set forth in the Personal data protection code.
Agents and employees are properly trained to further ensure the protection of personal data.
In 2016, 14 complaints were received relating to the Companies operating in Italy regarding the protection of personal data, which were appropriately answered.

609
Number of IVASS sanctions
€2.8m
Sanctions paid.
4,618
IVASS measures.

There was an 11% reduction in the trend of IVASS sanction activities against the Group compared to 2015. This is in line with the reduction in complaints (-13%) that occurred during the same time period. Considering IVASS measures by company area of only UnipolSai, the decrease was transversally distributed across all business areas. In particular, in the sales area there was a 47% decline compared to 2015.

Capital requirements

Capital management

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, contributing to the strategic direction of the Group along with other key company 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 capital management 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

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.
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.

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 (**Undertaking Specific Parameters – USP**) in place of the sub-set of parameters defined in the standard formula for the calculation of the Group's and the Company's Solvency Capital Requirement.

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 easily 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.

For more comprehensive information, reference should be made to chapter 5.14 Risk Report 2016 of the Unipol Group in the Notes to the financial statements

Remuneration system and incentives

The top objective of the Remuneration policies is to guarantee fair remuneration, adequate to the role, responsibilities, degree of professionalism and individual skillset, irrespective of personal characteristics, in compliance with legal and regulatory provisions and consistent with sustainable performance requirements.
To this end, the following principles are the essential parameters for the determination of remuneration:

- a sound and prudent risk management policy, in line with the Group's long-term strategic objectives, profitability and balance;
- internal fairness, so that remuneration is consistent with the position held and the connected responsibilities, with the role assigned, experience, skillset, capacities demonstrated and actual performance;
- meritocracy, so that the results achieved and the conduct enacted to achieve them are rewarded;
- dialogue with the reference markets, in order to create competitive pay packages.

Annual non-executive Director compensation is fixed; they also receive reimbursements for expenses incurred to carry out their official duties and attendance fees for participation in each board meeting and shareholders' meeting. In addition, the Board of Directors recognises an additional fixed amount to Directors on Board Committees for their participation in each relative meeting. There is no variable remuneration component linked to results or based on financial instruments, nor are Directors paid any indemnity in the event of resignation, removal from office or withdrawal of mandates, or due to termination of office because of a public takeover bid. The annual compensation of Statutory Auditors is fixed; they are also reimbursed for expenses incurred in carrying out their official duties. Statutory auditors are paid no variable remuneration.

Manager remuneration includes fixed and variable components. The fixed remuneration component provides compensation for the skills, capabilities, role and, in particular, the responsibilities relating to the role. The variable remuneration component aims to reward results achieved in the short and medium/long-term, expressed not only in the form of economic revenue, but also in the form of attention to risks and qualitative performance, as well as to develop professional skills while enacting an effective *retention* policy.
Evolutions in the remuneration market are leading to gradual development in variable forms, at one time deemed quite unappealing: nearly all companies operating in the same sectors as the Unipol Group adopt forms of variable remuneration based on the achievement of objectives or pre-established results.
The following principles constitute specific parameters with reference to Remuneration policies:

- adequate balance between the fixed and variable components;
- the establishment of limits for the variable component;
- long-term sustainability thanks to the proper balance between short and long-term efficiency criteria.

Variable component	
Prerequisites for the recognition of any incentive are the continuing presence of positive economic results and the minimisation of risk factors, in addition to the presence of a dividend capability and minimum solvency requirements of the Unipol Group. The Total Bonus (STI+LTI) is allocated 50% to the Short Term Incentive and 50% to the Long Term Incentive.	
Short Term Monetary Incentive ("STI")	**Long Term Incentive ("LTI"), through the assignment of Unipol and UnipolSai Assicurazioni ordinary shares**
Each Recipient is assigned four short-term objectives on an annual basis. The sum of the weights obtained from combining the Objectives determines the Individual Performance Level.	The Long Term Incentive is assigned based on a closed financial instrument-based remuneration plan, which involves the distribution of Unipol ordinary shares and UnipolSai ordinary shares in the three-year period 2019-2021. The LTI is paid based on the achievement of Unipol Group profit indicators, the UGF solvency capital requirement target and growth in the value of the Unipol share over the three year period.

There are Malus and Claw-back clauses based on which no bonus is disbursed.

With regard to the **pay gaps between women and men**, the levels were calculated without including any type of variable compensation or the top management in the Board of Directors or the members of the Management Committee. The Group figures show a salary differential to the advantage of women among call centre personnel and seasonal personnel, due to the responsibilities they currently have at present. Vice versa, for the other job categories the median salary of women is lower than that of men.

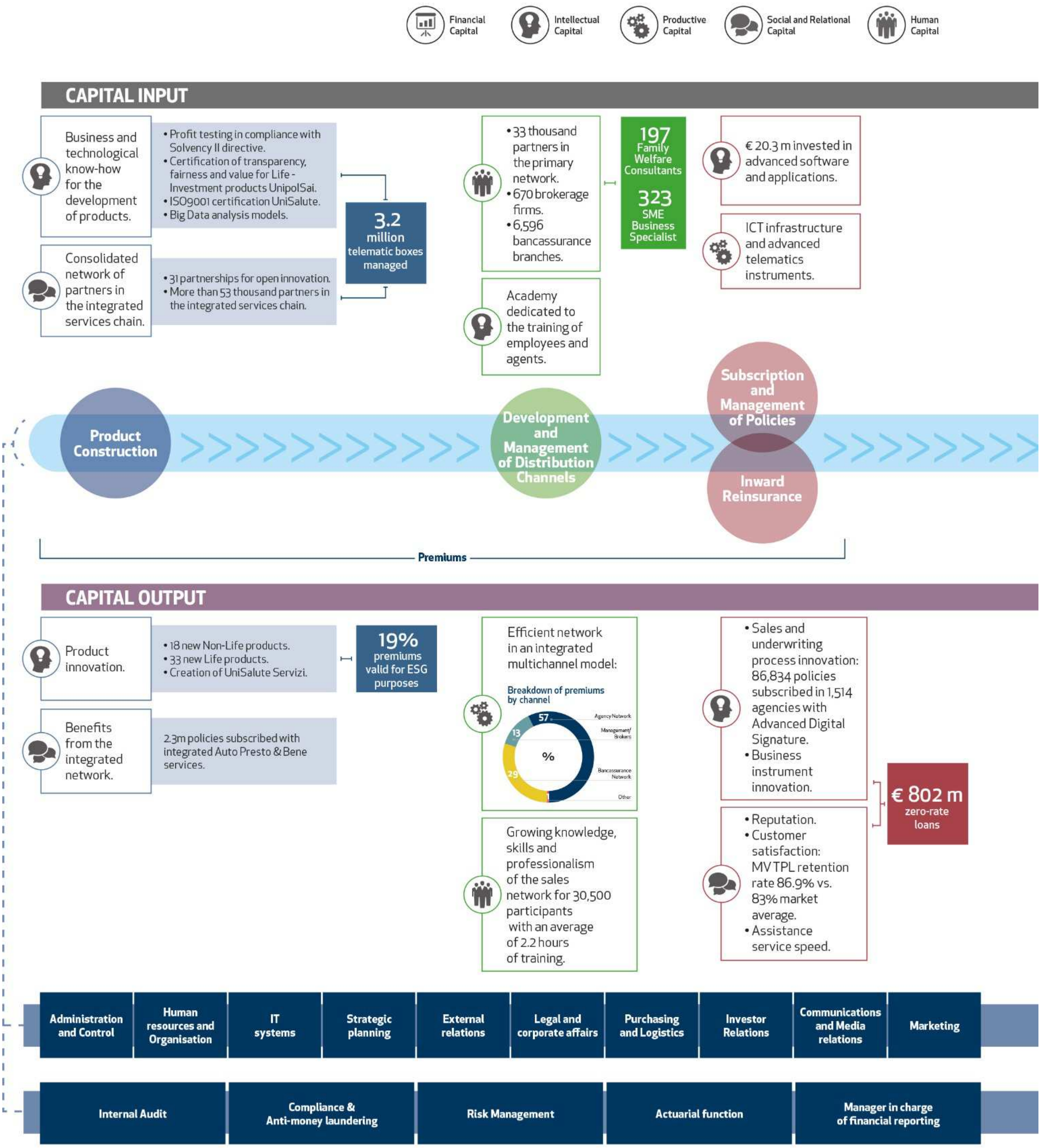
Salaries by gender

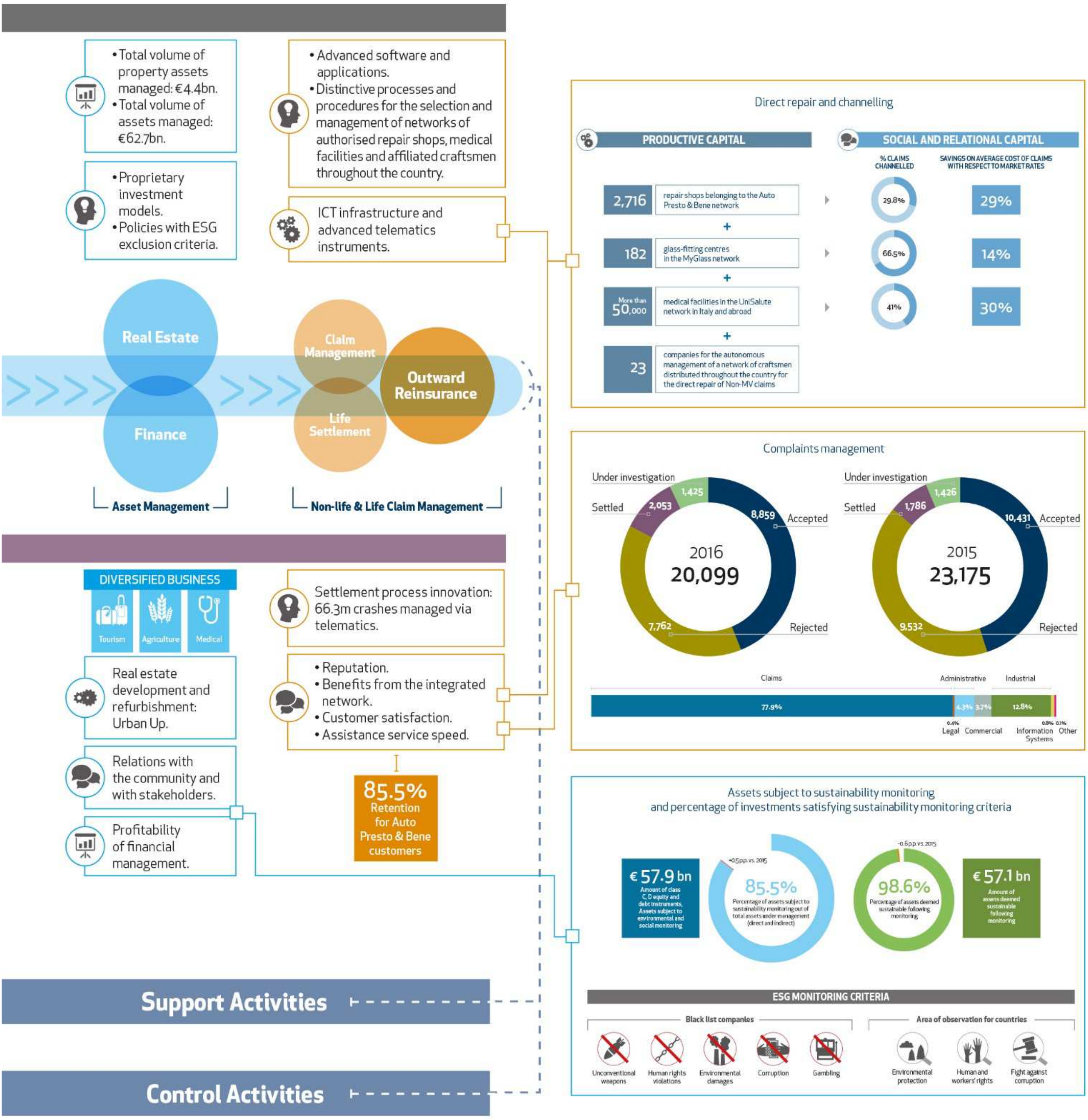
Excluding all members of the Management Committee, as they are all males, the companies abroad and Seis.

For detailed information, please refer to the Remuneration Report, available in the "Governance" section of the Unipol Group's website.

BUSINESS MODEL

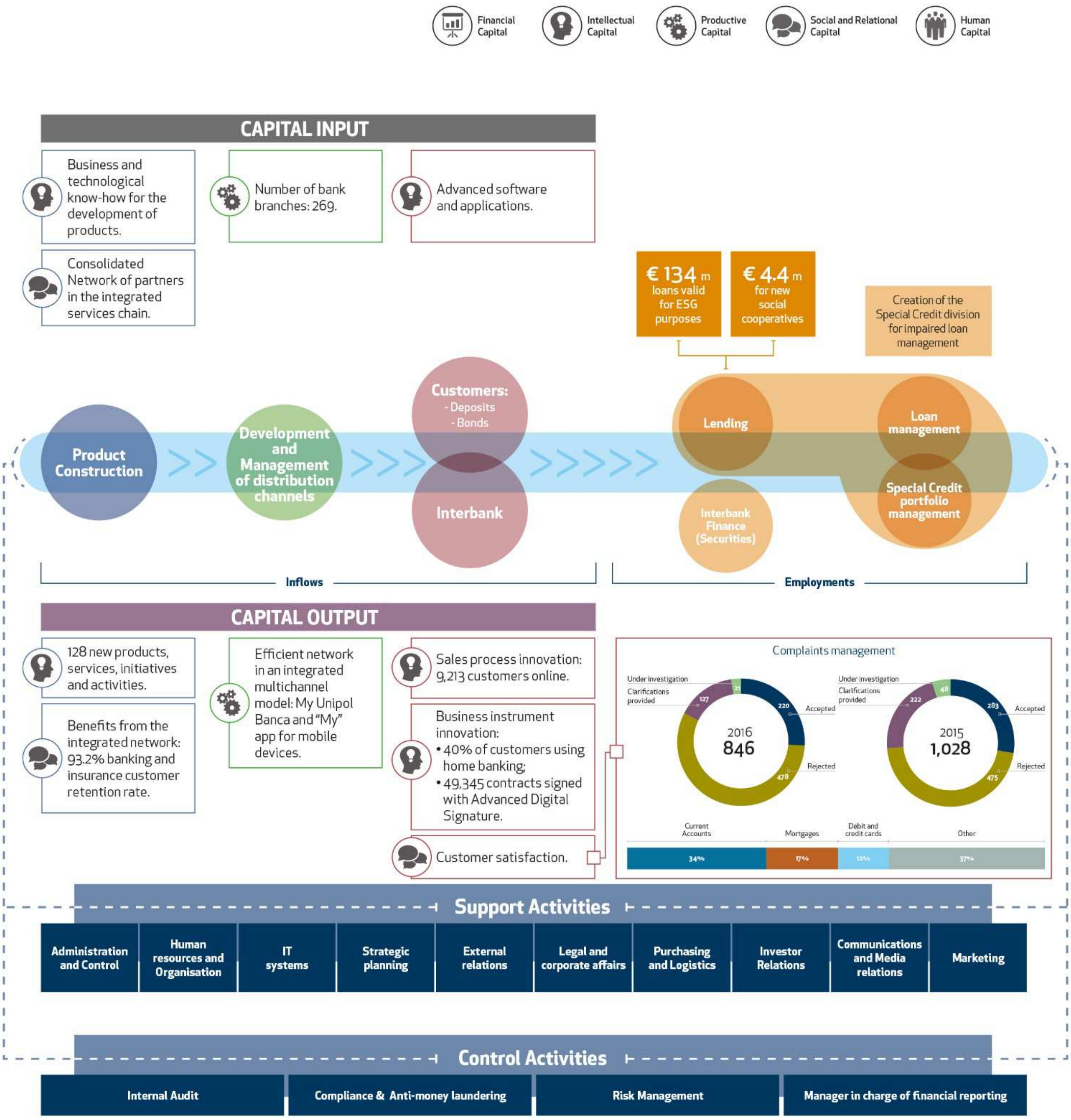
Insurance





For more details, please visit the 'Sustainability' section of the Unipol Group website.

Banking



For more details, please visit the 'Sustainability' section of the Unipol Group website.

UNIPOL GROUP 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.

The **consolidated net profit amounted to €535m**, down compared to €579m recorded at 31 December 2015 (-7.6%), due in particular to capital gains in 2015 which were not repeated in 2016 (€228m, against €637m in 2015).

The Insurance sector contributed €645m to consolidated net profit (€871m at 31/12/2015), of which €381m related to Non-Life business (€636m at 31/12/2015), and €263m related to Life business (€235m at 31/12/2015).

The other sectors in which the Group operates recorded the following results at 31 December 2016:
- The Banking sector recorded a positive €6m (€5m at 31/12/2015);
- the Holding and Other businesses sector recorded a loss of €98m (-€229m at 31/12/2015);
- the Real estate sector recorded a negative result of €18m (-€69m at 31/12/2015).

The Group's **solvency index**, calculated according to **Solvency II** regulations (standard formula with the use of USP – Undertaking Specific Parameters), at 31 December 2016, reported a ratio of own funds to required capital of **1.41 times**, compared to the figure of 1.50 times recorded at 31 December 2015. mainly due to the effects of the greater reduction in the discount curve of liabilities in proportion to that of the bond market.

At the level of the Unipol Banking Group, the **CET 1** was **16.8%** (18.6% at 31/12/2015). The reduction reflects the various effects of the transitory regime applicable to 2016 with respect to those applied in the previous year.

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[11], 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, +3,3% on 2015, offsetting the competitive trends within the MV business, which are reflected in the general decline in the average premium of contracts in the portfolio, with the contribution of the portfolio acquired from the former Dialogo Assicurazioni (-6.7% on a like-for-like basis). 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%).

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

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 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 (-11.7% 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 undergoing disposal awaiting short/medium-term enhancement and in relation to realisation values expected on the properties being disposed of.

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. Of note, in particular, is the positive conclusion of the acquisition of the hotel management business and of the property of UNA SpA, already reported among the main events of the year and also illustrated below in segment reporting.

It is also worth mentioning the liquidation in 2016 of Centro Oncologico Fiorentino, given the impossibility of making the company's operations economically sustainable.

Condensed Consolidated Operating Income Statement broken down by business segment

Amounts in €m	**Non-Life business**			**Life business**			**Insurance Sector**		
	Dec-16	Dec-15	% var.	**Dec-16**	Dec-15	% var.	**Dec-16**	Dec-15	% var.
Net premiums	7,502	7,634	*(1.7)*	6,284	7,628	*(17.6)*	13,787	15,261	*(9.7)*
Net commission income	0	0	*(149.0)*	26	10	*152.1*	26	11	*144.9*
Financial income/expense (**)	378	654	*(42.3)*	1,446	1,626	*(11.1)*	1,823	2,280	*(20.0)*
Net interest income	*396*	*369*		*1,268*	*1,220*		*1,664*	*1,589*	
Other income and charges	*74*	*86*		*65*	*68*		*139*	*154*	
Realised gains and losses	*51*	*334*		*163*	*299*		*214*	*633*	
Unrealised gains and losses	*(142)*	*(135)*		*(51)*	*39*		*(193)*	*(97)*	
Net charges relating to claims	(4,979)	(4,970)	*0.2*	(6,991)	(8,501)	*(17.8)*	(11,969)	(13,470)	*(11.1)*
Operating expenses	(2,147)	(2,148)	*(0.0)*	(306)	(364)	*(16.1)*	(2,453)	(2,513)	*(2.4)*
Commissions and other acquisition costs	*(1,664)*	*(1,688)*	*(1.4)*	*(146)*	*(186)*	*(21.5)*	*(1,810)*	*(1,874)*	*(3.4)*
Other expenses	*(483)*	*(461)*	*4.9*	*(160)*	*(178)*	*(10.4)*	*(643)*	*(639)*	*0.6*
Other income/charges	(283)	(263)	*7.7*	(81)	(55)	*45.7*	(364)	(319)	*14.3*
Pre-tax profit (loss)	**471**	**907**	*(48.1)*	**379**	**343**	*10.5*	**850**	**1,250**	*(32.0)*
Income taxes	(90)	(271)	*(66.9)*	(116)	(108)	*6.8*	(205)	(379)	*(45.8)*
Profit (loss) from discontinued operations									
Consolidated profit (loss)	**381**	**636**	*(40.1)*	**263**	**235**	*12.2*	**645**	**871**	*(26.0)*
Profit (loss) attributable to the Group									
Profit (loss) attributable to non-controlling interests									

(*) The real estate sector only includes Group real estate companies
(**) excluding net gains and losses on financial instruments at fair value through profit or loss for which investment risk is borne by customers (index- and unit linked) and arising from pension fund management

The factors that marked the economic performance of the Group included the following:

- **direct insurance premiums**, gross of reinsurance, were equal to €14,806m (€16,476m at 31/12/2015, -10.1%). Non-Life direct premiums amounted to €7,809m (€7,883m at 31/12/2015, -0.9%) and Life direct premiums amounted to €6,997m (€8,593m at 31/12/2015, -18.6%), of which €698m related to investment products in the Life business (€951m at 31/12/2015);
- **net premiums earned**, net of reinsurance, were €13,787m (€15,261m at 31/12/2015, -9.7%), of which €7,502m from the Non-Life business (€7,634m at 31/12/2015, -1.7%) and €6,284m from the Life business (€7,628m at 31/12/2015, -17.6%);
- **net charges relating to claims**, net of reinsurance, were €11,969m (€13,470m at 31/12/2015, -11.1%), of which €4,979m in the Non-Life business (€4,970m at 31/12/2015, +0.2%) and €6,991m in the Life business (€8,501m at 31/12/2015, -17.8%), including €125m of net charges on financial assets and liabilities at fair value (€165m in net gains at 31/12/2015);
- **operating expenses** were €2,747m (€2,804m at 31/12/2015). In the Non-Life business, operating expenses amounted to €2,147m (€2,148m at 31/12/2015), €306m in the Life business (€364m at 31/12/2015), €311m in the Banking sector (€316m at 31/12/2015), €102m in the Holding and Other Businesses sector (€100m at 31/12/2015) and €12m in the Real Estate sector (€13m at 31/12/2015);
- the **combined ratio**, net of reinsurance, of Non-Life business was 95.6%, (93.9% at 31/12/2015);

Banking Sector			Holding and Other business Sector			Real Estate Sector (*)			Intersegment elimination		Total Consolidated		
Dec-16	Dec-15	% var.	**Dec-16**	Dec-15	% var.	**Dec-16**	Dec-15	% var.	**Dec-16**	Dec-15	**Dec-16**	Dec-15	% var.
											13,787	15,261	(9.7)
104	99	5.4	26	27	(3.0)			32.8	(56)	(52)	100	84	18.8
182	178	1.9	(82)	(90)	(9.1)	4	(47)	(108.1)	(104)	(174)	1,823	2,147	(15.1)
216	234		(58)	(52)		(3)	(2)		(43)	(38)	1,776	1,732	
6			(8)	(27)		20	26		(31)	(36)	125	117	
21	3		(5)	3		(2)	(1)				228	637	
(61)	(59)		(11)	(14)		(11)	(70)		(30)	(100)	(306)	(339)	
											(11,969)	(13,470)	(11.1)
(311)	(316)	(1.4)	(102)	(100)	1.6	(12)	(13)	(8.9)	131	138	(2,747)	(2,804)	(2.0)
									47	42	(1,763)	(1,832)	(3.7)
(311)	(316)	(1.4)	(101)	(100)	1.5	(12)	(13)	(8.9)	84	95	(983)	(972)	1.2
32	45	(27.9)	30	(39)	(175.1)	(14)	(35)	(60.1)	29	88	(287)	(260)	10.6
7	**6**	10.8	**(128)**	**(203)**	36.8	**(22)**	**(95)**	76.7			**706**	**958**	(26.3)
	(1)	(69.9)	30	(26)	(215.6)	4	27	(84.9)			(171)	(379)	(54.8)
6	**5**	21.0	**(98)**	**(229)**	(57.3)	**(18)**	**(69)**	(73.5)			**535**	**579**	(7.6)
											330	272	
											205	307	

- **net gains on investments and financial income** from financial assets and liabilities (excluding net gains on financial assets and liabilities at fair value relating to Life business) amounted to €1,823m (€2,147m at 31/12/2015, -15.1%);
- **pre-tax profit (loss)** was €706m (€958m at 31/12/2015);
- **taxes** for the year represented a net expense of €171m (€379m at 31/12/2015). The tax rate was 24.3% (39.6% at 31/12/2015), having recognised €36m of gains for taxes from previous years during the year due to the recognition of taxes on the previous losses of the former Premafin as a result of a request for private letter ruling;
- net of the €205m profit attributable to non-controlling interests, the **profit attributable to the owners of the Parent** at 31 December 2016 was **€330m** (€272m at 31/12/2015);
- in the fourth quarter of 2016 gross profit was €67m (€92m in the fourth quarter of 2015).

Insurance Sector performance

The Group's insurance business closed the year with a **pre-tax profit of €850m** (€1,250m at 31/12/2015), of which €471m relating to the Non-Life sector (€907m at 31/12/2015) and €379m relating to the Life sector (€343m at 31/12/2015).

At 31 December 2016, Investments and cash and cash equivalents of the Insurance sector totalled €71,336m (€70,295m at 31/12/2015), €17,162m of which was from Non-Life business (€18,403m at 31/12/2015) and €54,175m from Life business (€51,892m at 31/12/2015).
Following the application of IFRS 5, €191m was reclassified under Non-current assets or assets of a disposal group (€16m at 31/12/2015), relating to properties for which disposal activities have begun or for which the relative preliminary sales contracts have already been signed.

Technical provisions amounted to €64,110m (€63,150m at 31/12/2015), of which €15,862m in the Non-Life business (€16,574m at 31/12/2015) and €48,248m in the Life business (€46,575m at 31/12/2015).

Financial liabilities amounted to €5,511m (€4,884m at 31/12/2015), of which €1,665m in the Non-Life business (€1,543m at 31/12/2015) and €3,845m in the Life business (€3,341m at 31/12/2015); the increase in the Life business is due mainly to the Financial liabilities for contracts issued by insurance companies where investment risk is borne by policyholders, which at 31 December 2016 amounted to €2,833m (€2,392m at 31/12/2015).

Total premiums (direct and indirect premiums and investment products) at 31 December 2016 amounted to €14,854m (€16,516m at 31/12/2015), down 10.1%. Non-Life premiums amounted to €7,856m (€7,921m at 31/12/2015, -0.8%) and Life premiums amounted to €6,997m (€8,595m at 31/12/2015, -18.6%), of which €698m related to investment products (€951m at 31/12/2015).

Total premiums for just the fourth quarter of 2016 amounted to €3,671m (€4,403m in the fourth quarter of 2015).

All Non-Life premiums of Group insurance companies are classified under insurance premiums, as they meet the requirements of the IFRS 4 standard (presence of significant insurance risk).
As for Life premiums, investment products at 31 December 2016, for €698m, related to Class III (Unit- and Index-Linked policies) and Class VI (pension funds).

Direct premiums amounted to €14,806m (€16,476m at 31/12/2015, -10.1%), of which Non-Life premiums totalled €7,809m (-0.9%) and Life premiums €6,997m (-18.6%).

Amounts in €m	**31/12/2016**	*% comp.*	31/12/2015	*% comp.*	*% var.*
Non-Life direct premiums	7,809	*52.7*	7,883	*47.8*	*(0.9)*
Life direct premiums	6,997	*47.3*	8,593	*52.2*	*(18.6)*
Total direct premium income	**14,806**	***100.0***	**16,476**	***100.0***	***(10.1)***

Indirect Non-Life and Life premiums at 31 December 2016 were overall €47m (€39m at 31/12/2015), of which €47m (€38m at 31/12/2015) for the Non-Life business and roughly €1m (€1m at 31/12/2015) for the Life business.

Amounts in €m	**31/12/2016**	*% comp.*	31/12/2015	*% comp.*	*% var.*
Non-Life indirect premiums	47	*98.9*	38	*96.9*	*22.2*
Life indirect premiums	1	*1.1*	1	*3.1*	*(57.3)*
Total indirect premiums	**47**	***100.0***	**39**	***100.0***	***19.7***

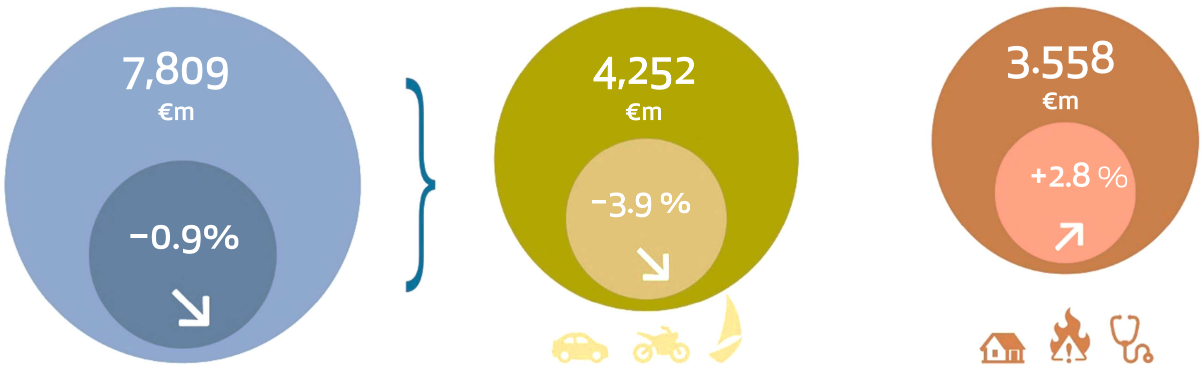
Group **premiums ceded** totalled €400m (€411m at 31/12/2015), €385m of which from Non-Life premiums ceded (€395m at 31/12/2015) and €15m from Life premiums ceded (€16m at 31/12/2015). The retention ratios remained substantially stable in the Non-Life and Life businesses.

Amounts in €m	**31/12/2016**	*% comp.*	31/12/2015	*% comp.*	*% var.*
Non-Life ceded premiums	385	*96.1*	395	*96.1*	*(2.6)*
Retention ratio - Non-Life business (%)	*95.1%*		*95.0%*		
Life ceded premiums	15	*3.9*	16	*3.9*	*(4.9)*
Retention ratio - Life business (%)	*99.8%*		*99.8%*		
Total premiums ceded	**400**	***100.0***	**411**	***100.0***	***(2.7)***
Overall retention ratio (%)	*97.2%*		*97.4%*		

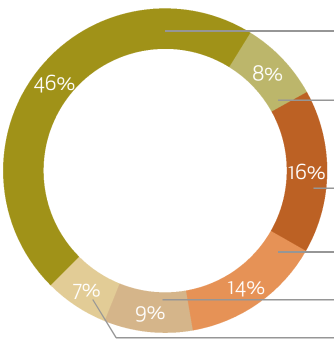
At 31 December 2016 the premiums ceded generated an overall positive result for reinsurers, both in the Non-Life and in the Life business.

Non-Life business

Total Non-Life premiums (direct and indirect) at 31 December 2016 were €7,856m (€7,921m at 31/12/2015, -0.8%). **Direct business** premiums alone amounted to €7,809m (€7,883m at 31/12/2015), a decline of 0.9%.



Non-Life business direct premiums



Amounts in €m	**31/12/2016**	%	31/12/2015	%	% var.
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,617		3,805		*(4.9)*
Land Vehicle Hulls (class 3)	634		618		*2.7*
Total premiums - Motor Vehicles	**4,252**	*54.4*	**4,423**	*56.1*	*(3.9)*
Accident and Health (classes 1 and 2)	1,273		1,216		*4.6*
Fire and Other damage to property (classes 8 and 9)	1,095		1,061		*3.3*
General TPL (class 13)	690		688		*0.4*
Other classes	499		495		*1.0*
Total premiums - Non-M-V	**3,558**	*45.6*	**3,459**	*43.9*	*2.8*
Total Non-Life direct premiums	**7,809**	***100.0***	**7,883**	***100.0***	***(0.9)***

In the **MV segment**, premiums in the MV TPL business were €3,617m, down by 4.9% on 31 December 2015. An increase of 2.7% was instead reported in the Land Vehicle Hulls business with premiums equal to €634m (€618m at 31/12/2015). The **Non-MV segment** recorded premiums of €3,558m, a rise of 2.8%.

Non-Life claims

As mentioned, the positive trend seen in the Non-MV classes, combined with the constant monitoring of the average cost of claims, allowed the offsetting of most of the effects of the further considerable reduction recorded in the average MV TPL premium caused by the currently strong competitive pressure.

To obtain a significant benefit in the reduction of the cost of claims through the strategic lever of telematic business, the ad hoc company **Alfaevolution Technology** was established and became operational on 1 March 2016. The company, which initially focused on the MV segment with over 3 million customers equipped with black box, only 10 months from the start of its own activity allowed the Group to become a leader in the telematic field, thanks also to the marketing of the instrument product UniboxL@voro in the Non-MV business.
Since operations started, on average 100,000 black boxes were installed each month, versus 75,000 forecast in the budget, as a result of the massive demand that emerged with the launch of the new product Km&Servizi. By mid-2017 it will also expand its commercial offering with telematic insurance products for the Home (UniboxC@sa), Motorcycles and Pets.

The number of claims reported, without considering the MV TPL class, reported a 13.8% increase, due to the Health class (+16.2%), net of which the increase would have been 8.2%.

Number of claims reported (excluding MV TPL)

	31/12/2016	31/12/2015	var.%
Land Vehicle Hulls (class 3)	287,441	282,866	*1.6*
Accident (class 1)	146,600	148,231	*(1.1)*
Health (class 2)	3,293,955	2,834,554	*16.2*
Fire and Other damage to property (classes 8 and 9)	295,880	299,843	*(1.3)*
General TPL (class 13)	94,087	101,294	*(7.1)*
Other classes	491,557	383,746	*28.1*
Total	**4,609,520**	**4,050,534**	***13.8***

As regards the MV TPL class, where the CARD agreement is applied, in 2016 cases relating to "fault" claims (Non-Card, Debtor Card or Natural Card) reported totalled 673,935, up 0.2% (672,843 in 2015). Claims that present at least one Debtor Card claims handling were 393,680, down (-0.8%) with respect to the same period of the previous year.
Handler Card claims were 506,864 (including 118,571 Natural Card claims, claims between policyholders at the same company), up by 2.9%. The settlement rate in 2016 was 82.1% versus 80.6% in the same period of the previous year.
The weight of cases to which the Card agreement may be applied (both Handler Card and Debtor Card claims) out of total cases (Non-Card + Handler Card + Debtor Card) in 2016 amounted to 84.8% (84.4% in 2015).
The average cost (amount paid plus amount reserved) for claims reported declined by 1.5% in 2016 with respect to the previous year (-2.2% in 2015). The average cost of the amount paid out remained substantially unchanged at -0.1% (-3.6% in 2015).

The net profit (loss) of the claims experience for the main businesses is provided in the following table (in millions of euros):

Non-Life business	Net breakdown at 31/12/2016	Net breakdown at 31/12/2015
MV TPL (classes 10 and 12)	79	66
Land Vehicle Hulls (class 3)	7	10
General TPL (class 13)	38	16
Other Classes	212	155
TOTAL	**336**	**247**

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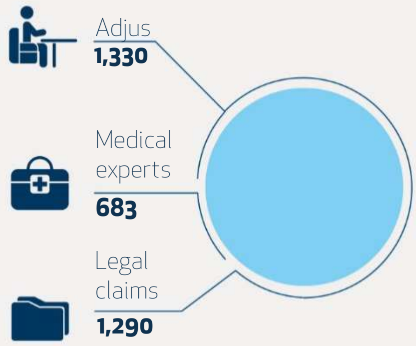


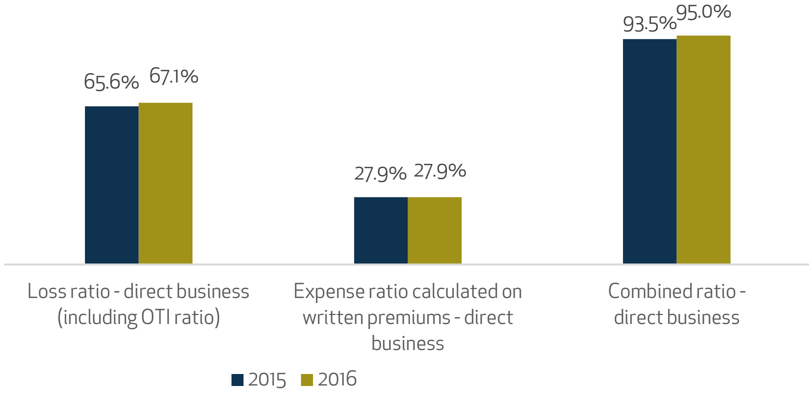
Settlement performance

Settlement activity involves different parties whose actions contribute to the accuracy, efficiency and quality of the service provided. For Unipol Group, adjusters, claims handlers, and physicians were involved, with whom the Group decided to sign partnership agreements in the area.

Key values of our services

- FAIRNESS
- EFFICIENCY
- QUALITY'

Non-Life business indicators



New products

As regards the MV sector, please note that in March 2016 the new **Km&Servizi** product was launched; it immediately became popular with the network and customers. The product contains innovative and exclusive additional guarantees and services that exploit telematics and the network of vehicle and people services that the Group companies are able to provide.

As concerns the Non-MV sector, since early November 2016 the new product **Unipolsai Commercio&Servizi** was marketed; it is a breakthrough for the Italian insurance market and it may become a new standard for the insurance coverage of the Trade sector, both in terms of guarantees and in terms of services. It is the first solution on the Italian market that integrates technology, assistance and insurance guarantees to protect trade, with the following main innovations:

- catastrophe, flood and earthquake guarantees, with the possibility of insuring the earthquake risk to an indemnity limit equal to 100% of the insured amount;
- packages of particular guarantees designed for the business segments that comprise the greatest number of potential policyholders:
    - UnipolSai Commercio&Servizi - Bar + restaurants
    - UnipolSai Commercio&Servizi - Hair Stylist + Beauticians
    - UnipolSai Commercio&Servizi - Vehicles + Mechanics
- direct repair services for the most common claims, through a network of selected craftsmen;
- Quick Recovery service in case of serious claims that can cause significant prejudice to the customer, also as a result of the suspension of the insured business;
- an optional guarantee dedicated to digital Protection (cyber risks), which provides an assistance service in addition to specific reimbursements in case of "cyber attack" and a specific Legal Expenses guarantee dedicated to the problem areas connected with Internet use;

- a "Save the season" guarantee dedicated to bars and restaurants at beachside locations, which could suffer from economic prejudice in case persisting inclement weather during the summer season;
- last, but hugely important, the offer of UniboxL@voro, an electronic device equipped with a series of sensors that allow to protect public sites in an extremely innovative way, automatically activating the assistance services.

Non-Life premiums of the main Group insurance companies

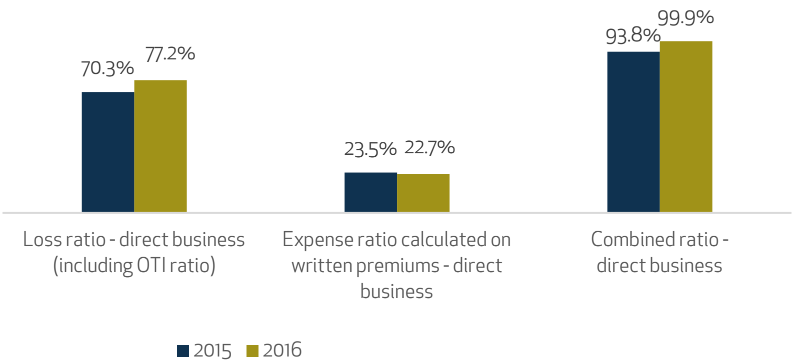
The direct premiums of **UnipolSai**, the Group's main company, which, with accounting and tax effects from 1 January 2016, incorporated the company Liguria Assicurazioni, stood at €6,960m (-1.7% considering the premiums of the incorporated company as well in 2015 premiums), of which €4,042m in the MV classes (-3.8% on a like-to-like basis) and €2,919m in the Non-MV classes (+1.2% on a like-to-like basis).

UnipolSai Assicurazioni Spa - Non-Life business direct premiums

Amounts in €m	**31/12/2016**	*% comp.*	31/12/2015	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,434		3,563		*(3.6)*
Land Vehicle Hulls (class 3)	607		587		*3.5*
Total premiums - Motor Vehicles	**4,042**	***58.1***	**4,150**	***59.3***	***(2.6)***
Accident and Health (classes 1 and 2)	850		850		*0.1*
Fire and Other damage to property (classes 8 and 9)	1,050		1,011		*3.9*
General TPL (class 13)	678		669		*1.3*
Other classes	340		318		*7.1*
Total premiums - Non-M-V	**2,919**	***41.9***	**2,848**	***40.7***	***2.5***
Total Non-Life premiums	**6,960**	***100.0***	**6,998**	***100.0***	***(0.5)***

In the **MV** classes, €3,434m related to premiums in the MV TPL class and Sea, Lake and River Vessels TPL class (€3,609m at 31/12/2015, -4.8% on a like-for-like basis). The significant contraction in premiums was determined by the reduction of the average premium, which became necessary to maintain the offering competitive in a market that continues to be characterised by keen price competition. This contraction was partly offset by a positive trend in the number of policies in the portfolios. In addition, there was a slight increase in the frequency of claims, which reversed the decreasing trend of recent years, similarly to the overall market trend.

MV TPL indicators - UnipolSai



The loss of more than 6 percentage points in the MV TPL combined ratio, equal to 99.9% (93.8% at 31/12/2015), resulted from competitive pressure on prices along with an initial rise in the frequency of claims.

With reference to the **Land Vehicle Hulls class**, premiums confirmed the positive development recorded during the year, obtained thanks to the favourable market conditions, tied to the recovery in new vehicle registration and to the consequent gradual rejuvenation of the fleet on the road.

In the **Non-MV** businesses, the growing trend of the premiums (+1.2% on a like-for-like basis), already recorded in the first half-year, was confirmed, with the sole exclusion of Accident and Health (-1% on a like-for-like basis). A contribution to the improvement of the technical balance of the Non-MV segment came from the reduction in the cost of claims, which reabsorbed the damages deriving from the earthquake that hit central Italy and the increase in serious claims.

The company **SIAT**, focusing on the Sea Vehicles segment, achieved direct premiums amounting to €115m (+13.7%).

Arca Assicurazioni recorded direct premiums for €104m (+1.5%), with a substantial increase in the Non-MV classes (+7.3%) and an additional decrease in the MV segment (-8.5%), due to a decrease both in the average premium and in the number of policies in the portfolio.

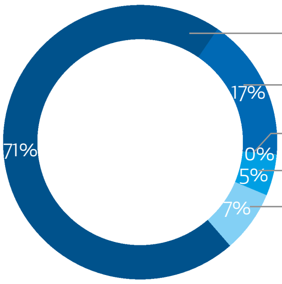
Unisalute achieved direct premiums of €337m (€301m at 31/12/2015), an increase of 12%. Based on the figures on insurance premiums provided by IVASS, it is estimated that UniSalute's market share in the Health segment in 2016 will be around 13.1%, compared to 12.4% in 2015.
Also in 2016, UniSalute continued to carry out its core business, essentially consisting of collective coverage for company employees, moving forward with an underwriting policy increasingly focused on the preservation of long-term profitability. Please note the following new contracts in 2016: Safilo, the Italian eyeglasses and sunglasses company famous throughout the world for innovation and design, Umbra Cuscinetti S.p.A. (Umbra Group), which for more than 40 years has manufactured material for the industrial and aeronautical sectors, in which it is a global leader, and has nearly one thousand employees, Roche Diabetes Care Italy, the National Firefighters Corps (Corpo Nazionale dei Vigili del Fuoco), Amiacque S.r.l., the company that managers the water network for the entire province of Milan, the University of Pavia, and Autovie Venete, the holder of concessions on important motorways in that area, such as the A4 Venice-Trieste and the Mestre by-pass road.
Also in 2016, UniSalute received the "MF Insurance & Previdenza Awards" award, one of the most prestigious recognitions in the Italian insurance and pension sector. To date, MF has already recognised UniSalute with 13 awards since 2004. This demonstrates once again the capacity for innovation and uniqueness of UniSalute in its offering of health products and services.
The number of customers totalled approximately 5.4 million, of which around 4.5 million belong to the Health class (4.4 million at 31/12/2015) and around 0.9 million to the Assistance class.

Linear recorded direct premiums of €150m (€161m at 31/12/2015, including the premiums of Dialogo Assicurazioni, whose insurance company was acquired on 31/12/2015, -6.7%). MV premiums totalled €135m (-7.7% on a like-for-like basis) and Non-MV premiums were €15m (+2.8% on a like-for-like basis). At the end of 2016, there were almost 466 thousand contracts in the portfolio, including those of the acquired company (+13%): this shows the continuation of the recession in average premiums, which has largely impacted the reference market, owing to the significant price competition emphasised by the channel of online comparison tools as well as the entry of a new player. Net of the acquired contracts, the portfolio increased in any event (+9%).

Life business

Total Life premiums (direct and indirect) were €6,997m (€8,593m at 31/12/2015, -18.6%). The **direct premiums**, which represent almost all of the premiums, are broken down as follows:

Life business direct premiums



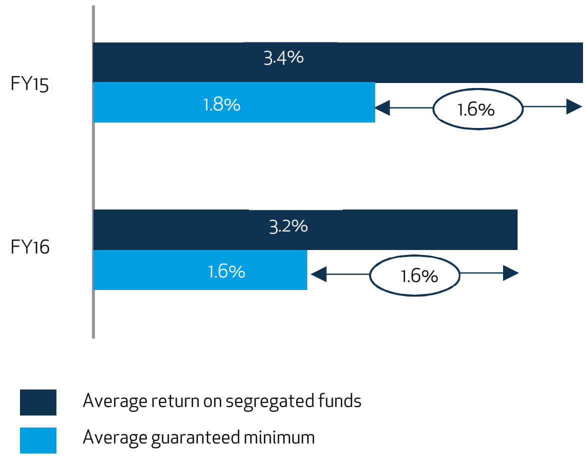
Amounts in €m	**31/12/2016**	%	31/12/2015	%	% var.
I - Whole and term Life insurance	4,964	*70.9*	5,512	*64.1*	*(9.9)*
III - Unit-linked/index-linked policies	1,180	*16.9*	1,930	*22.5*	*(38.8)*
IV - Health	2	*0.0*	1	*0.0*	*23.7*
V - Capitalisation insurance	340	*4.9*	670	*7.8*	*(49.2)*
VI - Pension funds	511	*7.3*	480	*5.6*	*6.5*
Total Life business direct premium income	**6,997**	***100.0***	**8,593**	***100.0***	***(18.6)***
- Total Life investment products	*698*	*100.0*	*951*	*100.0*	*(26.6)*

At 31 December 2016, the premium volume was equal to €6,997m, a decline of 18.6% with respect to 31 December 2015. Investment products, totalling €698m (€951m at 31/12/2015), primarily related to class III. 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.

At 31 December 2016, 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.

The **expense ratio** for Life direct business stood at 4.1% (4% at 31/12/2015).

Returns on Segregated Funds and guaranteed minimums



Pension Funds

Unipol Gruppo Finanziario retained a leading position in the supplementary pension market, despite keen competition.

At 31 December 2016, UnipolSai Assicurazioni managed a total of 23 **Occupational Pension Fund** mandates (16 of which "with guaranteed capital and/or minimum return") and total resources under management were €4,340m (of which €3,375m with guaranteed capital). At 31 December 2015, UnipolSai managed a total of 21 Occupational Pension Fund mandates (14 of which "with guaranteed capital and/or minimum return"); resources under management totalled €3,699m (of which €2,807m with guaranteed capital).

At 31 December 2016 the assets of the **Open Pension Funds** managed by Unipol Group Finanziario through UnipolSai, Popolare Vita and BIM (UnipolSai Previdenza FPA, Fondo Pensione Aperto Popolare Vita, Fondo Pensione Aperto BIM Vita) reached a total of €881m with 45,133 members. At 31 December 2015, they amounted to €845m, with 45,568 members.

Life premiums of the main Group insurance companies

Direct premiums for **UnipolSai** were equal to €3,042m (€3,418m at 31/12/2015, -11.6% also considering the premiums of Liguria Vita, absorbed in 2016, in the data at 31/12/2015). Class VI Pension Funds, with premiums of €505m, rose by 6.8%, while Class I Traditional Policies, which with €2,195m accounted for 72.2% of total premiums, declined by 6.3%. Class V Capitalisation policies were down by more than 50% compared to last year (-52.8%).

UnipolSai Assicurazioni Spa - Life business direct premiums

	Amounts in €m	**31/12/2016**	*% comp.*	31/12/2015	*% comp.*	*% var.*
I	Whole and term life insurance	2,195	*72.2*	2,342	*68.5*	*(6.3)*
III	Unit-linked/index-linked policies	64	*2.1*	17	*0.5*	*280.2*
	- of which investment products	*63*	*2.1*	*16*	*0.5*	*295.1*
IV	Health	2	*0.0*	1	*0.0*	*23.7*
V	Capitalisation insurance	277	*9.1*	586	*17.1*	*(52.8)*
VI	Pension funds	505	*16.6*	473	*13.8*	*6.8*
	- of which investment products	*27*	*0.9*	*38*	*1.1*	*(29.0)*
Total Life business		**3,042**	***100.0***	**3,418**	***100.0***	***(11.0)***
- of which investment products		*90*	*3.0*	*54*	*1.6*	*66.7*

The individual policy segment contracted by 15.9%, due mainly to the decline in premiums from traditional products in Class I and in Class V. First year premiums grew (+31.3%), confirming a good performance of products with annual and recurring premiums. Premiums on collective policies decreased slightly relative to 31 December 2015 (-1.5%).

The bancassurance channel, consisting of the companies of the Arca Vita Group and the Popolare Vita Group, achieved direct premiums of €3,848m (-22.8%), with premiums of the **Arca Group** (Arca Vita and Arca Vita International) totalling €1,718m (-11.6%) and those of the **Popolare Vita Group** (Popolare Vita and The Lawrence Life) totalling €2,130m (-30%).

The distribution agreement between Popolare Vita and Banco Popolare expires on 31 December 2017 with possibility of renewal, if cancellation is not exercised by 30 June 2017. Also the deadline expires on the same date for UnipolSai to exercise the put option on the interest in Popolare Vita.

Reinsurance

Unipol Group reinsurance policy

As regards the risks underwritten in the Non-Life classes, the reinsurance strategy adopted by the Group since 2013 has realised synergies and economies of scales by acquiring standardised insurance coverage for all companies of the Group, obtaining not only an increase in overall capacities, but also noticeable cost savings.

The main reinsurance policies taken out by the Group in 2016 were the following:

- new "Multipol" *Multiline Aggregate* Excess of Loss treaty, which maximises the efficiency and effectiveness of the most operational of the main non proportional treaties, assuring a greater and/or new protection on the flood and atmospheric event risks for Land Vehicle Hulls as well;
- excess of loss treaties for the protection of MV TPL, General TPL, Land Vehicle Hull Atmospheric Events, Fire (by risk and by event), Theft and Accident, Aircraft TPL, Transport and Bonds portfolios;
- stop loss treaty for Hail risk;
- proportional treaties for Technological risk (C.A.R. - Contractors' All Risks -, Erection all Risks and Decennale Postuma - Ten-year Building Guarantee), Bonds (the retention of which is then protected by a "risk attaching" excess of loss), Aviation (Accident, Aircraft and TPL, the retention of which is protected by a "loss attaching" excess of loss), Assistance, Legal Expenses, "D & O" TPL.

The risks underwritten in the Life business in 2016 were covered at Group level with two proportional treaties, one for individual risks and one for collective risks in excess of the risk premium. Retention is protected with a non-proportional cover in excess of loss by event that regards the Life and/or Accident classes.

To minimise counterparty risk, reinsurance coverage continued to be spread out and placed with leading professional reinsurers that have been given a high credit rating by major rating agencies, in order to provide a comprehensive and competitive service.

Banking Sector performance

The following table shows the main items in the **income statement of the Banking sector**, set out in the layout specified for banks:

Banking business

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Net interest income	216	234	*(7.9)*
Net commission income	104	99	*5.4*
Other net financial income	25	3	*892.4*
Gross operating income	**345**	**335**	*2.9*
Net reversals due to impairment of financial assets	(59)	(59)	*1.1*
Net financial income	**286**	**277**	*3.2*
Operating expenses	279	271	*2.9*
of which provisions for risks and charges	*2*	*1*	
Cost/income	*80.8%*	*80.8%*	*0.0*
Pre-tax profit (loss)	**7**	**6**	***10.8***

At 31 December 2016, the pre-tax profit of the Banking sector was €7m (€6m at 31/12/2015).

At 31 December 2016, Investments and cash and cash equivalents of the Banking sector totalled €11,873m (€11,100m at 31/12/2015), of which €9,165m in Loans and receivables from bank customers (€8,904m at 31/12/2015).

Bank direct customer deposits amounted to €10,535m (€10,015m at 31/12/2015), of which:
- €491m in subordinated loans (€538m at 31/12/2015);
- €1,999m in debt securities issued (€2,482m at 31/12/2015);
- €8,044m in payables to customers (€6,995m at 31/12/2015).

Interbank payables totalled €695m (€436m at 31/12/2015).

Operating performance of Unipol Banca

Direct deposits at 31 December 2016, which totalled €10.5bn, were up compared to 31 December 2015 by 5.2% (for a total of €521m).
The analysis by counterparty shows growth in the volumes of the companies of the Unipol Group and of the Business sector, which came to €1,573m (+€263m) and €4,183m (+€443m), respectively, while Private deposits remained stable at €3,584m (+€15m).
Growth related to sight deposits, which were up in terms of volume by €1.2bn (+19%), covering the decline in the medium/long-term component (-17.5%) and in fixed-term deposits (-41%). €189m in securitisation notes were repaid, while the balance of bank bond placement activities (net of settlements and repurchases/sales) was -€338m.

Indirect deposits at 31 December 2016 were equal to €50.6bn, with a decrease of 1.2% (€51.2bn at 31/12/2015). The reduction in volumes regarded the UnipolSai Group companies, which declined from €47bn at 31 December 2015 to €45.8bn at 31 December 2016 (-2.4%), while ordinary customers increased by 12.7%, from €4.2bn at 31 December 2015 to €4.8bn at 31 December 2016.
As regards ordinary customers, assets under management recorded a significant increase (+14.9%), particularly in the mutual investment funds (+29.3%, equal to €312m) and in the managed portfolios (+24.8%, equal to €41m). Life policies were down (-5.1%, equal to €43m).
Funds under custody rose by 10.5% compared to the end of 2015, spread throughout all investment types with the exception of government bonds (-2.4%).

At 31 December 2016 **receivables from customers**, gross of value adjustments, were €10.3bn, down by 2.1% with respect to 31 December 2015. Receivables from customers, net of valuation reserves, amounted to €9.1bn (-1.8% compared to 31/12/2015).

Gross impaired loans at 31 December 2016 amounted to €3,737m, down 4% compared to €3,893m at 31 December 2015. Net of the valuation reserves, they amounted to €2,617m (€2,727m at 31/12/2015). It should be noted that Unipol Banca mitigates its credit risk through the indemnity agreement in place with the holding company Unipol, on a set of non-performing exposures which at 31 December 2016 had a net total value of €820m, mostly to counterparties in the real estate sector (€832m at 31/12/2015).
At 31 December 2016 the coverage rate of total impaired loans (excluding endorsement loans), inclusive of the provisions made by the holding company Unipol, was equal to 45.7% (44.5% at 31/12/2015).

At 31 December 2016 the net debt balance towards the banking system was €147m, against a credit balance of €163m at 31 December 2015.
Direct deposits and recourse to a TLTRO auction at the end of 2016 resulted in excess liquidity, which was deposited with the Bank of Italy, thus resulting in a significantly higher balance in receivables from banks than last year (+€740m).
The balance of **receivables from banks** at 31 December 2016 amounted to €1.3bn, of which €1.1bn deposited with the Bank of Italy, €207m in deposits and current accounts and €5m in bank bonds. The balance of **payables to banks** was €694m, of which €640m in exposure to the ECB and €54m in current accounts and deposits.
With regard to ECB transactions, in 2016 a total of €415m from the first TLTRO (*Targeted Long Term Refinancing Operation*) auction was settled early, with simultaneous participation in the new TLTRO auction for €400m. At the end of the year, an additional TLTRO auction was also participated in for €240m.

With regard to the **income statement** net interest income in 2016 was equal to €178m, with a substantial decrease with respect to the previous year (-10.2%) due to the fewer deposits intermediated and for the additional significant drop in interbank rates, which led to a gradual reduction in rates receivable from customers, primarily floating rate, while an analogous reduction was not observed in interest rates payable on deposits. Net commission income amounted to €108m, up 6.9% thanks to the increase in income and the limitation of expense.
Financial management improved by €21m compared to 2015 due to lower losses from assignments of receivables, higher dividends received and the capital gain recognised for the disposal of the investment in VISA Europe (€7m). Overall, **gross operating income** reached €316m at 31 December 2016, up 2.6% compared to 2015.
Value adjustments at 31 December 2016, which amounted to €44m, were down by 3.2% compared to 2015 due to the drop in performing loans, with the relative recovery of the general provision recognised of €8m, and impaired loans. In particular, the return to performing of several positions made it possible to recover the relative provisions previously recognised, thereby reducing total adjustments by €13m.
The cost of credit risk, equal to 48.3 basis points, was stable with respect to the previous year (49 basis points).
Value adjustments (net of reversals) were also made on Available-for-sale assets and other financial transactions in the amount of €9m (against €7m in 2015).
Operating expenses in 2016 amounted to €262m, up on 31 December 2015 by 2.8% (+€7m), specifically due to higher provisions and lower gains from indemnity received from the Parent on positions covered by the agreement and closed in the course of the year. Operating expenses net of these items would have recorded a 6.9% reduction. Operating expenses remained substantially stable with respect to the gross operating income, at 83.1% (82.9% in 2015).
At 31 December 2016, the **pre-tax result** basically reached the break-even point (unchanged with respect to 31/12/2015). Thanks to positive taxes of €3m, there was a **profit for the year** of roughly €4m, in line with the previous year.

Real Estate Sector performance

The main **income statement figures for the Real Estate sector** are summarised below:

Income Statement - Real Estate Sector

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Gains (losses) on financial instruments at fair value through profit or loss	3	(2)	*(276.4)*
Gains on other financial instruments and investment property	37	49	*(23.3)*
Other revenue	7	7	*2.4*
Total revenue and income	**48**	**55**	***(12.7)***
Losses on other financial instruments and investment property	(36)	(95)	*(61.7)*
Operating expenses	(12)	(13)	*(8.9)*
Other costs	(21)	(42)	*(49.7)*
Total costs and expenses	**(70)**	**(150)**	***(53.4)***
Pre-tax profit (loss) for the year	**(22)**	**(95)**	***(76.7)***

The pre-tax result at 31 December 2016 was a loss of €22m (-€95m at 31/12/2015), after having effected property write-downs and depreciation of €18m (€95m at 31/12/2015).

Investments and cash and cash equivalents of the Real Estate sector (including instrumental properties for own use) totalled €1,232m at 31 December 2016 (€920m at 31/12/2015) and consisted of Investment property amounting to €491m (€474m at 31/12/2015) and Properties for own use totalling €658m (€348m at 31/12/2015).
The increase related to the acquisition at the end of 2016 by the Athens R.E. Fund of the real estate portfolio comprising mostly hotel properties held by Una SpA, for €259m, together with the debt referred to the same properties. The acquired real estate portfolio consists of 21 properties, of which 17 are hotels and the others are auxiliary properties.
Within the scope of this transaction, of note is the transfer to Athens R.E. Fund, by UnipolSai (for €106m) of five hotel facilities and, by the Real Estate Tikal R.E. Fund, of four hotel facilities, all managed by the subsidiary Atahotels SpA, in order to concentrate a significant portion of the Group's hospitality real estate portfolio in a single investment platform with specific knowledge in the management and exploitation of hotel facilities.

Financial liabilities amounted to €358m at 31 December 2016 (€203m at 31/12/2015). The change related to the above-mentioned Una transaction, within which the Athens Fund took out loans totalling €170m, of which €10m with the associate Unipol Banca.
The €112m loan stipulated by the Closed Real Estate Fund Tikal with Mediobanca acting as Agent Bank basically remained unchanged (amount unchanged compared to 31/12/2015). On 4 January 2017, upon maturity, the loan was disbursed in full by Unipol Banca.

Other property transactions

The Group is active in the development, renovation and requalification of several buildings, some with a view to subsequent income generation through their sale or lease, and others for utilisation by the companies in the Group.

The most significant transactions are developing in the Milan area. They include the following:
- the construction of a new multi-storey building for business use in piazza Gae Aulenti (Porta Nuova Garibaldi area). The project entails building an approximately 100 metre tall office tower; construction work is starting. The tower will be build to have the highest certification in terms of energy and water saving and ecological quality of the spaces (Leed Platinum certification);
- completion and refurbishment of a headquarters building in via De Castilia (Porta Nuova area) to obtain a new eco-sustainable, cutting edge building;
- refurbishment of Torre Galfa, via Fara 41, a 30-storey building in a central location in Milan, unused for approximately 15 years, which thanks to this initiative will become a multifunctional building with a hotel in the first 13 storeys and residential apartments in the remaining storeys. The top floor of the Tower will contain a restaurant-bar;
- refurbishment of a historic property in via Pantano 26/Corso di Porta Romana 19, consisting of two independent blocks built at different times, which develop around a central courtyard. The Via Pantano 26 is for residential use and sales have already started with the "Residenze Ca' Litta" brand, while the building in Corso di Porta Romana 19 will be used for high-end head office purposes.

- refurbishment of the hotel property in via De Cristoforis 6/8 (Atahotel The Big). The refurbishment will make it possible to increase the number of rooms (over 160 rooms are planned) and the integration of wellness facilities, such as spa, fitness area and solarium, to raise the quality and positioning of the facility on the market;
- in addition, in the last quarter of 2016, refurbishment work started on two office complexes located in Milan: Via Tucidide 56, comprising seven towers of approximately 42 thousand square metres, and Via Dei Missaglia 97 (called Milano Business Park) comprising fourteen buildings of approximately 140 thousand square metres, areas where the shared parts of some of the buildings are being refurbished and auxiliary services are being created (cafeterias and car parking spots), and integrating commercial services directed at improving usability in order to make them more attractive, in particular in the office market in Milan.

In 2016, temporary leases were started on some apartments in Florence under the Domux Home brand and, in 2017, this business is expected to be developed also on other cities, and temporary leases will also be started on properties for office use.

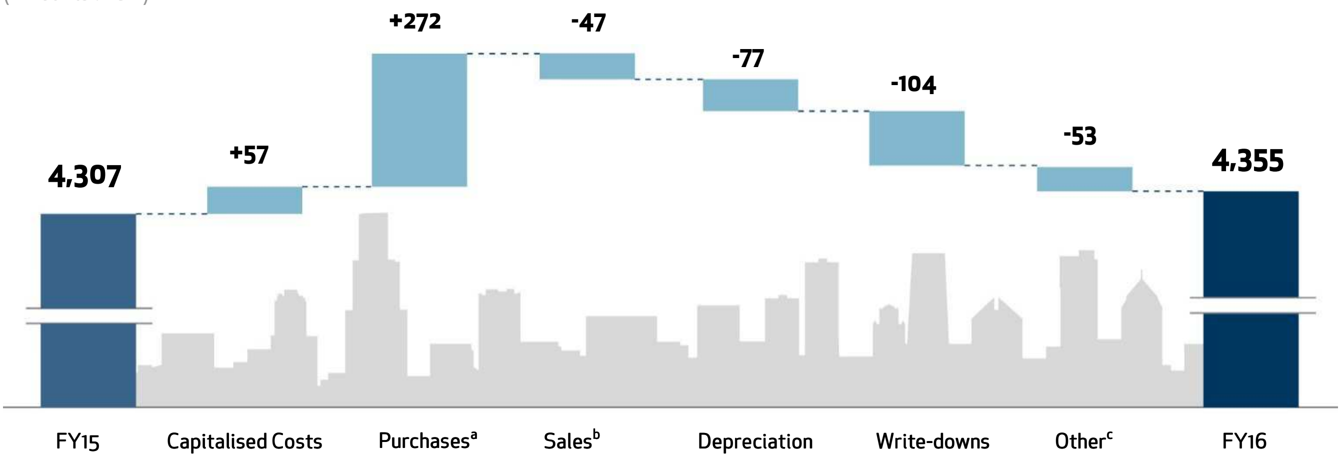
The activity to sell a portion of the real estate portfolio through several transactions particularly concerning the sale in fractions of the real estate complex located in Milan, via Bugatti, Tomaselli, Fraschini, Roselli called "Le Terrazze" and the sale of some buildings in Milan, Turin and Florence, as well as the sale of real estate units distributed throughout Italy. In particular, at the end of 2016 an offer for the purchase of properties involving over 200 real estate units. The transaction will be closed in 2017.

Lastly, the purchase of a property in Trieste was closed. This transaction completed the reacquisition of some properties from the Rho Fund, including some buildings used as office sites by the Group.

With regard to the investment in the "Porta Nuova" real estate project, described in the financial statements last year, please note that in 2016 UnipolSai collected an additional €20.8m from loans disbursed in the form of profit participating bonds, of which €10.6m as remuneration on the capital invested, recognised in the income statement. It is estimated that the remaining collections, expected in an additional two tranches in July 2023 and April 2025, will guarantee the recovery of the remaining investment, totalling €6.3m at 31 December 2016, plus additional proceeds, the quantification of which is currently uncertain as it relates to the outcome of the guarantees issued to the purchaser.

Evolution of the real estate assets

(Amounts in €m)



(a) Of which €259m for the purchase of buildings owned by UNA Hotels
(b) At 31 December 2016, 76 official deeds of sale were completed
(c) Includes the foreign exchange fluctuations and changes in the RE funds and associated SPVs
Operating figures

Holding and Other Businesses Sector Performance

The main **income statement figures of the Holding and Other Businesses sector** are shown below:

Income Statement - Holding and Other Businesses Sector

Amounts in €m	**31/12/2016**	31/12/2015	% var.
Commission income	26	27	*(2.6)*
Gains (losses) on financial instruments at fair value through profit or loss	(2)	(22)	*(91.1)*
Gains on other financial instruments and investment property	11	10	*4.5*
Other revenue	171	284	*(39.7)*
Total revenue and income	**207**	**299**	***(31.0)***
Losses on investments in subsidiaries, associates and interests in joint ventures	0	(6)	*(97.1)*
Losses on other financial instruments and investment property	(91)	(72)	*25.7*
Operating expenses	(102)	(100)	*1.6*
Other costs	(142)	(324)	*(56.2)*
Total costs and expenses	**(335)**	**(502)**	***(33.3)***
Pre-tax profit (loss) for the year	**(128)**	**(203)**	***(36.8)***

The **pre-tax result** at 31 December 2016 was a loss of €128m (-€203m at 31/12/2015) due in particular to lower provisions recognised by the holding company Unipol on the credit indemnity agreement with the subsidiary Unipol Banca, equal to €30m, against €100m in the previous year.

The items Other revenue and Other costs include revenue and costs for services provided to Group companies belonging to other sectors, eliminated during the consolidation process.

At 31 December 2016 the investments and the cash and cash equivalents of the Holding and Other Businesses sector (including properties for own use for €180m) were €1,600m (€1,801m at 31/12/2015). During the year the subsidiaries Unipol Finance and Unipol Investment (formerly Linear Life) purchased shares of UnipolSai for €347m.

Financial liabilities were €1,948m (€1,907m at 31/12/2015) and mainly consist of the following:

- for €1,609m by three senior bond loans issued by Unipol with a total nominal value of €1,616m (€1,599m at 31/12/2015, for a nominal value of €1,616m);
- for €268m by loans payable in place with the subsidiary UnipolSai (unchanged compared to 31/12/2015).

On 17 January 2017, the senior 5% bond loan with a 7-year duration was repaid upon maturity for a nominal value of €299m.

In 2016, the activity of the diversified company developed further, both from a commercial viewpoint and through the completion of specific acquisitions.

As regards **hotel activities**, it should be recalled that on 29 December 2016, the subsidiaries Atahotels and UnipolSai Investimenti SGR (the latter on behalf of the Athens R.E. Fund) closed the agreements signed in May 2015 with Una SpA regarding the acquisition of the hotel management unit "**Una Hotels & Resorts**" and of the property portfolio, already commented in the Real Estate Business section. The price of the first transaction was provisionally set to €29m, awaiting the definitive accounting position. Through this transaction, the UnipolSai Group becomes the largest owner of hotel facilities in Italy with approximately 50 hotels, of which 43 are operated by the subsidiary Atahotels, and over 5 thousand rooms. Most of the hotel facilities, mainly dedicated to business customers, are located in Lombardy, Tuscany and Emilia-Romagna.

At 31 December 2016, Atahotels had a profit of €0.6m, down slightly from the 2015 figure (€1.8m), which benefited from the positive effect deriving from the Expo.
The result of 2016 was affected by the interruption, in the early months of the year, of the operation of all the facilities owned by the Antirion Global-Comparto Hotel Fund (ENPAM), which caused a significant decline in revenues, offset by the collection of goodwill indemnities on these facilities.

With regard to the Florentine **hub of medical clinics**, the shareholders' meeting of Centro Oncologico Fiorentino resolved to place it in liquidation in view of the impossibility to proceed with the company's operations in an economically sustainable way, and of the failure of the negotiation for its sale to the Region.
At 31 December 2016, the company Villa Donatello had a net loss in line with the previous year's (-€0.3m). However, business profitability improved, including the development of clinic activities (visits and diagnostics) and of the reference health care hub, for Florence, for professionals operating in private facilities.

As regards **agricultural activities**, although Tenute del Cerro still recorded a loss of €5.3m as a result of the write-down of properties, amounting to €7.6m, it improved in terms of business profitability (-€1.8m in 2015).

The pre-tax profit that the **holding company Unipol** recorded at 31 December 2016 was €136m (€133m at 31/12/2015) and included dividends collected from Group companies, eliminated in the consolidation process, of €297m (€376 at 31/12/2015) and write-downs on investments in subsidiaries of €37m (€46m at 31/12/2015), also eliminated in the consolidation process.
In 2016 provisions were recognised for risks on the credit indemnity agreement with the subsidiary Unipol Banca for €30m (€100m in 2015). Commission income for the year of €26m was recorded against this agreement (€27m at 31/12/2015).
Interest expense on the bond loans issued was €59m at 31 December 2016 (€55m at 31/12/2015).

Asset and financial performance

Investments and cash and cash equivalents

In 2016 the investment policies continued to adhere, in terms of medium/long-term investments, to the general criteria of prudence and of preserving asset quality consistent with the Guidelines defined in the Group Investment Policy.
Specifically, financial operations were geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, maintaining a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, with a particular focus on the liquidity profile.

The **bond segment** was the main focus of operations, mainly affecting Italian government bonds and non-government bonds, applying a medium/long-term investment approach.
During the year 2016, exposure to bonds of government issuers declined by roughly €1,475m, with a net balance of government bonds that was positive on the Life segment, i.e. €725m, whereas it was negative on the Non-Life segment, where the decrease amounted to approximately €1,960m. The exposure of the holding company decreased by €240m.
Purchases in the Life portfolio involved mainly fixed-rate securities and were used to meet the ALM requirements of the Segregated Funds, continuing the rationalisation of the maturity dates of liabilities with covering assets. This activity, carried out on the basis of the contractual commitments and the goals of the Business Plan, was also implemented by using zero-coupon government bonds, which allow the monitoring of minimum guaranteed returns and the coupon reinvestment risk.
In the Non-Life sector, sales involved both fixed rate and floating rate securities, while repurchases mainly focused on securities index-linked to inflation, and positions in derivatives were increased marginally to mitigate interest rate risk.
The non-government component of bonds saw an increase in exposure by approximately €2.8bn, which affected both the Life sector (€1,338m) and the Non-Life sector (€1,482m); the exposure of the holding company decreased by about €10m. Transactions involved primarily financial and industrial securities, both senior and subordinated.
Asset portfolio simplification activities continued during 2016, with a reduction of roughly €135m in exposure to level 2 and 3 structured bonds.

	31/12/2016			31/12/2015			*variation*	
Amounts in €m	Carrying amount	Market value	Implied +/-	Carrying amount	Market value	Implied +/-	*Carrying amount*	*Market value*
Structured securities - Level 1	82	81	(1)	87	86	(1)	*(5)*	*(5)*
Structured securities - Level 2	947	904	(43)	1,053	1,061	8	*(106)*	*(157)*
Structured securities - Level 3	361	326	(35)	390	367	(23)	*(29)*	*(41)*
Total structured securities	**1,390**	**1,310**	**(80)**	**1,531**	**1,515**	**(16)**	***(141)***	***(205)***

In the course of 2016, as part of the adjustment of the Investment Policy to the provisions of IVASS Regulation no. 24 of 6 June 2016, there was a review, inter alia, of the definition of Structured Financial Instruments ("Structured Instruments"), which is now aligned with the definitions provided in Implementing Regulation (EU) 2015/2450 (Annex VI – Definition of the CIC Table) on information to be submitted to the supervisory authorities for Solvency II purposes.
Previously, the definition of Structured Instruments was aligned with the instructions provided by IVASS for the periodic communication pursuant to Art. 35, paragraph 5 of Regulation 36/2011, now repealed, and included more types of instruments.
For a like-for-like comparison, the total value of structured instruments at 31 December 2015 (shown in the consolidated financial statements for 2015 in the amount of €7,181m) was therefore recalculated as €1,531m, in compliance with the new classification criteria. The reduction in structured instruments compared to the previous classification is primarily due to the different treatment of "callable" securities, which are no longer considered structured instruments.

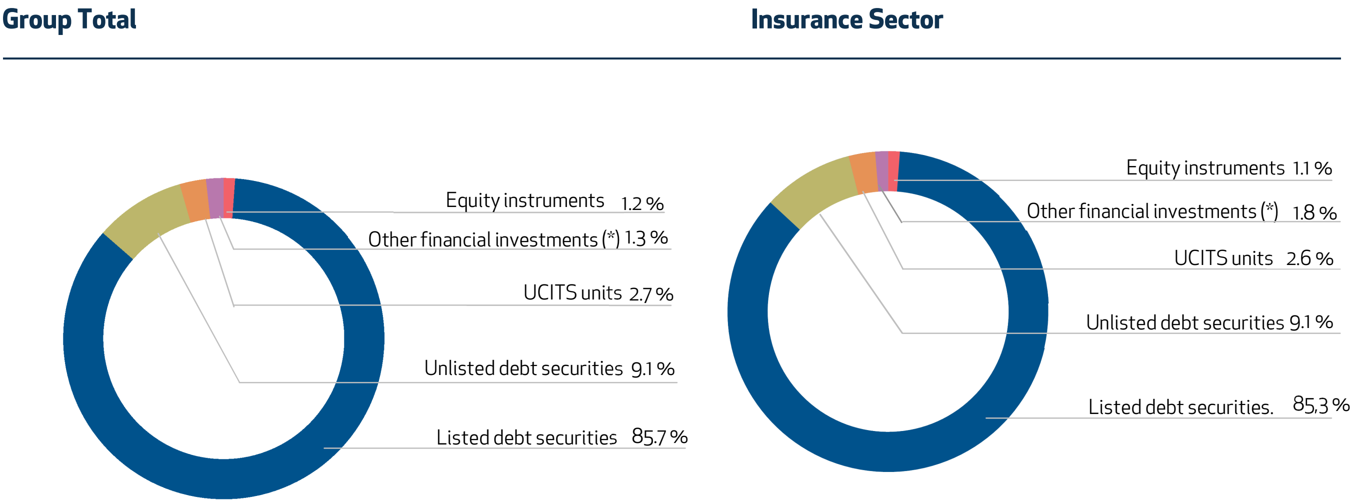
The **share exposure** fell by just over €240m in 2016. The put options on the Eurostoxx50 index, meant to mitigate volatility and preserve the value of the portfolio, remain active and were revalued during the period. Transactions were broken down based on individual shares and ETFs (Exchange Traded Funds), representing share indexes. Almost all equity instruments belong to the main European share indexes.

Exposure to **alternative funds**, the category including private equity funds, hedge funds and investments in real assets, amounted to €641m, recording a net increase of €245m in 2016, also following the investments made in the Atlante Fund, amounting to €60m (a

closed-end private investment fund, the objective of which is to support the share capital increases of several Italian banks and to intervene in any transactions regarding NPL *(Non-Performing Loans)*.
The subsidiary UnipolSai undertook to participate in the Atlante Fund with a total investment of €100m. On 3 January 2017, an additional payment of €21.6m was made. A value adjustment of €19.5m was made on this fund at 31 December 2016, i.e. 24% of the investment made, taking into account in prudential terms the information disclosed by Quaestio Capital Management SGR in the report on operation of the Atlante fund at 31 December 2016. In addition UnipolSai undertook to participate in the Atlante Fund 2 with a total investment of €100m, of which €0.7m paid at 31 December 2016.

Breakdown of financial investments by type

(excluding financial assets for which investment risk is borne by policyholders/customers and arising from pension fund management)



(*) Deposits > 15 days; Cash and cash equivalents; Derivatives

Currency transactions were carried out mainly to hedge the currency risk of outstanding equity and bond positions.

The overall **duration** was 5.37 years for the Group, substantially unchanged with respect to 5.42 years at the end of 2015. The Non-Life duration was 3.48 years (3.40 years at the end of 2015), the Life duration was 6.12 years (6.3 years at the end of 2015) and the Holding duration was 0.69 years, down with respect to the end of last year (0.96) due to the liquidity held in the portfolio.

The fixed rate and floating rate components of the bond portfolio amounted respectively to 83.7% and 16.3%. The government component accounted for approximately 71.3% of the bond portfolio whilst the corporate component accounted for the remaining 28.7%, split into 22.4% *financial* and 6.3% *industrial* credit.
88.4% of the bond portfolio is invested in securities rated above BBB-, 1.8% of the total is positioned in classes AAA to AA-, while 4.8% of securities had an A rating. The exposure to securities with BBB rating was equal to 81.7%, due to the presence of Italian government bonds, which represented 62.1% of the total bond portfolio.

At 31 December 2016 the balance of the **Investments and the Cash and cash equivalents** of the Group was €83,428m (€81,840m at 31/12/2015), with the following breakdown by business segment:

Investments and cash and cash equivalents - Breakdown by business segment

Amounts in €m	**31/12/2016**	*% comp.*	31/12/2015	*% comp.*	*% var.*
Insurance sector	71,336	*85.5*	70,295	*85.9*	*1.5*
Banking sector	11,873	*14.2*	11,100	*13.6*	*7.0*
Holding and other business sector	1,600	*1.9*	1,801	*2.2*	*(11.2)*
Real Estate sector	1,232	*1.5*	920	*1.1*	*33.9*
Intersegment eliminations	(2,612)	*(3.1)*	(2,276)	*(2.8)*	*14.8*
Total Investments and cash and cash equivalents	**83,428**	***100.0***	**81,840**	***100.0***	***1.9***

The breakdown by investment category is as follows:

Amounts in €m	**31/12/2016**	*% comp.*	31/12/2015	*% comp.*	*% var.*
Property (*)	**3,873**	***4.6***	**3,969**	***4.9***	***(2.4)***
Investments in subsidiaries, associates and interests in joint ventures	**86**	***0.1***	**90**	***0.1***	***(4.9)***
Held-to-maturity investments	**1,319**	***1.6***	**1,528**	***1.9***	***(13.7)***
Loans and receivables	**14,823**	***17.8***	**14,549**	***17.8***	***1.9***
Debt securities	4,358	*5.2*	4,530	*5.5*	*(3.8)*
Loans and receivables from bank customers	8,527	*10.2*	8,322	*10.2*	*2.5*
Interbank loans and receivables	1,335	*1.6*	594	*0.7*	*124.8*
Deposits with ceding companies	21	*0.0*	24	*0.0*	*(13.9)*
Other loans and receivables	583	*0.7*	1,079	*1.3*	*(46.0)*
Available-for-sale financial assets	**52,540**	***63.0***	**50,916**	***62.2***	***3.2***
Financial assets at fair value through profit or loss	**10,285**	***12.3***	**9,913**	***12.1***	***3.7***
of which held for trading	309	*0.4*	407	*0.5*	*(24.1)*
of which at fair value through profit or loss	9,976	*12.0*	9,506	*11.6*	*4.9*
Cash and cash equivalents	**503**	***0.6***	**874**	***1.1***	***(42.5)***
Total investments and cash and cash equivalents	**83,428**	***100.0***	**81,840**	***100.0***	***1.9***

(*) Including properties for own use

Net gains on investments and financial income

The breakdown of net gains (losses) on investments and financial income is shown in the table below:

Net investment income

Amounts in €	**31/12/2016**	31/12/2015	*% var.*
Investment property	(58)	(75)	*(21.8)*
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	13	3	*271.0*
Net gains on held-to-maturity investments	59	74	*(20.6)*
Net gains on loans and receivables	366	290	*26.1*
Net gains on available-for-sale financial assets	1,764	1,921	*(8.2)*
Net gains on held-for-trading financial assets and at fair value through profit or loss (*)	(81)	206	*(139.6)*
Balance on cash and cash equivalents	1	3	*(59.7)*
Total net gains on financial assets, cash and cash equivalents	**2,063**	**2,422**	***(14.8)***
Net losses on held-for-trading financial liabilities and at fair value through profit or loss (*)	(3)	(2)	82.1
Net losses on other financial liabilities	(238)	(274)	(13.2)
Total net losses on financial liabilities	**(241)**	**(276)**	***(12.7)***
Total net gains (*)	**1,823**	**2,147**	***(15.1)***
Net gains on financial assets at fair value (**)	199	212	
Net losses on financial liabilities at fair value (**)	(74)	(47)	
Total net gains on financial instruments at fair value (**)	**125**	**165**	
Total net gains on investments and net financial income	**1,948**	**2,312**	***(15.7)***

(*) excluding net gains and losses on financial instruments at *fair value* through profit or loss for which investment risk is borne by customers (index- and unit-linked) and arising from pension fund management
(**) net gains and losses on financial instruments at *fair value* through profit or loss for which investment risk is borne by customers (index- and unit-linked) and arising from pension fund management

At 31 December 2016 the following write-downs were booked to the income statement: write-downs of Loans and Receivables related to the banking business for €50m (€152m at 31/12/2015) and write-downs due to impairment on financial instruments classified in the Available-for-sale asset category for €43m (€45m at 31/12/2015). Investment property included €36m in depreciation and €60m in write-downs (respectively €38m and €97m at 31/12/2015).

Shareholders' equity

At 31 December 2016, shareholders' equity amounted to €8,134m (€8,445m at 31/12/2015). **Shareholders' equity attributable to the owners of the Parent** amounted to €5,649m (€5,524m at 31/12/2015) and was broken down as follows:

Amounts in €m	**31/12/2016**	31/12/2015	*variation in amount*
Share capital	3,365	3,365	
Capital reserves	1,725	1,725	
Income-related and other equity reserves	(282)	(426)	*144*
(Treasury shares)	(28)	(35)	*7*
Reserve for foreign currency translation differences	2	2	
Gains/losses on available-for-sale financial assets	536	589	*(54)*
Other gains and losses recognised directly in equity	1	31	*(30)*
Profit (loss) for the year	330	272	*58*
Total shareholders' equity attributable to the owners of the Parent	**5,649**	**5,524**	*125*

The main changes over the year were as follows:
- a decrease of €128m due to dividend distribution;
- €54m decrease for the decrease in the Provision for gains and losses on available-for-sale financial assets, from €589m at 31 December 2015 to €536m at 31 December 2016;
- €30m decrease owing to the decrease in the reserve for Other gains or losses recognised directly in equity;
- €330m increase due to Group profit at 31 December 2016.

Shareholders' equity attributable to non-controlling interests was €2,485m (€2,921m at 31/12/2015). The main changes over the year were as follows
- €133m decrease owing to the decrease in Other gains or losses recognised directly in equity;
- a decrease of €182m for payment of dividends to third parties;
- €329m decrease due in particular to the change in Unipol's interest held in the subsidiary UnipolSai, the share of which attributable to the owners of the Parent rose from 61.2% to 68.3% following the purchase of 194.4 million shares by the companies Unipol Finance and Unipol Investment;
- €205m increase due to profit attributable to non-controlling interests.

Treasury shares

At 31 December 2016 treasury shares held by Unipol and its subsidiaries were equal to 8,587,056 (9,593,375 at 31/12/2015), of which 4,760,207 held directly (equal to around 0.66% of the share capital). Changes concerned:
- 2,725,000 shares purchased in 2016 by Unipol and by the subsidiaries UnipolSai, SIAT, UnipolSai Servizi Consortili, Popolare Vita and Auto Presto & Bene, in service of the compensation plans based on financial instruments (performance share type) for the executive staff;
- 3,691,319 shares assigned on 1 July 2016 to those entitled in executing the compensation plans based on financial instruments (third and final tranche of shares of the 2010-2012 Plan and the first tranche of the 2013-2015 Plan);
- sale of 40.00 shares by the subsidiary UnipolSai.

Reconciliation statement for the Group result for the year and shareholders' equity showing the corresponding figures for the Parent

In accordance with Consob Communication 6064293 of 28 July 2006 the statement reconciling the Group result for the year and shareholders' equity, including the corresponding figures for the Parent, is shown below:

Amounts in €m	Share capital and reserves	Profit (loss) for the year	**Shareholders' equity at 31/12/2016**
Parent balances in accordance with Italian GAAP	**5,316**	**160**	**5,475**
IAS/IFRS adjustments to the Parent's financial statements	518	(1)	516
Differences between net carrying amount and shareholders' equity and profit (loss) for the year of consolidated investments, of which:	(2,127)	468	(1,659)
- Translation reserve	*2*		*2*
- Gains or losses on available-for-sale financial assets	*535*		*535*
- Other gains or losses recognised directly in equity	*(16)*		*(16)*
Consolidation differences	1,255		1,255
Difference posted to other assets (property, etc.)	9	(2)	7
Companies measured using the equity method			
Intragroup elimination of dividends	348	(348)	
Other adjustments (securities, etc.)	1	53	54
Consolidated balances - portion attributable to the owners of the Parent	**5,319**	**330**	**5,649**
Non-controlling interests	2,279	205	2,485
Consolidated total	**7,599**	**535**	**8,134**

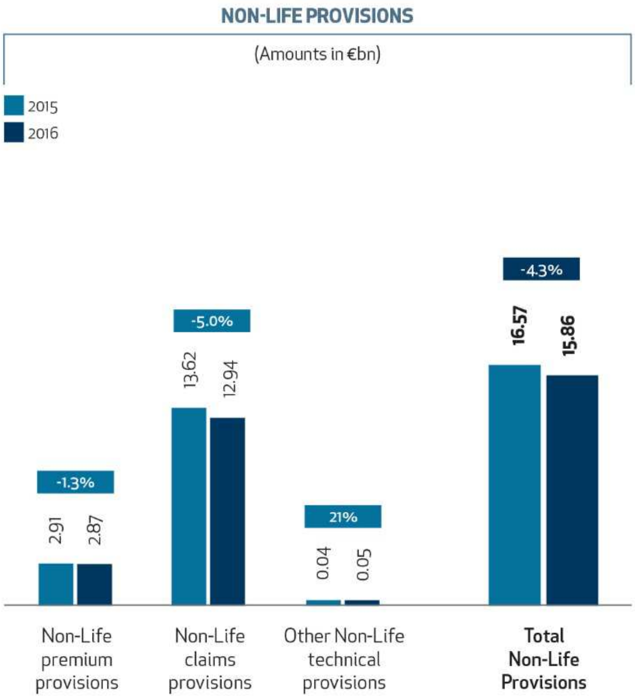
Technical provisions and financial liabilities

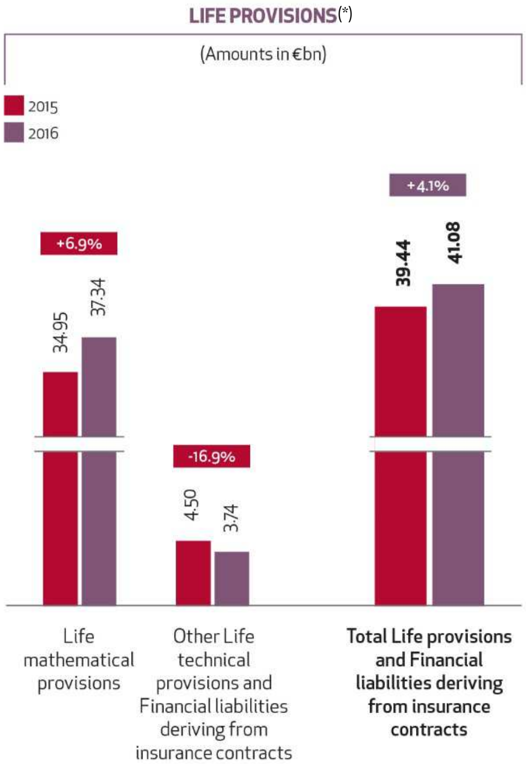
At 31 December 2016, technical provisions amounted to €64,110m (€63,150m at 31/12/2015) and Financial liabilities amounted to €16,898m (€15,571m at 31/12/2015).

Technical provisions and financial liabilities

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Non-Life technical provisions	15,862	16,574	(4.3)
Life technical provisions	48,248	46,575	3.6
Total technical provisions	**64,110**	**63,150**	**1.5**
Financial liabilities at fair value	**3,265**	**2,658**	**22.8**
Investment contracts - insurance companies	*2,820*	*2,380*	*18.5*
Other	*445*	*278*	*59.8*
Other financial liabilities	**13,633**	**12,914**	**5.6**
Subordinated liabilities	*2,519*	*2,565*	*(1.8)*
Payables to bank customers	*6,313*	*5,506*	*14.7*
Interbank payables	*695*	*436*	*59.3*
Other	*4,107*	*4,407*	*(6.8)*
Total financial liabilities	**16,898**	**15,571**	**8.5**
Total	**81,008**	**78,721**	**2.9**

Composition Non-Life and Life provisions





(*) Excluding Reserves and Financial liabilities for which investment risk is borne by policyholders and customers

Unipol Group Debt

For a correct representation of the accounts under examination, information is provided below of financial debt only, which is the total amount of the financial liabilities not strictly associated with normal business operations. Therefore, liabilities constituting operating debt, i.e. liabilities directly or indirectly associated with assets, are excluded.

Group debt structure (excluding net interbank business)

Amounts in €m	**31/12/2016**	31/12/2015	*variation in amount*
Subordinated liabilities issued by UnipolSai	2,027	2,027	*1*
Subordinated liabilities issued by Unipol Banca	491	538	*(47)*
Debt securities issued by Unipol Banca	1,996	2,480	*(484)*
Debt securities issued by Unipol	1,602	1,593	*9*
Other loans	275	118	*158*
Total debt	**6,392**	**6,755**	***(363)***

The **Debt securities issued by Unipol Banca** decreased mainly due to bonds expired and not offset by new issues.

With regard to **Other loans**, totalling €275m (€118m at 31/12/2015), €170m refers to the new loan taken out by the Real Estate Fund Athens, through the company Loan Agency Service Srl, from a pool of 13 banks, including Unipol Banca (the latter for a nominal value of €10m), as part of the purchase of property for hotel use of the former Una SpA, while €111m refers to the loan stipulated by the Real Estate Fund Tikal with Mediobanca acting as Agent Bank (amount essentially unchanged compared to 31/12/2015), which, at the maturity on 4 January 2017, Unipol Banca took over in full.

OTHER INFORMATION

Transactions with related parties

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 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.

The Procedure is published in the "Governance/Related party transactions" section of the Unipol Group's website (www.unipol.it).

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 the Unipol Group's financial position and results of operations.

The transactions of minor relevance carried out in 2016 and approved in the previous year include the following:
- on 25 January 2016 the deed of merger by incorporation of Liguria Assicurazioni and Liguria Vita into UnipolSai was signed, with legal effects from 31 January 2016 and accounting and tax effects from 1 January 2016;
- on 9 September 2016, after exercising the Put granted to IGD at the time of the sale, UnipolSai Assicurazioni repurchased 782,718 shares of UnipolSai Investimenti SGR S.p.A., which account for 20% of the share capital, at a price of €4.5m, bringing its total investment to 49%.

As regards the dosclosure required by IAS 24 and Consob Communication DEM/6064293/2006, pleas refer to paragraph 5.6 - Transactions with related parties in the Notes to the financial statements.

Solvency II solvency position

The values relating to Own funds and the Solvency capital requirement determined on the basis of the information available to date are provided below:

In €m	**Total**
Own funds eligible to cover the Solvency Capital Requirement	6,664.4
Tier 1 - unrestricted	*4,426.8*
Tier 1 - restricted	*894.0*
Tier 2	*948.5*
Tier 3	*395.1*
Solvency Capital Requirement	4,723.4
Ratio between Eligible own funds and Solvency Capital Requirement	**1.41**

The Group's solvency will be subject to a dedicated disclosure to the market and the Supervisory Authority by 3 July 2017, as required under Art. 373 of EU regulation 2015/35 (delegated acts).

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 "Governance/Corporate Governance System" Section on the Company's website (www.unipol.it).

Ethics Report

General considerations

The new three-year Business Plan was launched in 2016, subsequent to the conclusion of the integration process in the wake of the acquisition of the former Fondiaria-SAI Group.
Within a new context in which the Unipol Group has affirmed its leadership in the insurance sector and its growing role within the Italian economy, the Charter of Values and the Code of Ethics have been confirmed as indispensable points of reference for the spreading and affirmation, amongst everyone operating in and for the Unipol Group, of a shared corporate culture grounded in transparency, fairness, respect and responsibility. At the same time, the implementation of the Code of Ethics contributes to resolving disputes and problems between the Company and its stakeholders.

Activities carried out and launched in 2016 with reference to the Charter of Values and the Code of Ethics

The following main activities were carried out in 2016:

- following the resolution of the Board of Directors, the Ethics Committee renewed its membership and took on an autonomous configuration with respect to the Sustainability Committee;
- in the first quarter, all Unipol Group Companies (including those abroad) completed the adoption of the new Code of Ethics approved at the end of 2015, posting it on the websites and therefore ensuring its maximum visibility;
- the new Internal Regulation of the Ethics Committee, consistent with the new Code of Ethics, was approved;
- all reports (107) sent to the dedicated email address were managed, 9 of which were related to alleged, specific violations of the Code of Ethics and therefore were dealt with in accordance with the Code and the relative Regulation. As no situations materialised which required the assessment of the Ethics Committee, the Head of Ethics handled the reports alone;
- in keeping with what was already decided and planned in 2015, the second half of 2016 saw the launch of the knowledge, awareness-raising and training project on ethical themes for the entire Group. In collaboration with Unipol Corporate Academy, a classroom-based training project was designed as an integral part of a broader project laid out in the Business Plan intended for roughly 1,800 leaders (executives, managers and middle managers), launched in January 2017.

For detailed information, please refer to the full Ethics Report, available in the "Sustainability" section of the Unipol Group's website.

Business outlook

In Italy, in spite of the expectations of a moderate economic recovery, uncertainties tied to the Country's structural weaknesses persist, and particularly egregious among them are those tied to the reduction of public debt and to the state of health of the credit system.
The growing political instability, which affects not only our Country, risks stoking tensions in financial markets, which have already been observed in these initial months of 2017, with the consequent resumption of the volatility of the spreads of the securities of Italian government bonds relative to the German Bund. All this reflects on financial investments and on the financial management of the Group, which continues to be aimed at the consistency of assets and liabilities, optimising the risk-return profile of the portfolio and pursuing selectively an adequate diversification of the risks.

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 consolidated operating result is expected to remain positive in 2017.

Bologna, 23 March 2017

The Board of Directors

Glossary

Ambassadors: employees who gave Unipol a reputational assessment higher than 80 points and also expressed a strategy alignment higher than 80 points.

APE – Annual Premium Equivalent: the new Life business expressed in APE is a measurement of the volume of business relating to new policies and corresponds to the sum of periodic premiums of new products and one tenth of single premiums. This indicator is used to assess the business along with the in force value and the Life new business value of the Group.
Premium retention ratio is the ratio of premiums retained (total direct and indirect premiums net of premiums ceded) to total direct and indirect premiums. Investment products are not included in calculating this ratio.

Integrated Report: a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. (International <IR> Framework).

BVPS – Book Value Per Share: ratio between the Group's Shareholders' equity and the total number of shares.

Capitals: stocks of value on which all organisations depend for their success. Used as inputs to the business model, and are increased, decreased or transformed through the organisation's business activities and outputs. The capitals are categorised in the <IR> Framework as financial, productive, intellectual, human, social and relational, and natural. (International <IR> Framework).

CARD - Convenzione tra Assicuratori per il Risarcimento Diretto - Agreement between Insurers for Direct Compensation:
MV TPL claims may be classified as one of three cases of claims managed:
- Non-Card claims: claims governed by the ordinary regime, to which CARD is not applied;
- Debtor Card claims: claims governed by CARD where "our" policyholder is fully or partially liable, which are settled by the counterparty's insurance companies, to which "our" insurance company must pay a flat rate pay-out ("Debtor Flat Rate");
- Handler Card claims: claims governed by CARD where "our" policyholder is fully or partially not liable, which are settled by "our" insurance company, to which the counterparty's insurance companies must pay a flat rate pay-out ("Handler Flat Rate").

However, it must be noted that this classification is a simplified representation because, in reality, each individual claim may contain damages included in each of the three above-indicated cases.

Charter of Values: internal voluntary regulatory document which identifies and outlines the reference values for an organisation's behaviours.

Code of Ethics: document which describes and summarises an organisation's values and the methods whereby it intends to apply them; therefore, it constitutes one of the instruments that highlight the company's commitment of responsibility with regard to its stakeholders.

Combined ratio: indicator that measures the balance of Non-Life technical management, represented by the sum of the loss ratio and the expense ratio.

Value Creation: the process that results in increases, decreases or transformations of the capital caused by the organisation's business activities and outputs. (International <IR> Framework).

Environmental, social and governance (ESG): an acronym that refers to the organisational aspects of a company, linked to environmental, social and good governance policies, objectives and implementation procedures.

EPS – Earning per share: ratio between the Group's net profit and the total number of shares.

Expense ratio: percentage indicator of the ratio of total operating expenses to premiums written as far as direct business is concerned, and the premiums as far as retained business, net of reassurance, is concerned.

SRI Indexes: Sustainability or SRI indexes are summary indexes that monitor the performance trends of a basket of companies listed in the Stock Exchange in accordance not only with financial and economic criteria, but also criteria relating, as applicable, to environmental, social and good corporate governance aspects, employed by investors that intend to adopt sustainable and responsible investment strategies.

Sustainable and responsible investment refers to a medium/long-term investment strategy which, in assessments of companies and institutions, combines financial analysis with environmental, social and good governance analysis so as to create value for the investor and for the company as a whole.

Inputs: the capitals (resources and relationships) that an organisation draws upon for its business activities. (International <IR> Framework).

ISO 50001: a voluntary international standard that provides organisations of any size with a system for optimising the energy performance of all of their processes and for promoting more efficient energy management.

Loss ratio: primary indicator of the cost-effectiveness of operations of an insurance company in the Non-Life sector. This is the ratio of the cost of claims for the period to premiums for the period.

Materiality: a matter is material if it could substantively affect the organisation's ability to create value in the short, medium or long term. (International <IR> Framework).

Business model: an organisation's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organisation's strategic purposes and create value over the short, medium and long term. (International <IR> Framework).

OTI (Other Technical Items) ratio: ratio of the sum of the balance of other technical charges/income and the change in other technical provisions to net premiums for the period.

Outcomes: the internal and external consequences (positive and negative) for the capitals as a result of an organisation's business activities and outputs. (International <IR> Framework).

Outputs: an organisation's products and services, and any by-products and waste. (International <IR> Framework).

Reputation Index: an index developed by the Reputation Institute to measure and manage the reputation of companies and their brands as a lever for business growth, valid at international level.

ROE – Return on Equity: ratio between the Group's net profit for the year and the average of the Group's Shareholders' equity (calculated as the semi-sum of Net Shareholders' equities at the start and end of the period), excluding Other comprehensive income (expense) (OCI).

Scope of GHG emissions: classification of the organisational confines in which the direct and indirect GHG (*Greenhouse Gas*) emissions generated by an organisation's activities are produced. There are 3 classes of *Scopes: Scope 1, Scope 2 and Scope 3*. The classification derives from the *World Resources Institute* (WRI) and the *World Business Council for Sustainable Development* (WBCSD). *Scope 1* refers to direct GHG emissions from installations owned or controlled by the organisation. *Scope 2* refers to indirect GHG emissions deriving from the generation of electricity, steam energy, heating and cooling, imported and consumed within the organisation.

Stakeholders: those groups or individuals that can reasonably be expected to be significantly affected by an organisation's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organisation to create value over time. Stakeholders may include providers of financial capital, employees, customers, suppliers, business partners, local communities, NGOs, environmental groups, legislators, regulators and policy-makers. (International <IR> Framework).

Sustainable Development Goals (SDGs): 17 global objectives and commitments approved by the United Nations, outlined within an action plan on the 2030 Agenda. The objectives regard a set of important issues for Sustainable Development, such as combatting poverty, eliminating hunger, fighting against climate change, promoting access to medical care and education and reducing economic and gender inequality, and for the first time call for the commitment of companies and civil society.

TLTRO - *Targeted Long Term Refinancing Operations*: financial interventions carried out by the European Central Bank, introduced for the first time during the sovereign debt crisis that took place in Eurozone countries. Under the TLTRO programme, 4-year loans with very low interest rates are disbursed through auctions to Eurozone banks, with a view to injecting liquidity into the real economy. Indeed, banks are required to use this liquidity to support lending to small and medium sized enterprises.

CONSOLIDATED
FINANCIAL STATEMENTS AT 31 DECEMBER 2016

Statement of Financial Position

Assets

		Amounts in €m	31/12/2016	31/12/2015
1	INTANGIBLE ASSETS		2,019.0	2,071.0
1.1	Goodwill		1,591.7	1,581.9
1.2	Other intangible assets		427.3	489.1
2	PROPERTY, PLANT AND EQUIPMENT		1,886.0	1,757.0
2.1	Property		1,648.8	1,619.1
2.2	Other tangible assets		237.2	137.9
3	TECHNICAL PROVISIONS - REINSURERS' SHARE		878.0	897.4
4	INVESTMENTS		81,276.0	79,346.6
4.1	Investment property		2,223.8	2,350.2
4.2	Investments in subsidiaries, associates and interests in joint ventures		85.6	90.0
4.3	Held-to-maturity investments		1,319.3	1,528.4
4.4	Loans and receivables		14,822.9	14,549.2
4.5	Available-for-sale financial assets		52,539.6	50,915.8
4.6	Financial assets at fair value through profit or loss		10,284.8	9,913.1
5	SUNDRY RECEIVABLES		3,324.9	3,214.6
5.1	Receivables relating to direct insurance business		1,498.0	1,593.5
5.2	Receivables relating to reinsurance business		99.7	80.7
5.3	Other receivables		1,727.2	1,540.5
6	OTHER ASSETS		2,010.0	1,612.2
6.1	Non-current assets or assets of a disposal group held for sale		207.8	16.5
6.2	Deferred acquisition costs		90.5	86.9
6.3	Deferred tax assets		1,007.9	919.5
6.4	Current tax assets		36.1	53.6
6.5	Other assets		667.6	535.7
7	CASH AND CASH EQUIVALENTS		503.1	874.4
	TOTAL ASSETS		91,896.9	89,773.3

Statement of Financial Position

Shareholders' equity and liabilities

		Amounts in €m	**31/12/2016**	31/12/2015
1		SHAREHOLDERS' EQUITY	8,133.6	8,444.5
	1.1	**attributable to the owners of the Parent**	**5,648.8**	**5,523.6**
	1.1.1	Share capital	3,365.3	3,365.3
	1.1.2	Other equity instruments		
	1.1.3	Capital reserves	1,724.6	1,724.6
	1.1.4	Income-related and other equity reserves	(281.7)	(426.0)
	1.1.5	(Treasury shares)	(27.8)	(34.7)
	1.1.6	Reserve for foreign currency translation differences	2.2	2.4
	1.1.7	Gains or losses on available-for-sale financial assets	535.5	589.1
	1.1.8	Other gains or losses recognised directly in equity	1.0	31.1
	1.1.9	Profit (loss) for the year attributable to the owners of the Parent	329.6	271.8
	1.2	**attributable to non-controlling interests**	**2,484.8**	**2,921.0**
	1.2.1	Share capital and reserves attributable to non-controlling interests	2,004.8	2,206.4
	1.2.2	Gains or losses recognised directly in equity	274.6	407.6
	1.2.3	Profit (loss) for the year attributable to non-controlling interests	205.4	307.0
2		PROVISIONS	480.7	550.1
3		TECHNICAL PROVISIONS	64,109.8	63,149.6
4		FINANCIAL LIABILITIES	16,897.9	15,571.4
	4.1	Financial liabilities at fair value through profit or loss	3,264.8	2,657.8
	4.2	Other financial liabilities	13,633.0	12,913.6
5		PAYABLES	954.9	917.7
	5.1	Payables arising from direct insurance business	150.4	146.9
	5.2	Payables arising from reinsurance business	76.4	87.6
	5.3	Other payables	728.1	683.2
6		OTHER LIABILITIES	1,320.0	1,139.9
	6.1	Liabilities associated with disposal groups		
	6.2	Deferred tax liabilities	33.2	49.4
	6.3	Current tax liabilities	53.1	42.4
	6.4	Other liabilities	1,233.6	1,048.1
		TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**91,896.9**	**89,773.3**

Income Statement

		Amounts in €m	**31/12/2016**	31/12/2015
1.1	Net premiums		13,786.8	15,261.4
1.1.1	*Gross premiums earned*		*14,187.8*	*15,683.1*
1.1.2	*Earned premiums ceded to reinsurers*		*(401.0)*	*(421.8)*
1.2	Commission income		142.7	117.2
1.3	Gains and losses on financial instruments at fair value through profit or loss		41.2	369.4
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures		16.1	17.6
1.5	Gains on other financial instruments and investment property		2,762.7	3,036.2
1.5.1	*Interest income*		*2,005.8*	*1,988.1*
1.5.2	*Other income*		*162.7*	*178.5*
1.5.3	*Realised gains*		*503.9*	*754.7*
1.5.4	*Unrealised gains*		*90.3*	*114.9*
1.6	Other revenue		472.4	560.3
1	**TOTAL REVENUE AND INCOME**		**17,221.9**	**19,362.0**
2.1	Net charges relating to claims		(12,094.4)	(13,635.7)
2.1.1	*Amounts paid and changes in technical provisions*		*(12,263.8)*	*(13,825.2)*
2.1.2	*Reinsurers' share*		*169.4*	*189.5*
2.2	Commission expense		(42.6)	(33.0)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures		(3.2)	(14.1)
2.4	Losses on other financial instruments and investment property		(868.8)	(1,097.0)
2.4.1	*Interest expense*		*(229.7)*	*(264.5)*
2.4.2	*Other charges*		*(52.7)*	*(53.8)*
2.4.3	*Realised losses*		*(295.7)*	*(303.1)*
2.4.4	*Unrealised losses*		*(290.6)*	*(475.5)*
2.5	Operating expenses		(2,746.9)	(2,804.0)
2.5.1	*Commissions and other acquisition costs*		*(1,763.4)*	*(1,831.7)*
2.5.2	*Investment management expenses*		*(100.5)*	*(87.4)*
2.5.3	*Other administrative expenses*		*(883.0)*	*(884.9)*
2.6	Other costs		(759.8)	(820.2)
2	**TOTAL COSTS AND EXPENSES**		**(16,515.6)**	**(18,403.9)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR		**706.3**	**958.1**
3	Income tax		(171.3)	(379.4)
	PROFIT (LOSS) FOR THE YEAR AFTER TAXES		**535.0**	**578.7**
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS			
	CONSOLIDATED PROFIT (LOSS)		**535.0**	**578.7**
	of which attributable to the owners of the Parent		*329.6*	*271.8*
	of which attributable to non-controlling interests		*205.4*	*307.0*

Comprehensive Income Statement

Amounts in €m	**31/12/2016**	31/12/2015
CONSOLIDATED PROFIT (LOSS)	**535.0**	**578.7**
Other income items net of taxes not reclassified to profit or loss	**(12.2)**	**15.0**
Change in the shareholders' equity of the investees	(4.6)	8.6
Change in the revaluation reserve for intangible assets		
Change in the revaluation reserve for property, plant and equipment		
Gains and losses on non-current assets or disposal groups held for sale		
Actuarial gains and losses and adjustments relating to defined benefit plans	(7.6)	6.3
Other items		0.0
Other income items net of taxes reclassified to profit or loss	**(204.7)**	**(248.7)**
Change in the reserve for foreign currency translation differences	(0.7)	0.1
Gains or losses on available-for-sale financial assets	(168.0)	(252.6)
Gains or losses on cash flow hedges	(36.0)	3.8
Gains or losses on hedges of a net investment in foreign operations		
Change in the shareholders' equity of the investees		
Gains and losses on non-current assets or disposal groups held for sale		
Other items		
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	**(216.8)**	**(233.8)**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (EXPENSE)	**318.2**	**345.0**
of which attributable to the owners of the Parent	*245.8*	*94.2*
of which attributable to non-controlling interests	*72.3*	*250.8*

Statement of Changes in Shareholders' equity

	Amounts in €m	**Balance at 31/12/2014**	Transfers closing balances	Amounts allocated	Adjustments from reclassificati on to profit or loss	Transfers on to profit or loss	Changes in investments	**Balance at 31/12/2015**
Equity attributable to the owners of the Parent	Share capital	3,365.3						3,365.3
	Other equity instruments							
	Capital reserves	1,724.6						1,724.6
	Income-related and other equity reserves	(355.6)		150.5		(76.4)	(144.6)	(426.0)
	(Treasury shares)	(35.7)		0.9				(34.7)
	Profit (loss) for the year	192.3		205.8		(126.3)		271.8
	Other comprehensive income (expense)	800.2		124.7	(266.7)	(1.0)	(34.6)	622.6
	Total attributable to the owners of the Parent	**5,691.2**		**482.0**	**(266.7)**	**(203.7)**	**(179.2)**	**5,523.6**
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	1,971.9		89.9			144.6	2,206.4
	Profit (loss) for the year	312.9		218.3		(224.2)		307.0
	Other comprehensive income (expense)	463.8		76.9	(167.7)	(0.0)	34.6	407.6
	Total attributable to non-controlling interests	**2,748.6**		**385.0**	**(167.7)**	**(224.2)**	**179.2**	**2,921.0**
Total		**8,439.8**		**867.0**	**(434.4)**	**(427.9)**	**(0.0)**	**8,444.5**

	Amounts in €m	**Balance at 31/12/2015**	Changes to closing balances	Amounts allocated	Adjustments from reclassificati on to profit or loss	Transfers on to profit or loss	Changes in investments	**Balance at 31/12/2016**
Equity attributable to the owners of the Parent	Share capital	3,365.3						3,365.3
	Other equity instruments							
	Capital reserves	1,724.6						1,724.6
	Income-related and other equity reserves	(426.0)	6.8	112.0		25.5	(0.0)	(281.7)
	(Treasury shares)	(34.7)		7.0				(27.8)
	Profit (loss) for the year	271.8		185.2		(127.4)		329.6
	Other comprehensive income (expense)	622.6	0.7	218.3	(231.3)	(5.3)	(66.2)	538.8
	Total attributable to the owners of the Parent	**5,523.6**	**7.5**	**522.5**	**(231.3)**	**(107.2)**	**(66.2)**	**5,648.8**
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	2,206.4	0.0	127.5			(329.1)	2,004.8
	Profit (loss) for the year	307.0		80.2		(181.7)		205.4
	Other comprehensive income (expense)	407.6	0.0	(85.4)	(113.6)	(0.3)	66.2	274.6
	Total attributable to non-controlling interests	**2,921.0**	**0.0**	**122.3**	**(113.6)**	**(182.0)**	**(262.9)**	**2,484.8**
Total		**8,444.5**	**7.5**	**644.8**	**(344.9)**	**(289.2)**	**(329.1)**	**8,133.6**

Statement of Cash Flows (indirect method)

Amounts in €m	**31/12/2016**	31/12/2015
Pre-tax profit (loss) for the year	**706.3**	**958.1**
Change in non-monetary items	**763.4**	**39.2**
Change in Non-Life premium provision	(42.4)	(104.9)
Change in claims provision and other Non-Life technical provisions	(665.0)	(888.1)
Change in mathematical provisions and other Life technical provisions	2,037.5	1,880.6
Change in deferred acquisition costs	(3.6)	(11.2)
Change in provisions	(69.4)	(93.1)
Non-monetary gains and losses on financial instruments, investment property and investments	35.9	141.4
Other changes	(529.6)	(885.6)
Change in receivables and payables generated by operating activities	**(84.2)**	**375.3**
Change in receivables and payables relating to direct insurance and reinsurance	68.7	149.4
Change in other receivables and payables	(152.9)	225.9
Paid taxes	**(81.9)**	**(340.5)**
Net cash flows generated by/used for monetary items from investing and financing activities	**564.8**	**280.2**
Liabilities from financial contracts issued by insurance companies	406.1	742.7
Payables to bank and interbank customers	1,065.4	(320.2)
Loans and receivables from banks and interbank customers	(582.4)	371.8
Other financial instruments at fair value through profit or loss	(324.3)	(514.1)
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**1,868.4**	**1,312.4**
Net cash flow generated by/used for investment property	(25.9)	(26.7)
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures	0.7	214.7
Net cash flow generated by/used for loans and receivables	84.5	(101.2)
Net cash flow generated by/used for held-to-maturity investments	204.4	709.5
Net cash flow generated by/used for available-for-sale financial assets	(1,212.6)	(1,954.0)
Net cash flow generated by/used for property, plant and equipment and intangible assets	(461.5)	(343.2)
Other net cash flows generated by/used for investing activities	12.4	179.4
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	**(1,397.9)**	**(1,321.5)**
Net cash flow generated by/used for equity instruments attributable to the owners of the Parent	(0.0)	0.0
Net cash flow generated by/used for treasury shares	(4.4)	0.0
Dividends distributed attributable to the owners of the Parent	(127.4)	(126.3)
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	(534.6)	(223.5)
Net cash flow generated by/used for subordinated liabilities and equity instruments	(46.8)	(50.3)
Net cash flow generated by/used for other financial liabilities	(128.7)	608.5
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	**(841.9)**	**208.3**
Effect of exchange rate gains/losses on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT 1 JANUARY	874.4	675.3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(371.4)	199.1
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	503.1	874.4

NOTES
TO THE INTEGRATED FINANCIAL STATEMENTS

1. Basis of presentation

The Unipol Group, consisting of the Parent Unipol Gruppo Finanziario ("Unipol") and its subsidiaries, operates in all Non-Life and Life insurance and reinsurance and capitalisation business; it may issue investment contracts and may set up and manage open pension funds, in compliance with the provisions of Art. 9 of Legislative Decree 124 of 21 April 1993 and subsequent amendments.
It also carries out real estate and banking activities, and to a lesser extent, hospitality, agricultural and healthcare activities.

The Parent Unipol is a joint-stock company, has its registered office in Bologna (Italy) and is listed on the Milan Stock Exchange.

Unipol's Consolidated Financial Statements were drawn up 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.

The consolidated financial statements consist 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, concerning the layout of the Consolidated Financial Statements of insurance and reinsurance companies that are required to 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 of their legal form.
The going concern assumption is considered to be confirmed with reasonable certainty given that companies belonging to the Unipol Group have sufficient resources to ensure that they will continue to operate for the foreseeable future. In addition, the liquidity risk is deemed to be very remote.

The layout of the financial statements offers a comparison with the figures of the previous year. Where necessary, in the event of a change to the accounting standards, measurement or classification criteria, the comparative data are re-stated and reclassified in order to provide homogeneous and consistent information.

The presentation currency is the euro and all the amounts shown in the financial statements and these notes are in €m, except when specifically indicated, rounded to one decimal place; therefore the sum of the individual amounts is not always identical to the total.

The Consolidated financial statements of Unipol are subject to an audit by the independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2012/2020 period.

Consolidation scope

The Unipol Group's consolidated financial statements at 31 December 2016 have been drawn up by combining the figures of the Parent Unipol and those of the 57 direct and indirect subsidiaries (IFRS 10). At 31 December 2015 a total of 64 companies were consolidated on a line-by-line basis. Subsidiaries deemed to be too small to be of relevance are excluded from the consolidated financial statements.

There are no jointly-controlled interests.

Associates, in which the investment percentage ranges between 20% and 50%, and subsidiaries considered immaterial (28 companies), are measured using the equity method (IAS 28) or maintained at the carrying amount. At 31 December 2015, a total of 33 associates and subsidiaries were considered immaterial.

Investments consolidated on a line-by-line basis and those measured using the equity method are listed in the tables showing the Consolidation scope and Details of unconsolidated investments, respectively, which are appended to these Notes.

Changes in the consolidation scope compared with 31 December 2015 and other transactions

On 31 January 2016 the merger by incorporation of Liguria Assicurazioni and Liguria Vita into UnipolSai Assicurazioni took effect, with accounting and tax effects from 1 January 2016. After the merger had become effective, 12,525 new UnipolSai ordinary shares, with the same characteristics of outstanding ordinary shares, were issued to Liguria Assicurazioni shareholders other than the merging company UnipolSai. The share capital of UnipolSai therefore went from €2,031,445,960.02, consisting of 2,829,702,916 ordinary shares, to €2,031,454,951.73, consisting of 2,829,715,441 ordinary shares.

On 5 October 2016 a 74% share of the share capital of Progetto Bicocca La Piazza S.r.l. in liquidazione was sold to Elda Immobilien AG for a price of €2.3m.

On 22 December 2016 the company Leithà S.r.l., 100% held by UnipolSai Assicurazioni, was established with a capital of €100k. The company will handle product innovation.

On 29 December 2016 Atahotels SpA, as a result of the acquisition of the hotel management business of Una Hotels, became the owner of the company Golf Club Poggio dei Medici SpA Società Dilettantistica Sportiva, representing 40.32% of the share capital.

On 31 December 2016 the merger by incorporation of Dialogo S.p.A. in liquidazione into UnipolSai Assicurazioni S.p.A. took effect, with the issue of 1,931 shares in favour of the minority shareholders of Dialogo.

Moreover, during the year the following subsidiaries were deleted from the respective Register of Companies:
- Città della Salute Scrl in liquidazione,
- Donatello Day Surgery Srl in liquidazione,
- Sainternational Sa en liquidation,
- SRP Services Sa in liquidazione,

as well as the following associates,
- A7 Srl in liquidazione,
- Cono Roma Srl in liquidazione,
- Consorzio Zis Fiera 2 in liquidazione,
- Euresa Holding Sa en liquidation,
- Tour Executive Srl in liquidazione,
- Valore Immobiliare Srl in liquidazione.

Lastly, the subsidiaries The Lawrence Life Assurance Company and UnipolRe were transformed from Limited Company (LTD) to Designated Activity Company (DAC).

Transactions carried out on the share capital and other transactions

In 2016, the Parent Unipol made payments of €50m and €305m for future share capital increases of the wholly-owned subsidiaries Unipol Finance S.p.A. and Unipol Investment S.p.A., respectively, to provide them with the resources needed to purchase UnipolSai Assicurazioni shares.
Unipol Finance purchased 27,200,000 UnipolSai shares for €49.3m, and Unipol Investment purchased 167,200,000 UnipolSai Assicurazioni shares for €298.2m. Unipol's interest in UnipolSai Assicurazioni therefore rose from 61.2% to 68.3%.

On 26 February 2016, Unipol made a payment of €25m for a future capital increase in favour of Unisalute S.p.A.

The subsidiary UnipolSai made payments for future capital increases or capital contributions in favour of the following companies:
- UnipolSai Nederland BV for €100m in order to provide the subsidiary with the liquidity needed to subscribe the capital increase for the same amount as resolved by UnipolRe;
- Alfaevolution Technology S.p.A. for a total of €47.5m:
- Marina di Loano S.p.A. for €16m;
- Centro Oncologico Fiorentino S.r.l. in liquidazione for €16.2m in order to provide the subsidiary with the resources needed to settle the trade payables and the transactions with the personnel;
- Pronto Assistance S.p.A. for €5m;
- UnipolSai Finance S.p.A. for €10m.

Upon approval of the Centri Medici Unisalute (100% held by Unisalute) financial statements, it was necessary to decrease the share capital due to losses to €1.7m. On 30 June 2016, a resolution was also passed to change the company name to Unisalute Servizi S.r.l., expand the corporate purpose and increase the share capital by a total of €3m.

On 30 June 2016, the stake held by Pronto Assistance S.p.A in Pronto Assistance Servizi S.c.r.l. declined from 7.70% to 0.31% following the transfer of shares to UnipolSai Assicurazioni S.p.A., Alfaevolution Technology, Auto Presto & Bene, APB Car Service and Unisalute. This transaction took place as part of the restructuring of the consortium structure of Pronto Assistance Servizi S.c.r.l.

On 9 September 2016, after exercising the put option granted to IGD at the time of the sale, UnipolSai Assicurazioni repurchased 782,718 shares of UnipolSai Investimenti SGR S.p.A., which account for 20% of the share capital, at a price of €4.5m, bringing its total investment to 49%.

Information about business combinations

As stated in the Management Report, on 29 December 2016, 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 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. Below we report:

Hotel business acquired by Atahotels:

	Amounts in €m
Goodwill	9.9
Other intangible assets	0.6
Other tangible assets	19.3
Investments in subsidiaries, associates and interests in joint ventures	0.8
Other receivables	11.5
Other assets	0.7
Provisions	(0.2)
Other payables	(15.1)
Total Net identifiable assets	**27.5**

The values of the assets acquired and the liabilities assumed are still provisional and may be recalculated within 12 months of the acquisition, as laid out in IFRS 3.

Property portfolio held for hotel purposes acquired from Athens (outlay of €259m):

	Amounts in €m
Property	246.8
Investment property	12.2
Total Net identifiable assets	**259.0**

Reporting date

The reporting date of the Consolidated Financial Statements is 31 December 2016, the date the separate financial statements of the Parent Unipol closed. All the consolidated companies closed their financial statements at 31 December with the exception of the associate Pegaso Finanziaria SpA, which closed its latest financial statements at 30 June and for which interim financial statements up to the date of the Consolidated Financial Statements have been used.
With the exception of banking sector companies subject to supervision by the Bank of Italy, and the Irish company The Lawrence Life, the consolidated financial statements were drawn up using restatements of the individual financial statements of the consolidated companies adjusted to comply with IAS/IFRS standards, as applied by the Parent Unipol and approved by the Boards of Directors of the companies concerned.
The companies in the Unipol Banca Group and the companies The Lawrence Life and Arca Vita International drew up separate financial statements according to IAS/ IFRS standards. The Irish company UnipolRe applies *local* Irish standards that, at the end of 2016, did not differ from IAS/IFRS standards.

Basis of consolidation

Companies consolidated on a line-by-line basis

This method provides for the consolidation on a line-by-line basis of the assets, liabilities, gains and losses of the consolidated companies as from the date they were acquired, with the carrying amount of the investment being offset against the corresponding amount of the shareholders' equity of each individual subsidiary and, in the case of investments not wholly owned, the separate recognition of the amount of the equity and the profit or loss for the year attributable to non-controlling interests.
The amount of equity attributable to non-controlling interests is recognised under shareholders' equity as "Share capital and reserves attributable to non-controlling interests", whilst the corresponding share of consolidated profit or loss is shown under "Profit (loss) for the year attributable to non-controlling interests".
The financial statements of the subsidiaries are consolidated on a line-by-line basis with the exception of small subsidiaries, for which the equity method is used. Five special-purpose companies were also consolidated on a line-by-line basis. These were the vehicles used by Unipol Banca to carry out securitisations which, although not subsidiaries, are consolidated as set forth in IFRS 10.

Goodwill

If the cost of acquiring investments in subsidiaries and associates exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the excess amount is recognised as goodwill under intangible assets.
This goodwill represents a payment made in the expectation of future economic benefits arising from assets that cannot be identified individually and recognised separately.
In the years after the year of acquisition, goodwill is measured at cost, net of any impairment losses accumulated.
Ancillary acquisition costs are recognised in the income statement during the year in which the costs are incurred or the services provided.

Under IFRS 10.23 changes in investments in subsidiaries that do not lead to a loss of control are recognised as equity transactions. Any difference between the proportion of shareholders' equity acquired in the subsidiary and the fair value of the price paid or received is recognised directly in shareholders' equity and allocated to the members of the holding company.

Companies consolidated on a proportionate basis

There were no jointly-controlled interests at 31 December 2016.

Companies measured using the equity method

When this method is used the carrying amounts of the investment is adjusted to the corresponding portion of shareholders' equity, including the profit/loss for the year and all the adjustments made when consolidation is on a line-by-line basis. Any difference between the portion of shareholders' equity acquired and the fair value of the price paid (goodwill) is recognised in the carrying amount of the investment.

Elimination of intragroup transactions

The amounts receivable and payable between companies included in the consolidation scope, the gains and losses relating to transactions carried out between these companies and the profits and losses resulting from transactions carried out between these companies and not yet realised with parties external to the Group are eliminated during the preparation of consolidated financial statements.

Segment reporting

Segment reporting is provided according to the provisions of IFRS 8 and structured on the basis of the major business segments in which the Group operates:
- Non-Life insurance business;
- Life insurance business;
- Banking business;
- Real estate business;
- Holding and Other Businesses.

Segment reporting is carried out by separately consolidating the accounting items for the individual subsidiaries and associates that belong to each identified segment, eliminating intragroup balances between companies in the same segment and cancelling, where applicable, the carrying amount of the investments against the corresponding portion of shareholders' equity.
In the column "Intersegment eliminations", the intragroup balances between companies in different sectors are eliminated.

This rule does not apply in the following cases:
- investment relations between companies in different sectors, since the elimination of the investment takes place directly in the sector of the company that holds the investment, while any consolidation difference is attributed to the sector of the investee;
- collected dividends, eliminated in the sector of the company that collects the dividend;
- realised profits and expenses, since the elimination takes place directly in the sector of the company that realises the capital gain or loss.

No segment reporting based on geographical area has been provided since the Group operates mainly at the national level and there appears to be no significant diversification of risks and benefits, for a given type of business activity, based on the economic situation of the individual regions.

The segment reporting layout conforms to the provisions of ISVAP Regulation no. 7/2007.

2. Main accounting standards

New accounting standards

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation

The Regulation (EU) 2015/2231 of 2 December 2015, issued by the EU Commission and published in the Official Journal L317 of 3 December 2015, approves the amendments made to the two accounting standards, which make clear that methods based on revenues cannot be used to calculate amortisation/depreciation. In fact, revenues reflect the methods for generating future economic benefits arising from the activity of the company owning the goods subject to amortisation/depreciation and do not reflect the methods of consumption of the expected future economic benefits of the goods. IAS 38 was amended with the introduction of a simple assumption based on which the revenue-based methods for determining the amortisation of intangible assets are inappropriate for the same reasons explained with reference to IAS 16. The amendments to IAS 16 and IAS 38 came into force starting from 1 January 2016.

Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations

The Regulation (EU) 2015/2173 of 24 November 2015, which transposes the amendments to IFRS 11 "Joint Arrangements", provides clarifications on the issue of accounting for acquisitions of interests in joint operations, establishing that the purchaser of an interest in a joint operation formed by a company as defined by IFRS 3 must apply all accounting rules established by IFRS 3 for business combinations (it is not allowed to recognise the purchase as a set of assets). The amendments introduced to IFRS 11 came into force on 1 January 2016.

Amendments to IAS 19 - Defined benefit plans: employee contributions

Regulation 2015/29, approved by the Commission on 17 December 2014, was published in the Official Journal of the European Union in January 2015. This Regulation endorses amendments made on 21 November 2013 by the IASB to IAS 19 "Employee benefits". The amendments to IAS 19 allow companies to recognise the contributions made by employees or third parties to defined benefit plans against the service cost for the year in which the contributions are paid. The right is granted for contributions that are independent from the number of years of service, and therefore are related to the services the employee has provided in the year the contributions are paid. The amendments apply from the first accounting period beginning on or after 1 February 2015 (therefore, with reference to the UnipolSai Group as from the 2016 accounting period).

Amendments to IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 24, and IAS 38 - 2010-2012 Annual Improvement Cycle

EU Regulation 2015/28, issued by the Commission on 17 December 2014 and published in the Official Journal on 9 January 2015, amending EU Regulation 1126/2008, implements the 2010-2012 Annual Improvement Cycle of the international accounting standards approved by the IASB on 12 December 2013: the objective of this is to deal with issues needed to address inconsistencies identified in the IFRS or provide non-urgent terminology clarifications. The main amendments concern:

- IFRS 2 "Share-based payments". Amendments were made to the definitions of "vesting conditions" and "market conditions" and the additional definitions of "performance condition" and "continuation of employment condition" were provided;
- IFRS 3 "Business Combinations". The amendment clarifies that a potential consideration within IFRS 3, classified as a financial asset or a liability, must be re-measured at fair value at the close of every accounting period and the changes in fair value must be recognised in the income statement or else among the elements of Comprehensive Income Statement on the basis of the requirements of IAS 39 (or IFRS 9);
- IFRS 8 "Operating segments". The amendments require entities to provide information on the assessments made by management in the application of the aggregation criteria of operating segments including a description of the aggregated operating segments and the economic indicators considered when assessing whether these operating segments have similar economic characteristics;

- IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible assets" on revaluation models. The amendments have eliminated the inconsistencies in the recognition of accumulated depreciation/amortisation when tangible or intangible assets are revalued;
- IAS 24 "Related Party Disclosures". It was clarified that if the services of the Key Managers are provided by a legal (and not natural) person, this entity must be treated in any case as a Related Party.

The amendments are applied to the annual period beginning on or after 1 February 2015.

Amendments to IFRS 5, IFRS 7, IFRS 8, IAS 19 and IAS 34 - 2012–2014 Annual Improvements Cycle

On 15 December 2015 the EU Regulation 2015/2343 was approved: this validates the amendments to some international standards within the annual process of improvement of these, which must be applied to the annual period beginning on or after 1 January 2016. The document refers to the following standards:

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The amendment introduces specific guidelines to the standard for the case in which an entity reclassifies an asset from "Held for Sale" to "Held for distribution to shareholders" (or viceversa), or when the requirements for the classification of an asset as "Held for distribution to shareholders" are not met;
- IFRS 7 "Financial Instruments: Disclosures". The amendments regulate the introduction of additional guidelines to clarify whether a "service contract" represents a residual involvement in an asset sold for the purposes of the information required for assets sold;
- IAS 19 "Employee benefits". This document introduces some amendments to IAS 19 to clarify that the high-quality corporate bonds used to calculate the discount rate for employee benefits should be in the same currency used for the payment of the benefits;
- IAS 34 "Interim financial reporting". The amendments are aimed at clarifying the requirements when the information required is presented in the interim financial statements. The IASB clarifies that the additional information required may be included in the notes to the interim financial report or else may be included, with specific cross-references, in other sections of the publication that in turn includes the interim financial report prepared in agreement to IAS 34, on condition that this publication is made available at the same time and in the same way required for the interim financial report.

IAS 1 - Presentation of Financial Statements

Regulation (EU) 2015/2406 of 18 December 2015 has implemented the amendments to IAS 1 published by the IASB on 18 December 2014 to provide clarifications on the disclosure elements that may be perceived as impeding a clear and intelligible preparation of the financial statements. The main amendments are as follows:

- Materiality and aggregation: a company should not make information confusing by aggregating or disaggregating it and the considerations on materiality apply to financial statements, explanatory notes and specific IFRS disclosure requirements. It was also clarified that "non-significant" information should not be provided even if expressly required by a specific IFRS;
- Explanatory notes: it was specified that the entities have some flexibility in the definition of the layout of the explanatory notes and guidelines were provided on how to arrange these notes systematically.

The amendments introduced by the document must be applied to annual periods beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28

On 18 December 2014, the IASB published the document "Investment Entities: Applying the Consolidation Exception", which follows the publication of the Exposure Draft 2014/2 published on 11 June 2014, with the amendments concerning the exemption from consolidation requirements granted to investment entities. The document specifies that a holding company, in its turn subsidiary of an investment entity, is not required to prepare consolidated financial statements even if the investment entity measures the subsidiaries at fair value, pursuant to IFRS 10 and with a disclosure pursuant to IFRS 12.
The amendments to the IFRS 10, to the IFRS 12 and to IAS 28 will be applied starting with the financial statements for periods beginning on or after 1 January 2016; early application is allowed.

The application of the new accounting standards had no significant impact on the consolidated financial statements of the Group at 31 December 2016.

New accounting standards not yet in force

The documents published by the International Accounting Standards Board listed below could be significant for the Group, but are still not applicable since they have not been endorsed yet by the European Union by EFRAG or do not yet apply.

IFRS 9 - Financial instruments

At the end of July 2014 the IASB issued the final version of IFRS 9 "Financial instruments", which replaces the previous versions published in 2009 and 2010. The new standard winds up a process to gradually reform the current IAS 39, through the revision of the "classification and measurement", "impairment" and "hedge accounting" rules (rules on macro hedging is still in the definition stage). Specifically with regard to financial assets, the new standard uses a single approach based on the financial instrument management methods and on the characteristics of the contractual cash flows of the assets themselves in order to determine their measurement methodology. The new impairment model, based on the concept of expected loss, is aimed at guaranteeing a more immediate recognition of losses compared to the current IAS 39 "incurred loss" model. Lastly, the rules concerning hedging sets out to ensure greater alignment between accounting representation of the hedges and the risk management policies.
On 29 November 2016, Commission Regulation (EU) 2016/2067 of 22 November 2016, endorsing IFRS 9 "Financial instruments", was published in Official Journal no. 323. The official date of entry into force shall be 1 January 2018 (except for cases referred to in the next paragraph), with early adoption allowed.

Application of IFRS 9 - Financial Instruments concurrently with IFRS 4 - Insurance contracts

In September 2015 the IASB had announced its intent to start consultations on some transitional measures related to the implementation schedule for IFRS 9 "Financial instruments" and of the new IFRS standard on "Insurance contracts", to manage the mismatch deriving from the different effective dates of IFRS 9 and IFRS 17. On this point, on 9 December 2015 the IASB made available for public consultation the Exposure Draft 2015/11 (hereafter ED) "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", containing a proposal to deal with the possible accounting consequences of the application of IFRS 9 before the new standard for insurance contracts is applied.

In detail, the IASB provided two transitional solutions for the insurance sector, both optional: the "deferral approach", which provides for a deferral of the implementation of IFRS 9, to no later than 1 January 2021, for entities exercising a "predominant" insurance activity, and the "overlay approach", which requires the application of IFRS 9 from 1 January 2018 and allows the reclassification from income statement to "Other Comprehensive Income", of the difference between the amount recorded in the income statement of some financial instruments measured in accordance with IFRS 9 and the amount that would have been recognised in the income statement for the same financial instruments on the basis of IAS 39. The consultation period for this ED ended on 9 February 2016.
In the meetings of April and May 2016, however, the Board reconsidered certain elements present in the ED in view of the response letters received during the consultation phase, in particular:

- The "predominance test", directed at testing the criteria for the applicability of the "deferral approach", was recalibrated and the reference financial statements on which the conditions for the applicability of the deferral was preventively defined. The Board, nonetheless, provided for the possibility of repeating the test before 2018 if substantial changes were made to the corporate structure, reflecting in the core business of the entity itself;
- The "deferral approach" and the "overlay approach" are also applicable to "First Time Adopters" of IAS/IFRS;
- the option, for entities that apply the "deferral approach" or the "overlay approach", of waiving the criterion of consistency of the accounting standards prescribed by IAS 28, thus measuring interests in associates or joint ventures on the basis of their respective accounting situations as if they were prepared in accordance with IFRS 9, hence not in accordance with the accounting standards adopted by the investor company. This option is consistently also available to entities that prepare financial statements applying IFRS 9, but have interests in associates or joint ventures that instead adopt the "deferral approach" or the "overlay approach".

On 12 September 2016, the IASB published the official version of "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4" to definitively solve the problems derived from application of IFRS 9, the new standard on financial instruments, before implementation of the standard for insurance contracts that will replace IFRS 4 (IFRS 17).
Currently, it is expected that the definitive version of IFRS 17 could be issued by the IASB no later than the first half of 2017. In the meeting of November 2016, the Board also established that the date of entry into force of the new principle shall be 1 January 2021.

In August 2016, the IASB had sent a questionnaire ("Field test") to some companies, to obtain feedback on multiple aspects, still being defined, of the new IFRS 17. The process for the drafting of the standard, therefore, is ongoing at this time, and many issues still remain open.

Amendments to IFRS 1 and IAS 28 - 2014-2016 Annual Improvement Cycle

On 20 November 2015, the IASB had published the Exposure Draft on the Annual Improvements to IFRSs 2014-2016 Cycle. The consultation period ended on 17 February 2016 and it pertained to the following amendment proposals:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards": it removes the short-term exemptions prescribed by Appendix E for First Time Adopters with regard to the supplemental disclosure to be provided on financial instruments.
- IFRS 12 "Disclosure of Interests in Other Entities": clarification on the criteria for disclosure applicable to entities "held for sale" in accordance with IFRS 5.
- IAS 28 "Investments in Associates and Joint Ventures": specification that measurement of the investees at fair value to profit and loss is a decision that must be made for each individual investment (not for categories or classes of investment). This amendment was approved by the IASB, provisionally, in January 2015.

With the Paper of 8 December 2016, the IASB confirmed that the mandatory effective date of the aforesaid amendments shall be 1 January 2018 for IFRS 1 and IAS 28 and 1 January 2017 for IFRS 12. On the same date, the Board also amended IFRIC 22 "Foreign Currency Transactions and Advance Consideration" and it also resolved to make some amendments to IAS 40 "Investment Property", both effective starting from 1 January 2018.

IFRS 15 - Revenue from contracts with customers

IFRS 15 replaces IAS 18 "Revenue", IAS 11 "Construction contracts", SIC 31 "Revenue - Barter transactions involving advertising services", IFRIC 13 "Customer loyalty programmes", and IFRIC 15 "Agreements for the construction of real estate". The new revenue recognition model applies to all contracts with customers, excluding for contracts falling within the field of application of the standard for "Leases", insurance contracts and financial instruments.
On 14 September 2015, the IASB published the Amendment to IFRS 15 Revenue from Contracts with Customers, officially postponing the entry into force of the standard by one year, i.e. to 1 January 2018. However, early adoption is permitted.
Commission Regulation (EU) 2016/1905 of 22 September 2016, adopting IFRS 15 *Revenue from Contracts with Customers*, was published in the Official Journal L 295 of 29 October 2016.
Companies shall apply the standard no later than the first accounting period beginning on or after 1 January 2018.

IFRS 16 – Leases

On 13 January 2016 the IASB issued IFRS 16 "Leases", which defines the accounting requirements for the recognition, evaluation and presentation of lease agreements. IFRS 16 will come in force on 1 January 2019 although early adoption is permitted for entities that already apply IFRS 15 "Revenue from contracts with customers". IFRS 16 replaces IAS 17 and the corresponding interpretations.

Amendments to IAS 12 – Income taxes

On 19 January 2016 IASB issued an amendment to IAS 12 "Income taxes". The amendments concern the recognition of assets for deferred tax assets from unrealised losses and define the procedures of recognition of the deferred taxes assets for debt instruments measured at fair value. These amendments must be applied from 1 January 2017. However, early application is allowed.

Amendments to IAS 7 – Statement of cash flows

On 29 January 2016, the IASB published an amendment to IAS 7 "Statement of cash flows" pertaining to financial liabilities, for which entities shall provide disclosures that enable users of financial statements to evaluate changes in the relating financial and non financial cash flows. The date of first adoption shall be 1 January 2017; early adoption is permitted.

Amendments to IFRS 2 - Share-based payments

On 21 June 2016, the IASB published the amendments to IFRS 2 "Share-based payments" to clarify the recognition of certain types of specific transactions, especially on the terms and conditions of the share-based payment. These amendments must be applied from 1 January 2018. Early adoption is permitted.

The accounting standards and the most significant criteria used in drawing up the consolidated financial statements are described below.

The paragraph numbers are the same as those of the corresponding items in the Statement of Financial Position and Income Statement, which are laid out in accordance with ISVAP Regulation no. 7/2007.

Statement of financial position

Assets

1 Intangible assets - IAS 38

In accordance with the provisions of IAS 38, the only intangible assets that may be capitalised are those that can be identified and controlled by the company and from which the company will derive future financial benefits.

The following assets are recognised as intangible assets with a finite life:
- goodwill paid for the acquisition of Life portfolios: the value of the policies acquired is calculated by estimating the present value of the future cash flows of the existing policies. The Group amortises this value throughout the expected average residual life. This valuation is reviewed annually;
- costs incurred for the acquisition of software licences, amortised over three years;
- costs incurred for consultancy on major projects for the development and implementation of IT systems, including customisation of the corresponding software, amortised over five or ten years according to its estimated useful life.

Projects under development are not amortised until the year in which they are first used.

Goodwill paid when companies are acquired or merged is also included among intangible assets, as already mentioned in the previous paragraph Basis of consolidation (also provisionally, determined on the basis of IFRS 3). As this goodwill has an indefinite useful life it is not amortised, but it is tested for impairment at least once a year, or each time there is any indication of impairment; durable impairments are recognised in the income statement and cannot be reversed in later years.

2 Property, plant and equipment - IAS 16 and 17

This item includes property used for corporate business, plant, other machinery and equipment.

For recognising and measuring this category of assets the Group has adopted the cost model, which systematically depreciates the asset's depreciable amount over its useful life.
Depreciation, which is carried out each year on a straight-line basis, begins when the asset is available and ready for use and ends when the asset has come to the end of its useful life (which in the case of property is estimated at 33.4 years). In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

Consolidated real estate companies include in the carrying amount the borrowing costs incurred for loans specifically for acquiring and renovating property, if this can be justified.

The costs of improvements and conversions are capitalised if they result in an increase in the useful life or the carrying amount of the assets.

Assets that suffer impairment losses are written down.
The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the current value on the date of acquisition.

Financial leases relating to movable property (company cars, IT equipment and miscellaneous equipment) are recognised in accordance with the provisions of IAS 17 under which, in the case of financial lease agreements, the cost of the items leased is recognised as property, plant and equipment, whereas the principal and end-of-lease purchasing payments are recognised as financial payables.

3 Technical provisions - Reinsurers' share - IFRS 4

This item includes reinsurers' liabilities arising from reinsurance contracts governed by IFRS 4.

4 Investments

4.1 Investment Property - IAS 40

This item includes property held either to earn rental income or for capital appreciation or for both.
Investment property is recognised by applying the cost method, as allowed by IAS 40 (an alternative to the fair value method).
If the final recoverable amount of property is estimated to be less than the carrying amount (or zero) it is depreciated annually on a straight-line basis, based on the recoverable amount and the estimated useful life (33.4 years). This generally applies to properties that are instrumental by nature, such as hotels, shopping centres, and office buildings.
If the recoverable amount of the property is estimated to exceed the carrying amount, no depreciation is applied. For the Group this is the case with residential property. In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

The costs of improvements and conversions are capitalised if they result in an increase in the carrying amount, the useful life or the profitability of the assets.

Assets that suffer impairment losses are written down. The market value is determined at least once a year by means of expert appraisals conducted by outside companies.

The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the current value on the date of acquisition.

4.2 Investments in subsidiaries, associates and interests in joint ventures – IAS 28

This item includes investments in associates as defined in IAS 28 and investments in subsidiaries that because of their size are considered immaterial, which are measured using the equity method or at cost.

Financial assets - IAS 32 and 39 - IFRS 7 - IFRS 13

IAS 39 provides that debt and equity instruments, receivables, payables and derivatives must be classified according to the purposes for which they are held. The following categories are provided for:

- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets;
- Financial assets at fair value through profit or loss.

There is a specific standard for recognising and measuring each of these categories.

It should be mentioned that the Group recognises financial transactions on the value date.

4.3 Held-to-maturity investments

Investments in securities held to maturity are recognised at amortised cost, net of any impairment losses.
This category includes bonds that the Group intends and is in a financial position to hold to maturity, for example most of the fixed-yield bonds acquired to match special Life tariffs.

If a substantial number of securities in this category are sold early (or reclassified), all the remaining securities must be reclassified as Available-for-sale financial assets and may not be used for the next two financial years.

4.4 Loans and receivables

Receivables in this category consist of agreements for which the Group holds a right to the cash flows arising from the loan agreement. They are characterised by fixed or determinable payments and are not listed on an active market.
This item consists mainly of loans to customers and banks of the Banking Group. This category also includes mortgages and loans provided to the insurance companies, reinsurers' deposits, loan repurchase agreements, term deposits exceeding 15 days, receivables for agents' reimbursements, unlisted debt securities not held for sale which the Group intends to hold for the foreseeable future, including bonds reclassified following application of IAS 39 paragraph 50D and 50E.

In accordance with the provisions of IAS 39, loans and receivables must be initially recognised at their fair value, which corresponds to the amount granted including the transaction costs and the commissions and fees chargeable directly. Following the initial recognition receivables are measured at the amortised cost, which is represented by the initial carrying amount net of repayments, plus or minus any difference between the initial amount and the amount on maturity because of depreciation calculated in accordance with the criterion of effective interest method and less any impairment loss or reduction due to non-recoverability.
Applying the effective interest rate method enables the financial effect of a loan transaction to be spread evenly over its expected life, which makes financial sense. In fact, the effective interest rate is the rate that discounts all the future cash flows of the loan and establishes a present value corresponding to the amount granted including all the transaction costs and income pertaining to it. When the cash flows and the contractual term of the loan are being estimated, all the contractual terms that can affect the amounts and the maturity dates (for instance, early repayments and the various options that may be exercised) are taken into account but not the losses expected on the loan. Following initial recognition, for the whole life of the loan the amortised cost is determined by continuing to apply the effective interest rate fixed at the start of the transaction (original interest rate). This original interest rate does not vary over time and is also used in the case of any contractual amendments to the interest rate or events as a result of which the loan has in practice stopped bearing interest (for instance, due to insolvency proceedings).

The amortised cost method is applied only to loans with an original term of at least eighteen months, on the assumption that in the case of shorter loans the application of this method does not involve significant changes to the financial effect. Loans with a term of less than eighteen months and those that have no fixed maturity date and revocable loans are therefore measured at their historical cost.

On the reporting date for each set of annual or interim financial statements, the loans are assessed to identify those for which there is objective evidence of impairment due to events that have occurred after their initial recognition.
In particular, in the case of loans and receivables in the banking sector, which make up a large part of this category, measurement procedures differ depending on whether the loans are impaired or performing.

Loans are considered to be impaired if they are deemed to be bad and doubtful, substandard or restructured loans, or if they are more than 90 days overdue, in accordance with current Bank of Italy guidelines. Impaired loans are subjected to a process of analytical valuation consisting in discounting (at the original effective interest rate) the cash flows expected by way of principal and interest, taking account of any guarantees assisting the loan. The negative difference between the present value of the loan and its carrying amount (amortised cost) at the time it is measured constitutes an adjustment, which is recognised in the income statement.
The original value of the loans is reinstated in subsequent years only in the event that the reasons that led to the impairment in question no longer exist. Impairment losses can be reversed up to an amount not exceeding the carrying amount that it would have been recognised if the amortised cost had been applied without prior impairment.

Receivables for which there is no individual objective evidence of impairment are measured collectively according to standardised categories of credit risk based on a matrix breakdown of customers by segment and rating classes assigned by the *Credit Rating System* (CRS) designed by the IT outsourcer, CEDACRI. The value of the intrinsic loss for each standardised category is calculated by applying probability of default (PD) and Loss Given Default (LGD) ascertained through analyses and estimates made available by CEDACRI on a consortium basis.

The adjustments made in accordance with the collective method are recognised in the income statement. In subsequent periods any additional adjustments or reversals of impairment losses are determined using the differential method by reference to the entire loan portfolio measured as a whole.
Receivables assigned are eliminated only if the assignment involves the substantial transfer of the risks and rewards pertaining to the receivables. If this is not the case, receivables continue to be recognised even though ownership of them has been legally transferred.
The presumption is that all the risks and rewards are substantially transferred if the assignment involves transferring at least 90% of them. On the other hand, the presumption is that all the risks and rewards are substantially retained if the assignment involves transferring no more than 10% of them.
If the assignment does not involve either transferring or retaining a substantial percentage of the risks and rewards (in the event that the Group retains more than 10% but less than 90% of the risks/rewards), the receivables are eliminated provided the Group retains no control over them. Otherwise, the fact that some control over the receivables assigned is retained means that they are maintained in the financial statements in proportion to the level of residual involvement.

4.5 Available-for-sale financial assets

Investments classified as available-for-sale financial assets are measured at fair value. The differences with respect to the carrying amount must be recognised in the shareholders' equity in a specific reserve for unrealised gains/losses (net of tax). In the event of sale or impairment established as a result of impairment testing, unrealised gains or losses accumulated in the shareholders' equity until that time are transferred to the income statement.
Information on how the fair value is determined is provided in the section "Fair value measurement criteria – IFRS 13".

The amortised cost of the debt securities in this category calculated using the effective rate of return is recognised in the income statement. The comparison with the fair value is made after the proportion of the amortised cost for the year has been recognised.

This category includes debt securities, equity securities, UCITS units, and investments deemed to be of strategic importance (less than 20% of the share capital, of commercial or corporate strategic importance).

Impairment policy for financial assets adopted by the Unipol Group

IAS 39, paragraph 58, provides for companies to carry out assessments on each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.
In order to determine whether a financial asset or a group of financial assets shows signs of impairment, a regular impairment test must be carried out. Indicators of a possible impairment are, for instance, the issuer's significant financial difficulties, failure to pay the full amount of interest or principal, the possibility of the beneficiary becoming bankrupt or entering into another insolvency proceeding and the disappearance of an active market for the asset.
Pursuant to paragraph 61 of IAS 39, a "significant or prolonged" decline in the fair value of an equity instrument below its cost must be considered as 'objective evidence of impairment'.
IAS 39 does not define the two terms "significant" and "prolonged" but implies, partly on the basis of an IFRIC guideline, that their meaning should be left to the directors' judgement, whenever annual or interim financial statements must be prepared under IAS, provided that the meaning is determined in a reasonable manner and complies with paragraph 61 of IAS 39.

The Group has defined as "significant" a reduction of more than 50% in the market value of available-for-sale financial assets with respect to the initial recognised value and as "prolonged" the permanence of market value at levels below the initially recognised amount for more than 36 months.

Therefore, for **equity instruments**, the impairment test is carried out by selecting all the instruments to which at least one of the following conditions applies:
a) the market price has remained below the initially recognised amount for the last 36 months;
b) the impairment on the reporting date is more than 50% of the initial recognition amount.

The impairment of these instruments is deemed to be confirmed and the total change in fair value is recognised in the income statement, with elimination of gains or losses on the underlying available-for-sale financial assets.

For **debt securities**, whenever payment of a coupon or repayment of principal is late or missed and this is confirmed by the custodian bank, the Group Finance Department immediately notifies the Risk Management Department, so that the latter can carry out the assessments within its competence on the need to recognise an impairment on these instruments.

4.6 Financial assets at fair value through profit or loss

Investments in this category are recognised at fair value and the differences (positive or negative) between fair value and carrying amount are recognised through profit or loss.
Information on how the fair value is determined is provided in the section "Fair value measurement criteria – IFRS 13".

There are two further sub-items:
- held-for-trading financial assets, which includes debt securities and equity instruments, mainly listed, asset items in derivative agreements and structured financial instruments where the embedded derivative would have to be separated if they were classified in a different category;
- financial assets to be recognised at fair value through profit or loss, mainly consisting of assets linked to financial liabilities measured at fair value such as investments related to policies issued by insurance companies where the investment risk is borne by the policyholders and those arising from pension fund management.

Derivatives

Derivatives are initially recognised at the purchase cost representing the fair value and subsequently measured at fair value. Information on how the fair value is determined is provided in the section "Fair value measurement criteria – IFRS 13".

Derivatives may be acquired for "trading" or "hedging" purposes. For hedging transactions IAS 39 sets out cumbersome and complex rules to assess, by preparing appropriate documentation, the effectiveness of the hedge from the time it is activated and throughout its entire term (hedge accounting).

Transactions on both fair value hedges and cash flow hedges were outstanding at 31 December 2016.

All derivatives are placed in the category "Financial assets at fair value through profit or loss".

Reclassifications of financial assets

If an available-for-sale financial asset is transferred to the held-to-maturity investments category, the fair value recognised on the date of transfer becomes its new cost or amortisable cost. Any previous gain or loss on this asset that has been recognised directly in shareholders' equity is recognised through profit or loss throughout the remaining useful life of the investment held to maturity using the effective interest method.

If a financial asset is no longer held for sale or repurchased in the short term (although the financial asset may have been acquired or held mainly for sale or repurchase in the short term), it may be transferred from fair value through profit or loss if the following requirements are met:
- the circumstances are very unusual (IAS 39, paragraph 50B), or
- the asset to be reclassified would have come under "loans and receivables" (if the financial asset had not had to be classified as held for trading when initially recognised) and the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50D).

A financial asset classified as available for sale that would have come under loans and receivables (if it had not been designated as available for sale) may be transferred from "available for sale" to "loans and receivables" if the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50E).

If an entity reclassifies a financial asset from fair value through profit or loss or from "available for sale", it must reclassify the financial asset at its fair value on the date of reclassification and the gain or loss already recognised in the income statement must not be reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost (IAS 39, paragraphs 50C and 50F).

In the case of a financial asset reclassified from "available for sale", the previous gain or loss on the asset recognised directly in the shareholders' equity must be amortised in the income statement throughout the asset's remaining useful life using the effective interest method.

If the entity has reclassified a financial asset from fair value through profit or loss or from "available for sale", the following is some of the information that must be provided (IFRS 7):

- the amount reclassified from and to each category;
- for each year until it is derecognised, the carrying amount and the fair value of all financial assets reclassified during the current and preceding year;
- whether a financial asset was reclassified in accordance with paragraph 50B of IAS 39, however unusual the situation, and the facts and the circumstances of the unusual situation;
- for the financial year in which the financial asset was reclassified, the fair value gain or loss on the financial asset;
- for each year after reclassification (including the year in which the financial asset was reclassified) until the financial asset is derecognised, the fair value gain or loss that would have been recognised if the financial asset had not been reclassified.

Accounting of structured bonds issued by special purpose vehicles (SPVs)

The Group invests in notes issued by SPVs with rather similar purposes and management methods as those that characterise investments in structured and unstructured bonds, made as part of the ordinary financial management of resources derived from normal business. This financial management is characterised, in relation to the Group's business sector, by a special degree of complexity, which requires, under certain circumstances, the subscription of financial assets with specific characteristics (e.g. in terms of maturity, creditworthiness and payoff) that are not always easy to find on the financial markets. The investment opportunities offered via SPVs also make it possible, owing to their specific nature, to expand the range of financial investments available.

The Group classifies and records the bonds issued by SPVs based on the instructions provided in IAS 39, deeming the circumstance that they have been issued by SPVs irrelevant[12], in consideration of the fact that the SPV is, in fact, considered merely a technical instrument through which to structure complex financial instruments whose risk/return profile is essentially evaluated by jointly taking into consideration the contracts that govern the notes issued by the SPV, the associated derivative contracts (generally swap agreements) and any other contractual clauses such as financial guarantee or similar clauses, or yet other "ancillary" clauses which may, in theory, make provision, when given conditions are satisfied, for the liquidation of the securities. The SPVs whose bonds are held by the Unipol Group in fact, consistently replicate, with the arranger, the positions they assume with noteholders, as the risks or returns of the transaction cannot be retained within it.

Therefore, investments in notes issued by SPVs are accounted for on the basis of IAS 39, with the same criteria applied for the investments in structured and unstructured bonds, with particular regard to the presence of embedded derivatives and valuations regarding any segregation. In fact, an entity must only consolidate an SPV in the event the entity exercises control over it pursuant to IFRS 10, paragraphs 6 and 7.

The Unipol Group, with regard to bonds issued by SPVs in the portfolio at 31 December 2016, does not exercise any form of control over the SPVs, in the sense that it is not able to govern the management process of the SPVs (which, in fact, is defined by the arrangers of the investment transaction in which the Group participates by subscribing the notes and other relevant contracts) and does not obtain any benefits from the SPVs other than those strictly dependent on the formally subscribed financial instrument. The Group holds the notes issued by the SPV and can only dispose of these autonomously, as it does not have the power to dispose of the financial instruments held by the vehicle. It is reasonable to infer, from this, that the Group holds no form of control of the SPVs pursuant to IFRS 10.

[12] Issues from SPVs made as part of securitisations originated by the subsidiary Unipol Banca are an exception, in relation to which Unipol Banca subscribed, wholly or partially, the notes issued by the SPVs of the securitisations originated by Unipol Banca ("securitisation SPV"), which were all consolidated in the Unipol Group's consolidated financial statements, with the full recognition of assets, liabilities, costs and revenues of the securitization SPVs. The notes issued and subscribed by Unipol Banca were not recorded under assets in the financial statements as they were not offset with the corresponding notes issued by the securitisation SPVs.

In cases where, through the SPV internal segments, which segregate the risks and benefits of issues, the majority of said risks and benefits are transferred to the Unipol Group, the consolidation of the segments would lead to the need to replace the debt securities issued by the SPV and subscribed by the Group with a financial asset which, in terms of the associated risks and returns, exactly replicates the financial profile of the notes cancelled as a result of the consolidation.
In fact, the segments consistently replicate, with the arranger, the positions the latter assume with noteholders, as the risks or benefits of the transaction cannot be retained within it. The result is that the financial asset to be recognised due to the consolidation of the segments would have, substantively speaking and therefore for the purposes of classification and measurement pursuant to IAS 39, characteristics identical to those of the notes cancelled as a result of the consolidation of said segment; the result being that, in the case of consolidation of segments in which the risks/benefits of the asset pertain fully to the Unipol Group, there would be no substantive effects on the accounting representation of the transaction, essentially confirming the fact that, in effect, the SPVs are technical instruments for realising an investment in financial assets with characteristics which are, for all intents and purposes, equivalent to those of the notes issued by the SPV itself and segregated in the segment.

5 Sundry receivables

Sundry receivables are recognised at their nominal value and subsequently assessed at their estimated realisable value.

The item Sundry receivables includes receivables due within twelve months, in particular Receivables relating to direct insurance business, Receivables relating to reinsurance business and Other receivables, such as trade receivables and tax receivables.

6. Other assets

6.1 Non-current assets or assets of a disposal group held for sale - IFRS 5

This item includes Non-current assets held for sale and any discontinued operations as defined by IFRS 5.

Assets held for sale are recognised at the carrying amount or fair value, whichever is the lower, less costs to sell.
If an investment in a subsidiary consolidated using the line-by-line method is to be sold within the time limit set by IFRS 5, all the assets of the company to be sold are reclassified as "Non-current assets or assets of a disposal group held for sale" in the consolidated statement of financial position (item 6.1 of the Assets) and the liabilities are similarly reclassified under the single item "Liabilities associated with disposal groups" (item 6.1 of the Liabilities). Both items appear in the consolidated financial statements net of intragroup transactions with the company to be sold.

If a group continues to operate in the business of the company to be sold, income statement items relating to the assets held for sale or disposal groups are recognised in accordance with the normal rules of consolidation on a line-by-line basis.

6.2 Deferred acquisition costs

This item includes acquisition costs for multiyear insurance contracts, paid in advance and amortised on a straight-line basis over the maximum life of the contracts.

6.3 Deferred tax assets - IAS 12

This item includes Deferred tax assets based on the deductible temporary differences between the carrying amounts and the amounts for tax purposes of the assets and liabilities of the individual consolidated companies and on the consolidation adjustments. If there are any tax losses, deferred tax assets are also recognised provided there is a probability that taxable income for which they can be used will be available in future.
Deferred taxes are based on the tax rates applied at the end of the year or on the rates that are expected to be applied in the future according to the information available at the end of the financial year.

If assets are revalued solely for tax purposes and relate neither to a revaluation of the carrying amount for a previous year nor to one that is to be carried out in a subsequent year, the tax effects of the adjustment for tax purposes must be recognised in the income statement.

Deferred tax assets and liabilities, distinguished by type of tax, are offset at the level of single Group company or at the consolidated level, within the limits of the scope of the new tax consolidation agreement, set up by Unipol that has replaced the previous tax consolidation agreements set up by Finsoe, UnipolSai and Arca Vita.

6.4 Current tax assets - IAS 12

This item includes assets related to current taxation.

6.5 Other assets

Among other things, this item includes prepayments and accrued income and deferred commission expense for investment contracts with no discretionary participation feature, as these are additional costs incurred to acquire the contract, amortised on a straight-line basis over the whole life of the contract.

7 Cash and cash equivalents - IAS 7

Cash and cash equivalents include cash on hand, cash in current accounts available on demand, and term deposits for periods not exceeding 15 days.

Liabilities

1 Shareholders' equity - IAS 32

1.1.1 Share capital

The item includes the share capital of the ultimate parent.

1.1.3 Capital reserves

This item includes in particular the share premium reserve of the company that carries out the consolidation. It includes the direct costs of issuing equity instruments, net of tax, and any commission income, net of tax, received for the sale of option rights not exercised by shareholders.

1.1.4 Income-related and other equity reserves

In addition to the income-related and other reserves of the consolidating company, this item includes in particular gains or losses arising from the first-time application of IAS/IFRS (IFRS 1), gains or losses resulting from changes in accounting standards or accounting estimates (IAS 8), equalisation and catastrophe provisions eliminated under IFRS 4, provisions arising from equity-settled share-based payment transactions (IFRS 2) and consolidation reserves.

1.1.5 Treasury shares

This item includes the equity instruments of the undertaking that draws up the consolidated financial statements owned by the undertaking itself and the consolidated companies. The item was negative. The gains or losses resulting from their subsequent sale are recognised as changes in shareholders' equity.

1.1.6 Reserve for foreign currency translation differences

The item includes the exchange rate differences to be charged to shareholders' equity pursuant to IAS 21, whether they arise from transactions in foreign currency or from conversion into the currency of presentation of the financial statements stated in foreign currency.

1.1.7 Gains or losses on available-for-sale financial assets

This item includes gains or losses on available-for-sale financial assets, net of tax and amounts pertaining to policyholders as a result of the application of shadow accounting.

1.1.8 Other gains or losses recognised directly in equity

This item includes, inter alia, gains or losses on cash flow hedges and the revaluation reserves of property, plant and equipment and intangible assets.

2 Provisions - IAS 37

Provisions are made for risks and charges only when they are deemed necessary to meet an obligation arising from a past event and when it is likely that the amount of resources required can be reliably estimated.

3 Technical provisions - IFRS 4

Classification of insurance contracts

According to IFRS 4 insurance contracts are contracts that transfer significant insurance risks. Such contracts may also transfer financial risks.
An insurance risk is significant if, and only if, there is a reasonable possibility that the occurrence of the insured event will cause a significant change in the current value of the insurer's net cash flows.
Investment contracts are contracts that transfer financial risks but involve no significant insurance risks.
Some insurance and investment contracts may include discretionary participation features.

As for the Non-Life sector, all the policies in the portfolio at 31 December 2016 were classified as insurance contracts.

As regards the Life sector, the principal criteria used for classifying Life products as insurance policies were:

- the presence of a significant insurance risk, i.e. the reasonable possibility that the occurrence of the insured event would give rise to the payment of significant "additional benefits" compared with those that would have been payable if the insured event had not taken place. The criteria for identifying the presence of significant insurance risk are structured as follows:
  - above 10% the contract is an insurance contract;
  - under 5% the contract is a financial contract;
  - between 5% and 10% specific product analysis are carried out;
- the presence of options or guarantees, such as the coefficient of conversion into a guaranteed rate annuity.

Some contracts provide for discretionary participation features (DPF) i.e. the policyholder's right to receive a benefit in addition to the guaranteed minimum. The benefit must fulfil specific contractual terms and represent a significant part of the total payments. In particular, contracts subject to revaluation and linked to segregated accounts were classified as investment products with DPF and were therefore measured and recognised as insurance contracts.

A contract classified as an insurance contract continues to be an insurance contract until terminated, whereas under certain circumstances an investment contract may be subsequently classified as an insurance contract.

However, the following types of contract were classified as investment contracts with no DPFs. For this reason, according to paragraph 3 of IFRS 4, contracts of this type do not produce premiums but are measured and recognised in accordance with IAS 39:

- index-linked, where the sum insured in the event of death corresponds to the value of the asset plus a small percentage;
- unit-linked, where the sum insured in the event of death corresponds to the NAV plus a small percentage;
- mixed, where funding is specific and the technical rate is zero;
- capital redemption, where funding is specific and the technical rate is zero;
- pension funds with guaranteed benefit when the policy matures or when certain events occur.

In the case of unit-linked products the loading and the acquisition commissions for the asset management service are recognised and amortised separately over the life of the contract. In the case of index-linked policies, which are not managed over time but only administered, these deferments are not necessary.

Non-life business technical provisions

Premium provision

The direct insurance premium provision is established analytically for each policy using the pro rata temporis method, as provided by paragraph 5 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008 (former ISVAP Regulation no. 16 of 4 March 2008 as amended), on the basis of the gross premiums written less acquisition commissions and the other acquisition costs that are chargeable directly, with the exception of risks included in the Credit class for contracts stipulated or renewed on or before 31 December 1991, for which the calculation criteria provided in Annex 15-bis to the same Regulation no. 22 as amended. In the case of long-term contracts the amount of amortisation for the year is deducted.
Under certain conditions the premium provision also includes the premium provision for unexpired risks, calculated in accordance with the simplified method laid down in paragraph 6 of Annex no. 15 to ISVAP Regulation no. 22 of 4 March 2008, which is based on the expected loss ratio for the year, adjusted on a prospective basis.
The total amount allocated to this provision is sufficient to meet costs arising from the portion of risk pertaining to subsequent years.
The reinsurers' share of the premium provisions is calculated by applying to the premiums ceded the same criteria as those used for calculating the premium for direct insurance business provision.

Ageing provision

The ageing provision, intended to cover the deterioration of the risk as the age of the policyholders rises, is calculated on the basis of the flat-rate method provided for by Art. 44, paragraph 3 of Annex no. 15 of ISVAP Regulation no. 22 of 4 April 2008 as amended, to the extent of 10% of the gross premiums written of the year pertaining to contracts having the characteristics given under paragraph 43, paragraph 1 of the Annex.

Claims provision

The direct claims provision is ascertained analytically by estimating the presumed cost of all the claims outstanding at the end of the year and on the basis of prudent technical valuations carried out with reference to objective elements, in order to ensure that the total amount set aside is enough to meet the claims to be settled and the relative direct expenses and settlement expenses.
The figures ascertained in this way were analysed and checked by Head Office. Subsequently, in order to take account of all reasonably foreseeable future charges, actuarial-statistical methods are used to determine the final level of the claims provision.
The claims provision also includes the amounts set aside for claims incurred but not reported, based on past experience of IBNR for previous years.
The reinsurers' share of the claims provision reflects the sums recovered from them to meet the reserves, the amounts being laid down in the individual policies or in the contracts.

Provision arising from the adequacy test for Non-Life technical provisions

The Non-Life technical provisions have been subjected to the test provided for by IFRS 4 (Liability Adequacy Test - LAT).

In order to monitor the adequacy of the premium provision, the supplementary provision for Unexpired Risks is calculated for each individual company and class of business using the simplified method provided for in paragraph 6 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008. As claims for the year are measured at final cost and not discounted, future payment flows can be deemed to have implicitly taken place (LAT on the claims provision).

Life Business Technical Provisions

The amount recognised is calculated in accordance with the provisions of Art. 36 of Legislative Decree 209 of 7 September 2005 (Insurance Code) and Annex no. 16 of ISVAP Regulation no. 22 of 4 April 2008 (former ISVAP Regulation no. 21 of 28 March 2008, as amended).

Mathematical provisions

The mathematical provision for direct insurance is calculated analytically for each contract on the basis of pure premiums, with no deductions for policy acquisition costs, and by reference to the actuarial assumptions (technical interest rates, demographic models of death or disability) used to calculate the premiums on existing contracts. The mathematical provision includes the portion of pure premiums related to the premiums accrued during the year. It also includes all the revaluations made under the terms of the policy
and is never less than the surrender value. In accordance with the provisions of Art. 38 of Legislative Decree 173/1997, technical provisions, which are set up to cover liabilities deriving from insurance policies where the yield is based on investments or indices for which the policyholder bears the risk, and provisions arising from pension fund management, are calculated by reference to commitments made under these policies and to the provisions of Art. 41 of Legislative Decree 209 of 7 September 2005.

Under Art. 38, paragraph 3, of Legislative Decree 173/1997, the mathematical provision includes provisions set up to hedge the risk of mortality in insurance contracts in Class III (as laid down in Art. 2, paragraph 1, of Legislative Decree 209 of 7/9/2005), which provide a benefit should the insured party die during the term of the contract.
In the case of insurance contracts in Class III and VI the mathematical provision also includes the provisions set up to fund guaranteed benefits on maturity or when certain events occur (as laid down in Art. 2, paragraph 1, of Legislative Decree 209 of 7/9/2005). The mathematical provision also includes an additional provision for demographic risk. To this regard, it was decided to add to the provisions to be set up to cover commitments undertaken with the policyholders, in compliance with Annex 14, paragraph 36 of ISVAP Regulation no. 22 of 4 April 2008, after having verified a variance between the demographic bases used to calculate the principals forming the annuities and table A62 prepared by ANIA.

Furthermore, an additional provision was set up to cover the possible variance between the expected rates of return on the assets held as a hedge against the technical provisions and commitments by way of levels of financial guarantees and adjustments made to the benefits provided under the policies.

As laid down in Art. 36, paragraph 3, of Legislative Decree 209 of 7 September 2005, the provision for amounts payable includes the total amount needed to cover payment of benefits that have fallen due but not so far been paid, surrendered policies and claims not yet paid.

Other technical provisions consist almost entirely of amounts set aside for operating expenses and are calculated on the basis of the provisions of paragraph 17 of Annex 14 of ISVAP Regulation no. 22 of 4 April 2008.

The liability adequacy test required by IFRS 4 was also carried out to verify that the technical provisions are adequate to cover the present value of future cash flows related to insurance contracts.
The test was performed by projecting the cash flows and taking into account the following elements:
- guaranteed services by guarantee line, projected on the basis of contractual conditions;
- trend in the existing portfolio relating to recurring payment aspects, contract expiry, policyholder mortality and propensity to redemption;
- costs and revenues associated with portfolio management and liquidation.

Provision for shadow accounting

The shadow accounting technique set out in IFRS 4 enables the unrealised losses and/or gains on the underlying assets to be recognised as technical provisions for insurance or investment contracts that offer discretionary participation features as if they had been realised. This adjustment is recognised in shareholders' equity or in the income statement depending on whether the losses or gains in question are recognised in shareholders' equity or in the income statement.

Net losses are recognised in the provision for deferred financial liabilities to policyholders only after the guaranteed minimum has been reached, otherwise the company continues to bear them in full. Losses are quantified using a financial prospective method in line with Annex 14, paragraph 32 of ISVAP Regulation no. 22 of 4 April 2008, amended and supplemented by IVASS measure no. 53 of 6 December 2016.
Applying shadow accounting enables the value mismatch between technical provisions and related assets to be mitigated and is therefore deemed to be more representative of the economic substance of the transactions in question.

4 Financial liabilities - IAS 39

This item includes the financial liabilities at fair value through profit or loss and the financial liabilities measured at amortised cost.

4.1 Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subdivided into two further sub-items:
- held-for-trading financial liabilities, which include negative items on derivatives;
- financial liabilities to be measured at fair value through profit or loss, which include the financial liabilities related to contracts issued by insurance companies where the investment risk is borne by the policyholders, when the insurance risk is not significant, and where there is no discretionary participation feature.

4.2 Financial liabilities at amortised cost

This item includes interbank payables and payables to bank customers, deposits received from reinsurers, debt securities issued, other loans obtained and liabilities on Life policies with a financial content where the insurance risk is not significant and there is no discretionary participation feature (some types of product matched by specific funding).

5. Payables

Payables includes Payables arising from direct insurance business, Payables arising from reinsurance business and Other payables, such as trade payables, payables for policyholders' tax due, payables for post-employment benefits, sundry tax payables and social security charges payable.

Payables are recognised at their nominal value.

Employee benefits - IAS 19

Post-employment benefits accrued by 31 December 2006 that were not transferred to external bodies in accordance with the provisions of Legislative Decree 252/05 on supplementary pension schemes come under the category of employee benefits classified as a defined benefits plan. The amount due to employees is therefore calculated using actuarial techniques and discounted at the reporting date, using the "Projected unit credit method" (a method based on benefits accrued in proportion to length of employment).
The same method is used to establish the effects of other defined benefits for employees for the post-employment period.

Actuarial gains and losses on obligations deriving from defined benefit plans are recorded under Other comprehensive income (expense).
Future cash flows are discounted on the basis of the market yield curve, recorded at the end of the year, for corporate bonds issued by issuers with high credit standing.

The service cost and net interest are recognised in the separate income statement.

Net interest is calculated by applying to the net value of liabilities for defined benefits existing at the start of the year the one-year interest rate taken from the yield curve used to discount the liability at the end of the previous year.

6. Other liabilities

6.1 Liabilities associated with disposal groups - IFRS 5

Please see above for the corresponding asset item.

6.2 Deferred tax liabilities - IAS 12

Deferred tax liabilities are recognised whenever there is a taxable temporary difference, except in the cases provided for in paragraph 15 of IAS 12.
Deferred tax liabilities must be measured using the tax rates that are expected to apply during the year in which the tax liability will be paid off, based on the ruling tax rates (and tax legislation) or those in force at the reporting date. If tax rates change, the deferred taxes recalculated in accordance with the new rates are recognised, despite being prior year items, under Income tax in the income statement or under the equity reserves to which the temporary variations in question apply.

With regard to the offsetting of deferred tax assets and liabilities, reference should be made to the previous paragraph "6.3 Deferred tax assets - IAS 12" in the section on Assets.

6.3 Current tax liabilities

This item includes current Tax payables.

6.4 Other liabilities

This item includes, inter alia, accrued expense and deferred income, accruals for commissions on premiums under collection and deferred commission income related to investment contracts with no discretionary participation feature required in advance for the contract-administration service or for the investment-management service, amortised on a straight-line basis over the life of the contract or, in the case of whole-Life contracts, over the "expected" life of the contract.

Income Statement

1 Revenue and income

1.1 Net premiums

This item includes the premiums related to insurance contracts and financial instruments that include discretionary participation features, net of reinsurance.
Premiums are recognised at the time they are due. The total for the year is obtained by adding the premium provision.

1.2 Commission income

This item includes commission income for financial services provided. It includes commission income arising from banking business and fees pertaining to the year, related to Life assurance contracts classified as financial liabilities. In the case of unit-linked policies, in particular, acquisition fees for the asset management service provided have been recognised and deferred throughout the term of the contract.

1.3 Gains and losses on financial instruments at fair value through profit or loss

This item includes realised gains and losses, interest, dividends, charges and positive and negative changes in value of financial assets and liabilities measured at fair value through profit or loss.

1.4 Gains on investments in subsidiaries, associates and interests in joint ventures

This item includes investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

1.5 Gains on other financial instruments and investment property

This item includes gains on investments that do not come under the previous two categories. It mainly includes interest income on Loans and receivables and on securities classified as available-for-sale financial assets and held to maturity, other investment income, including dividends and rental income from investment property, and realised gains on the sale of financial assets or liabilities and investment property.

1.6 Other revenue

This item includes income arising from the sale of goods, the provision of services other than those of a financial nature and the use by third parties of the company's property, plant and equipment and other assets. It also includes other net technical income on insurance contracts, exchange rate differences allocated to the income statement as per IAS 21, realised gains and reversals of impairment losses on property, plant and equipment and other assets.

2 Expenses and charges

2.1 Net charges relating to claims

This item includes the amounts paid during the year for claims, matured policies and surrendered policies, as well as the amount of the changes in technical provisions related to contracts that fall within the scope of IFRS 4, net of amounts recovered and outwards reinsurance.

2.2 Commission expense

This item includes commission expense for financial services received. It includes commission expense arising from banking business and commissions on Life assurance contracts classified as financial liabilities. In particular, acquisition commissions paid for the placement of unit-linked policies are amortised throughout the term of the contract to meet deferred acquisition loadings.

2.3 Losses on investments in subsidiaries, associates and interests in joint ventures

This item includes losses on investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

2.4 Losses on other financial instruments and investment property

This item includes losses from investment property and financial instruments other than investments and financial instruments classified as "Assets at fair value through profit or loss". It mainly includes interest expense on financial liabilities, other investment expense, costs relating to investment property such as condominium expenses and maintenance expenses that do not increase the value of the investment property, losses realised as a result of the derecognition of financial assets or liabilities and investment property, depreciation and impairment losses.

2.5 Operating expenses

This item includes commissions and other acquisition costs relating to insurance contracts, investment management expenses, other administrative expenses and depreciation (overheads and personnel expenses that are not allocated to losses relating to claims, insurance contract acquisition expenses or investment management expenses).

2.6 Other costs

This item mainly includes other net technical charges relating to insurance contracts, additional amounts set aside during the year, exchange rate differences to be allocated to the income statement under IAS 21, realised losses and depreciation and amortisation relating to property, plant and equipment and intangible assets, not allocated to other cost items.

3 Income tax for the year

Pursuant to Art. 117 et seq. of Presidential Decree 917/1986, for the years 2015-2016-2017, the Parent Unipol has chosen the IRES tax consolidation regime, as consolidating company, with UnipolSai and other subsidiaries, meeting legal requirements, taking part as consolidated companies. 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.

Tax for the year is calculated according to current tax regulations and recognised among costs for the year on an accrual basis and represents:

- the charges/income for current taxes;
- the amounts of deferred tax assets and liabilities arising during the year and usable in future years;
- for the portion due for the year, the deduction of deferred tax assets and liabilities generated in previous years.

Deferred tax assets and liabilities are calculated on the basis of the temporary differences (arisen or deducted during the year) between the profit (loss) for the year and the taxable income and on the consolidation adjustments. In respect of tax losses prior to the applicable period of tax consolidation, deferred tax assets are recognised to the extent in which said losses can be reasonably used against future IRES income. IRAP for the year is also recognised under Income tax.

Foreign currency transactions - IAS 21

Items expressed in foreign currencies are treated in accordance with the principles of multicurrency accounting.
Monetary elements in foreign currency (units of currency owned and assets or liabilities that must be received or paid in a fixed or ascertainable number of units of currency) are translated using the exchange rate applicable at the end of the year.
Non-monetary elements measured at historical cost in foreign currency are translated using the exchange rate applicable on the date of the transaction.
Non-monetary elements measured at fair value in a foreign currency are translated using the exchange rates applicable on the date on which the fair value is determined.
Exchange rate differences arising from the settlement of monetary elements are recognised in the income statement. Exchange rate differences arising when non-monetary elements are measured are allocated to the profit (or loss) for the year or to other comprehensive income (expense) depending on whether the profit (or loss) to which they relate is recognised in the profit (loss) for the year or in other comprehensive income (expense), respectively.

Share-based payments - IFRS 2

The Group pays additional benefits to senior executives under a closed share-based compensation plan under which Unipol Ordinary shares are granted if specific targets are achieved (performance shares). As laid down by IFRS 2 – Share-based payments, these plans form part of the beneficiaries' remuneration. The charge must be recognised through profit or loss, with a balancing item recognised directly in equity (Reserve arising from equity-settled share-based payment), on the basis of the fair value of the instruments allocated on the grant date, the charge being spread over the period provided for in the scheme.

Earnings per share - IAS 33

Basic earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in the Parent Unipol by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in the Parent Unipol by the weighted average number of any additional ordinary shares that would be outstanding if all the potential ordinary shares with dilutive effect were converted. If the result is negative, the loss (basic and diluted) per share is calculated.

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.

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.

The estimates mainly concern:
- technical Life and Non-Life provisions;
- assets and liabilities measured at fair value (particularly for level 2 and 3 financial instruments);
- the analyses targeted at identifying any impairment of intangible assets (e.g. goodwill) booked to the financial statements (impairment test);
- the quantification of provisions for risks and charges and provisions for employee benefits.

For information on the methods used to determine the items in question and the main risk factors, please refer to the sections containing a description of the measurement criteria.

Fair value measurement criteria - IFRS 13

IFRS 13 provides guidelines to the measurement at fair value of financial instruments and non-financial assets and liabilities already required or permitted by other accounting standards (IFRS). This standard:
a) defines the fair value;
b) groups into a single accounting standard the rules for measuring fair value;
c) enriches financial statement information.

The standard defines *fair value* as the sale price of an asset based on an ordinary transaction or the transfer price of a liability in an ordinary transaction on the main reference market at terms applicable at the measurement date (*exit price*).
Fair value measurement assumes that the transaction relating to the sale of assets or transfer of liabilities can take place:
- on the main listing market;
- if there is no listing market, on the market most advantageous for the assets and liabilities to be measured.

When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 also defines a fair value hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure fair value.

IFRS 13 governs the fair value measurement and the associated disclosure also for assets and liabilities not measured at fair value on a recurring basis in the statement of financial position. For these assets and liabilities, fair value is calculated for financial statement disclosure purposes. It should also be noted that since said assets and liabilities are not generally exchanged, the calculation of their fair value is based primarily on the use of internal parameters not directly observable on the market, with the sole exception of listed securities classified as "Held-to-maturity investments".

Fair value measurement criteria

The table below summarises the methods to calculate the *fair value* for the different macro categories of financial instruments, receivables and property.

<table>
<tr><th colspan="2"></th><th>Mark to Market</th><th>Mark to Model and other</th></tr>
<tr><td rowspan="6">Financial Instruments</td><td>Bonds</td><td>CBBT contributor - Bloomberg
Other contributor - Bloomberg</td><td>Mark to Model
Counterparty valuation</td></tr>
<tr><td>Listed shares and investments, ETFs</td><td>Reference market</td><td></td></tr>
<tr><td>Unlisted shares and investments</td><td></td><td>DCF
DDM
Multiples</td></tr>
<tr><td>Listed derivatives</td><td>Reference market</td><td></td></tr>
<tr><td>OTC derivatives</td><td></td><td>Mark to Model</td></tr>
<tr><td>UCITS</td><td colspan="2">Net Asset Value</td></tr>
<tr><td>Receivables</td><td></td><td></td><td>Trade receivables (Mark to Model)
Other receivables (carrying amount)</td></tr>
<tr><td>Property</td><td></td><td></td><td>Appraisal value</td></tr>
</table>

In compliance with IFRS 13, the market price is used to determine the *fair value* of financial instruments, in the case of instruments traded in liquid and active markets (Mark to Market).

"Liquid and active market" means:

a) the regulated market in which the instrument subject to measurement is traded and regularly listed;
b) the multilateral trading system (MTF) in which the instrument subject to measurement is traded or regularly listed;
c) listings and transactions performed on a regular basis, i.e. high-frequency transactions with a low bid/*offer spread*, by an authorised intermediary (hereinafter "contributor").

In the absence of available prices on a liquid active market, valuation methods are used which maximise the use of observable parameters and minimise the use of non-observable parameters. These methods can be summarised in Mark to Model valuations, valuations by counterparty or valuations at the carrying amount in connection with some non-financial asset categories.

Mark to Market valuations

With reference to shares, listed investments, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the market.

For bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:
a) the primary source is the CBBT price provided by data provider Bloomberg;
b) where the price referred to the previous point is unavailable, an internal scoring model is used, which makes it possible to select liquid and active contributors on the basis of pre-defined parameters.

For UCITS the *Net Asset Value* is the source used.

Mark to Model valuations

The Group uses valuation methods (Mark to Model) in line with the methods generally used by the market.

The objective of the models used to calculate the fair value is to obtain a value for the financial instrument consistent with the assumptions that market participants would use to quote a price, assumptions that also concern the risk inherent in a particular valuation technique and/or in the inputs used. To ensure the correct Mark to Model valuation of each category of instrument, adequate and consistent valuation models must be defined beforehand as well as reference market parameters.

The list of the main models used within the Unipol Group for Mark to Model pricing of financial instruments is provided below:
- Securities and interest rate derivatives;
- Discounted cash flows;
- Black;
- Black-Derman-Toy;
- Hull & White 1, 2 factors;
- Libor Market Model;
- Longstaff & Schwartz;
- Kirk.

Securities and inflation derivatives:
- Discounted cash flows;
- Jarrow-Yildirim.

Securities and share, index and exchange rate derivatives:
- Discounted cash flows;
- Black-Scholes.

Securities and credit derivatives:
- Discounted cash flows;
- Hazard rate models.

The main observable market parameters used to perform Mark to Model valuations are as follows:
- interest rate curves for reference currency;
- interest rate volatility surface for reference currency;
- CDS spread or Asset Swap spread curves of the issuer;
- inflation curves for reference currency;
- reference exchange rates;
- exchange rate volatility surface;
- share or index volatility surface;
- share reference prices;
- reference inflation curves.

The main non-observable market parameters used to perform Mark to Model valuations are as follows:
- correlation matrices between exchange rates and risk factors;
- historical volatility;
- benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or CDS curves are unavailable;
- credit risk parameters such as the recovery rate;
- delinquency or default rates and prepayment curves for ABS-type financial instruments.

With reference to bonds in those cases when, even on the basis of the results of the Scoring Model, it is not possible to measure an instrument using the Mark to Market method, the fair value is obtained on the basis of Mark to Model type valuations. The different valuation models referred to above are chosen according to the instrument characteristics.

For OTC derivative contracts, the models used are consistent with the risk factor underlying the contract. The fair value of OTC interest rate derivatives and OTC inflation-linked derivatives is calculated on the basis of Mark to Model type valuations, acknowledging the rules set in IFRS 13.
As regards derivatives on which a collateralisation agreement is provided (Credit Support Annex) between the companies of the Unipol Group and the authorised market counterparties, the EONIA (Euro OverNight Index Average) discount curve is used.
As regards uncollateralised derivatives, CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments are made. It should be noted that, at 31 December 2016, almost all derivative positions represented collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

As regards unlisted shares and investments for which a market price or an appraisal by an independent expert is not available, the valuations are performed mainly on the basis of (i) equity methods, (ii) methods based on the discounting of future profit or cash flows, i.e. Discounted Cash Flow (DCF) or Dividend Discount Model (DDM), (the so-called "excess capital" version) (iii) if applicable, methods based on market multiples.

As regards unlisted UCITS, Private Equity Funds and Hedge Funds, the fair value is calculated as the Net Asset Value at the financial statement date provided directly by the fund administrators.

With reference to the portfolio of loans to bank customers, the fair value is calculated on the basis of Mark to Model valuations, by using a Discounted Cash Flow method with the proper discount rate for counterparty or transaction risk. The carrying amount is used for other loans.

With reference to properties, the fair value is measured on the basis of the appraisal value provided by independent experts, in compliance with current legal provisions.

Counterparty valuations

For financial assets and liabilities which do not fall into the categories of instruments valued on a Mark to Market basis and for which there are no consistent and validated valuation models available for the purposes of measuring *fair value*, the valuations provided by the counterparties that could be contacted to liquidate the position are used.

Unique characteristics of the fair value measurement for structured bonds and structured SPV bonds

Bond issues that incorporate a derivative contract which modifies the cash flows generated by the host contract are considered structured bonds. The measurement of structured bonds requires the representation and separate valuation of the host contract and of embedded derivative contracts.
The measurement of structured bonds makes use of models consistent with the breakdown into elementary components (host contract and embedded derivatives) and with the risk factor underlying said contract.

For structured bonds, the valuation of elementary components follows the criteria defined above for the calculation of fair value, which makes provision for use of Mark to Market valuation if available, or of the Mark to Model approach or counterparty price in the case in which the Mark to Market-type price is not available.
Bonds issued by a Special Purpose Vehicle secured by collateral and whose flows paid are generated by an interest rate swap contract in place between the vehicle and the swap counterparty (usually the arranger of the transaction) are considered structured SPV bonds.
The measurement of SPV structured bonds requires the representation and separate valuation of the following elements:

- collateral issue of the vehicle;
- interest rate swap agreement between the vehicle and arranger;
- any other optional components or CDS agreements included in the vehicle.

For SPV structured bonds the valuation of collateral follows the criteria defined previously for the calculation of the fair value, which makes provision for the use of the Mark to Market approach if available, or the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.
The valuation of the interest rate swap agreement provides for the discounting of future cash flows on the basis of the different discount curves, based on the existence or not of a collateralisation agreement (Credit Support Annex) between the vehicle and swap counterparty. In particular, if the derivative contract is collateralised using available securities included in the SPV's assets, the future cash flows of the interest rate swap agreement are discounted using the EONIA discount curve; while if there is no collateralisation agreement, use is made of CVA (Credit Valuation Adjustment), DVA (Debit Valuation Adjustment) and FVA (Funding Valuation Adjustment), as appropriate.

Criteria for determining the fair value hierarchies

Assets and liabilities valued at fair value are classified on the basis of the hierarchy defined by IFRS 13. This classification establishes a fair value hierarchy based on the degree of discretionary power used, giving priority to the use of observable market parameters, as these are representative of the assumptions that market participants would use in the pricing of assets and liabilities.

Assets and liabilities are classified on the basis of the criterion used to determine fair value (Mark to Market, Mark to Model, Counterparty) and on the basis of the observability of the parameters used, in the case of the Mark to Model valuation:

- Level 1: This category includes assets and liabilities valued on a Mark to Market basis, with CBBT price source and with contributor prices that meet the minimum requirements to ensure that these prices can be used in active markets;
- Level 2: this category includes assets and liabilities valued on a Mark to Market basis, but which cannot be classified in the previous category, and assets the fair value of which is obtained with a consistent pricing model with observable market parameter inputs;
- Level 3: this category includes assets and liabilities for which the variability of the estimate of the pricing model may be significant due to the complexity of the pay-off or, if a consistent and validated model is available, the parameters needed for the valuation are not observable. This category also includes bonds which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible. Lastly, this category also includes loans and investment property.

Fair value measurement on a recurring basis

Process for fair value measurement on a recurring basis
The measurement of financial instruments is a preliminary activity for risk monitoring, integrated asset and liability management and the drafting of the financial statements for the year.
The fair value measurement of financial instruments on a recurring basis is structured into different stages and is carried out, in compliance with the principles of separateness, independence and responsibility of the departments, at the same time, and independently, by the Finance Department and the Risk Management Department of Unipol Gruppo Finanziario, using the measurement criteria defined in the previous paragraph.
When the independent valuations of financial assets and liabilities have been carried out by the two Departments involved in the pricing process, a check is performed for significant deviations, which refer to deviations of more than 3% in terms of absolute value. In the event of deviations of more than 3%, the reasons for the differences identified are analysed and, when the outcomes of the comparison are known, the price to be used for financial statement valuation purposes is determined.

Fair value measurement on a recurring basis through non-observable parameters (Level 3)

The classification of financial assets and liabilities at Level 3 adheres to a prudential approach; this category mainly includes the following types of financial instruments:

- unlisted equity instruments or investments for which a market price or an appraisal drafted by an independent expert is not available; valuations are performed on the basis of the methods indicated previously;
- shares in private equity funds, hedge funds and unlisted UCITS units for which information on the financial instruments held in the relative portfolios is not available and which could, as such, include financial instruments valued on a Mark to Model basis using non-observable parameters;
- bonds valued on a Mark to Model basis using non-observable parameters (correlations, benchmark spread curves, recovery rate);
- bonds valued with a counterparty price on a Mark to Model basis using non-observable parameters;
- ABS type bonds for which a Mark to Market valuation is not available;
- derivative instruments valued on a Mark to Model basis using non-observable parameters (correlations, volatility, dividend estimates);
- bonds which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible.

Fair value measurement on a non-recurring basis in compliance with the disclosure requirements of other standards

In compliance with the provisions of IFRS 13, fair value is measured also for assets and liabilities not measured at fair value on a recurring basis in the statement of financial position and when the disclosure on fair value has to be provided in the notes to the financial statements in compliance with other international accounting standards. Since these assets and liabilities are usually not exchanged, the calculation of their fair value is based primarily on the use of internal parameters not directly observable on the market. This category mainly includes the following types of financial instruments:

- bond issues valued on a Mark to Market basis (level 1);
- bond issues and loans valued on a Mark to Model basis using non-observable parameters (benchmark spread curves) (level 3);
- short-term payables with a duration of less than 18 months and Certificates of Deposit at amortised cost (level 3);
- loans to bank customers valued according to the following principles (level 3):
    - loans with a duration of more than 18 months (medium/long-term loans) valued on a Mark to Model basis with a cash flow discounting method for the principal and interest component. For medium/long-term loans, the discount rate used is based on the risk-free rate plus a risk premium determined on the transaction through the Probability of Default (PD) and Loss Given Default (LGD) parameters. These parameters are taken from the Cedacri Credit Rating System (CRS) application and were estimated on a consortium basis. The Cumulative Probability of Default is calculated through the application of a Markov process to the one-year transition matrixes, while the LGD is assumed constant for the entire time period;
    - impaired loans measured at amortised cost net of analytical valuations;
    - short-term loans with a duration of less than 18 months valued at amortised cost;
- other receivables valued at carrying amount (level 3);
- investment property valued on the basis of the appraisal value determined by independent experts in compliance with the provisions of the applicable legislation. The approach to assigning appraisal mandates is based on the non-exclusive assignment of assets; there is usually a three-year rotation in the assignment of experts.

3. Notes to the Statement of Financial Position

Comments and further information on the items in the statement of financial position and the changes that took place compared to balances at 31 December of the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the statement of financial position).

ASSETS

1.1 Intangible assets

Amounts in €m	**31/12/2016**	31/12/2015	*variation in amount*
Goodwill	**1,591.7**	**1,581.9**	***9.8***
resulting from business combinations	1,591.4	1,581.6	*9.9*
other	0.2	0.3	*(0.1)*
Other intangible assets	**427.3**	**489.1**	***(61.8)***
portfolios acquired under business combinations	240.7	312.5	*(71.8)*
software and user licences	177.1	154.9	*22.2*
other intangible assets	9.5	21.7	*(12.2)*
Total intangible assets	**2,019.0**	**2,071.0**	***(52.1)***

With respect to the item Goodwill resulting from business combinations, the change amounting to €9.9m, is due to the acquisition of the hotel management business unit of Una SpA and is determined on the basis of the provisional valuation of its assets and liabilities. The value of the goodwill for the acquisition of the hotel business shall be defined no later than 12 months form the acquisition, as prescribed by IFRS 3..

Goodwill with an indefinite useful life recorded in the financial statements was tested for impairment in accordance with the procedure specifically approved by the Parent Unipol's Board of Directors and no impairment was found. For further information, please refer to paragraph 5.11 of Chapter 5 "Other information" of this document.

1.2 Other intangible assets

The item, totalling €427.3m (€489.1m in 2015), is composed primarily of the residual value of the Life and Non-Life portfolios acquired, equal to €240.7m (€312.5m in 2015), and costs incurred for purchasing software, licences, consultancy and the customisation of software programs for €177.1m (€154.9m in 2015).
In relation to the item "Portfolios acquired as a result of business combinations", the decrease with respect to 31 December 2015, amounting to €71.8m, is due for €40.1m to amortisation for the year of values of the Non-Life portfolios acquired (€51m at 31/12/2015) and €31.7m on the Life portfolios (€38.8m at 31/12/2015).

2. Property, plant and equipment

At 31 December 2016 property, plant and equipment, net of accumulated depreciation, amounted to €1,886m (€1,757m in 2015), €1,648.8m of which was property for own use (€1,619.1m in 2015) and €237.2m was other tangible assets (€137.9m in 2015).

Properties for own use

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2015	**1,838.8**	**(219.6)**	**1,619.1**
Increases	314.9		314.9
Decreases	(268.3)		(268.3)
Depreciation for the year		(41.5)	(41.5)
Other changes in provisions		24.5	24.5
Balance at 31/12/2016	**1,885.3**	**(236.6)**	**1,648.8**

The increases include €246.8m relating to the purchase, by the Real Estate Investment Fund Athens R.E. Fund, of the real estate portfolio held mainly for hotel purposes by Una SpA. Expenses increasing the value of the properties totalling €24.5m were also incurred.
The decreases refer to transfers to the item Investment property and/or to Assets held for disposal.

The current value of properties for own use, €1,757.2m, was based on independent expert appraisals.

Other tangible assets

Amounts in €m	Office furniture and machines	Movable assets entered in public Registers	Plant and equipment	Total
Balance at 31/12/2015	**340.7**	**5.3**	**221.6**	**567.6**
Increases	29.9	0.0	115.7	145.6
Decreases	(2.1)	(0.9)	(12.4)	(15.4)
Balance at 31/12/2016	**368.4**	**4.4**	**324.9**	**697.7**
Accumulated depreciation at 31/12/2015	**255.7**	**4.2**	**169.8**	**429.7**
Increases	26.0	(0.0)	15.5	41.4
Decreases	(0.3)	(0.7)	(9.6)	(10.6)
Accumulated depreciation at 31/12/2016	**281.3**	**3.5**	**175.7**	**460.5**
Net amount at 31/12/2015	**85.0**	**1.2**	**51.8**	**137.9**
Net amount at 31/12/2016	**87.1**	**1.0**	**149.2**	**237.2**

3. Technical provisions - Reinsurers' share

The balance of the item at 31 December 2016 amounted to €878m (€897.4m at 31/12/2015). Details are set out in the appropriate appendix.

4. Investments

At 31 December 2016, total investments (investment property, equity investments and financial assets) amounted to €81,276m (€79,346.6m in 2015), broken down as follows:

Amounts in €m	**31/12/2016**	*% comp.*	*31/12/2015*	*% comp.*	*% var.*
Investment property	**2,223.8**	**2.7**	**2,350.2**	**3.0**	**(5.4)**
Investments in subsidiaries, associates and interests in joint	**85.6**	**0.1**	**90.0**	**0.1**	**(4.9)**
Financial assets (excl. those at fair value through profit or loss)	**68,990.5**	**84.9**	**67,400.2**	**84.9**	**2.4**
Held-to-maturity investments	*1,319.3*	*1.6*	*1,528.4*	*1.9*	*(13.7)*
Loans and receivables	*14,822.9*	*18.2*	*14,549.2*	*18.3*	*1.9*
Available-for-sale financial assets	*52,539.6*	*64.6*	*50,915.8*	*64.2*	*3.2*
Held-for-trading financial assets	*308.7*	*0.4*	*406.8*	*0.5*	*(24.1)*
Financial assets at fair value through profit or loss	**9,976.1**	***12.3***	**9,506.3**	***12.0***	***4.9***
Total Investments	**81,276.0**	***100.0***	**79,346.6**	***100.0***	***2.4***

4.1 Investment property

Amounts in €m	Gross carrying amount	Accumulated depreciation	**Net carrying amount**
Balance at 31/12/2015	**2,518.9**	**(168.7)**	**2,350.2**
Increases	165.8		165.8
Decreases	(253.7)		(253.7)
Depreciation for the year		(36.3)	(36.3)
Other changes in provisions		(2.1)	(2.1)
Balance at 31/12/2016	**2,430.9**	**(207.1)**	**2,223.8**

The increases were due to the transfer from Properties for own use of the Via Senigallia property in Milan (€102.8m), capitalised costs (€32.2m) and purchases (€22.5m). The decreases refer to sales of €30.2m and to write-downs of €60.1m; the residual is mainly referred to transfers to Assets held for disposal.

The current value of Investment property, €2,300.6m, was based on independent expert appraisals.

4.2 Investments in subsidiaries, associates and interests in joint ventures

At 31 December 2016, Investments in subsidiaries, associates and interests in joint ventures amounted to €85.6m (€90m in 2015).

Financial assets - items 4.3, 4.4, 4.5 and 4.6

(excluding Financial assets at fair value through profit or loss)

Amounts in €m	31/12/2016	% comp.	31/12/2015	% comp.	% var.
Held-to-maturity investments	**1,319.3**	***1.9***	**1,528.4**	**2.3**	***(13.7)***
Listed debt securities	1,175.2		1,271.8		*(7.6)*
Unlisted debt securities	144.0		256.6		*(43.9)*
Loans and receivables	**14,822.9**	***21.5***	**14,549.2**	**21.6**	***1.9***
Unlisted debt securities	4,357.6		4,529.5		*(3.8)*
Loans and receivables from bank customers	8,526.9		8,322.3		*2.5*
Interbank loans and receivables	1,335.1		593.9		*124.8*
Deposits with ceding companies	20.6		24.0		*(13.9)*
Other loans and receivables	582.7		1,079.5		*(46.0)*
Available-for-sale financial assets	**52,539.6**	***76.2***	**50,915.8**	**75.5**	***3.2***
Equity instruments at cost	73.2		69.8		*4.8*
Listed equity instruments at fair value	445.4		503.5		*(11.5)*
Unlisted equity instruments at fair value	169.2		178.4		*(5.1)*
Listed debt securities	49,461.0		47,733.5		*3.6*
Unlisted debt securities	836.7		853.5		*(2.0)*
UCITS units	1,554.1		1,577.1		*(1.5)*
Held-for-trading financial assets	**308.7**	***0.4***	**406.8**	**0.6**	***(24.1)***
Listed equity instruments at fair value	2.1		0.1		*3,321.6*
Listed debt securities	92.9		81.3		*14.3*
Unlisted debt securities	56.9		113.9		*(50.0)*
UCITS units	28.3		31.2		*(9.3)*
Derivatives	128.6		180.4		*(28.7)*
Total financial assets	**68,990.5**	***100.0***	**67,400.2**	**100.0**	***2.4***

Details of **Financial assets at fair value through profit or loss** by investment type:

Amounts in €m	31/12/2016	% comp.	31/12/2015	% comp.	% var.
Financial assets at fair value through profit or loss	**9,976.1**	**100.0**	**9,506.3**	**100.0**	**4.9**
Listed equity instruments at fair value	226.0	*2.3*	175.1	*1.8*	*29.1*
Listed debt securities	4,395.4	*44.1*	3,670.1	*38.6*	*19.8*
Unlisted debt securities	130.2	*1.3*	673.3	*7.1*	*(80.7)*
UCITS units	4,684.3	*47.0*	4,737.5	*49.8*	*(1.1)*
Other financial assets	540.2	*5.4*	250.3	*2.6*	*115.8*

The information required by paragraphs 12 and 12A of IFRS 7 is contained in the appendix "Details of reclassified financial assets and their effects on the income statement and comprehensive income statement".

For information on fair value, reference should be made to paragraph 5.7 of Section 5 "Other information" of these Notes to the financial statements.

5. Sundry receivables

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Receivables relating to direct insurance business	1,498.0	1,593.5	*(6.0)*
Receivables relating to reinsurance business	99.7	80.7	*23.6*
Other receivables	1,727.2	1,540.5	*12.1*
Total sundry receivables	**3,324.9**	**3,214.6**	***3.4***

The item Other receivables included:
- tax receivables amounting to €512.4m (€735.9m at 31/12/2015);
- payments made as cash collateral to safeguard derivatives totalling €352.6m (€119.7m at 31/12/2015);
- trade receivables amounting to €188m (€171.1m at 31/12/2015);
- substitute tax receivables on the mathematical provisions totalling €329.2m (€211.3m at 31/12/2015).

6. Other assets

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Non-current assets or assets of a disposal group held for sale	207.8	16.5	*1,156.1*
Deferred acquisition costs	90.5	86.9	*4.2*
Deferred tax assets	1,007.9	919.5	*9.6*
Current tax assets	36.1	53.6	*(32.6)*
Other assets	667.6	535.7	*24.6*
Total other assets	**2,010.0**	**1,612.2**	***24.7***

Non-current assets or assets of a disposal group held for sale consist of properties owned by Group companies in the process of being transferred.
Deferred tax assets is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax liabilities.

The item "Other assets" includes, inter alia, deferred commission expense, prepayments and accrued income and miscellaneous items to be settled relating to banking business.

7. Cash and cash equivalents

At 31 December 2016, Cash and cash equivalents amounted to €503.1m (€874.4m at 31/12/2015).

LIABILITIES

1. Shareholders' equity

1.1 Shareholders' Equity attributable to the owners of the Parent

Shareholders' Equity, excluding non-controlling interests, is composed as follows:

Amounts in €m	**31/12/2016**	31/12/2015	variation in amount
Share capital	3,365.3	3,365.3	0,0
Capital reserves	1,724.6	1,724.6	0,0
Income-related and other equity reserves	(281.7)	(426.0)	144.2
(Treasury shares)	(27.8)	(34.7)	7.0
Reserve for foreign currency translation differences	2.2	2.4	(0.2)
Gains/losses on available-for-sale financial assets	535.5	589.1	(53.6)
Other gains and losses recognised directly in equity	1.0	31.1	(30.0)
Profit (loss) for the year	329.6	271.8	57.8
Total shareholders' equity attributable to the owners of the Parent	**5,648.8**	**5,523.6**	**125.2**

At 31 December 2016, the Parent Unipol's share capital amounted to €3,365.3m, fully paid-up, and was made up of 717,473,508 ordinary shares (unchanged compared with 31/12/2015).

Movements in shareholders' equity recognised during the year with respect to 31 December 2015 are set out in the attached statement of changes in shareholders' equity. The main changes were as follows:
- a decrease of €128m due to dividend distribution;
- a decrease by €53.6m owing to the decrease in the Provision for gains and losses on available-for-sale financial assets, from €589.1m at 31 December 2015 to €535.5m at 31 December 2016; a decrease by €30m owing to the decrease in the Provision for other gains or losses recognised directly in equity;
- an increase by €329.6m as a result of the Group profit at 31 December 2016.

Shareholders' equity attributable to non-controlling interests was €2,484.8m (€2,921m at 31/12/2015). The main changes over the year were as follows:
- €133.1m decrease owing to the decrease in Other gains or losses recognised directly in equity;
- a decrease of €181.7m for payment of dividends to third parties;
- €329.1m decrease due in particular to the change in Unipol's interest held in the subsidiary UnipolSai, the share of which attributable to the owners of the Parent rose from 61.2% to 68.3% following the purchase of 194.4 million shares by the companies Unipol Finance and Unipol Investment;
- €205.4m increase due to profit attributable to non-controlling interests.

Treasury shares or quotas

At 31 December 2016, the ordinary treasury shares held by Unipol and its subsidiaries totalled 8,587,056 (9,593,375 at 31/12/2015), of which 4,760,207 shares were held directly and 3,826,849 held by the following subsidiaries:
- UnipolSai Assicurazioni held 3,565,504;
- Unisalute held 32,528;
- Linear Assicurazioni held 14,743;
- Arca Vita held 42,092;
- Arca Assicurazioni held 18,566;
- SIAT held 43,192;
- Auto Presto & Bene held 10,231;

- Popolare Vita held 54,864;
- Unipolsai Servizi Consortili held 45,129.

On 1 July 2016 245,835 ordinary shares were allocated to the Managers of the Unipol Group in accordance with the compensation plans based on financial instruments for the period 2010-2012 and 3,445,484 ordinary shares for the period 2013-2015.

2. Provisions

The item "Provisions" totalled €480.7m at 31 December 2016 (€550.1m at 31/12/2015) and mainly consisted of provisions for litigation, various disputes, charges relating to the sales network, provisions for salary policies and employee leaving incentives.

Ongoing disputes and contingent liabilities

Relations with the Tax Authorities

Unipol
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.

UnipolSai
In 2015, the Tax Squad of the Tax Police of Piedmont carried out a comprehensive audit of the former Fondiaria-SAI, pertaining to the examination of some typical items of the insurance financial statements in relation to the years from 2010 to 2013, which subsequently ended in 2016 with the notification of the report on findings. In 2015, the year 2010 was defined; in 2016, the years from 2011 to 2013 were defined (respectively, 2011 and 2012 with the Piedmont DRE and 2013 with the Emilia Romagna DRE). The provisions for risk specifically allocated in the 2015 financial statements was found sufficient with respect to the amounts actually paid.
In June 2016 two reports on findings were notified at completion of the audits performed by the Province Direction I of Turin on the former real estate company Fondiaria-SAI (now merged in UnipolSai). The taxable periods involved were 2011 and 2012, although the year 2011 had been the object of only a partial assessment directed at auditing the following year without any evidence of the request for additional taxes. The comments substantially concern some transactions carried out at that time with related parties (IM.Co and ICEIN). In December 2016, an assessment notice was issued for the year 2011, promptly challenged before the Provincial Tax Commission of Turin. In view of the findings resulting from the aforesaid reports, a special provision for tax disputes was allocated.
At the end of 2016, the assessment notices were notified as a result of the audits conducted by the Regional Tax Authority of Piedmont on the company Immobiliare Milano Assicurazioni (today merged in UnipolSai). The years involved are 2010 and 2011 and the findings substantially concern intercompany services pertaining to the previous management and other less relevant objections. Settlement proposals were submitted for the purpose of a possible settlement of the assessments while benefiting from the reductions of the penalties prescribed by the measures to avoid tax disputes. In view of the estimated liabilities, a special provision for tax disputes was allocated.
Amounts deemed sufficient for facing mainly the risks below have been allocated to the tax provision:
- the risks arising from developments in the dispute regarding the treatment of technical outwards reinsurance items of the former Aurora Assicurazioni, already started for the years 2005, 2006 and part of 2007 toward the Parent Unipol, then also extended to Unipol Assicurazioni for the tax periods 2007-2009;
- the risks deriving from an assessment notice regarding IRPEG and ILOR for the year 1991 concerning the merged Fondiaria Assicurazioni, still pending at the Supreme Cassation Court as a result of the appeal filed by the Company;
- the risks deriving from an assessment notice for abuse of rights with reference to IRPEG and IRAP for the year 2004 on share purchases and collections of the related dividends.

Moreover, the provisions for risks and charges include a provision for tax charges of sufficient amount with respect to the potential estimated liabilities deriving from already formalised, or not yet formalised charges, for which no tax dispute yet exists at the reporting date.

<u>Tenute del Cerro</u>
In 2016, an appeal was filed before the Court of Cassation against the assessment for higher registration tax, for which the company is jointly liable with the purchaser, required as a result of the sale of the farm business unit of Tenuta di Veneria, completed in 2010. The company posted a sufficient provision even if it loses the appeal and it cannot recover the tax from the purchaser.

<u>Other tax disputes</u>
As regards the assessment notices received by Group Companies regarding VAT on active and passive coinsurance contracts entered into with other companies in the insurance sector, notified until 31 December 2016, all duly challenged with the competent tax commissions, taking into account the prevalent favourable jurisprudence on these matters, no provisions have been allocated. On this point, reference is made to the very recent decision of the Court of Cassation no. 22429/16 in a case pertaining to another company, for which, while ordering that the dispute be referred back to the competent Regional Tax Commission, the Court of Cassation expressed principles indicating that the case will probably have a positive outcome.

Proceedings in progress with the Antitrust Authority

By means of Ruling dated 14 November 2012, the Italian Antitrust Authority started preliminary proceedings no. I/744 against Unipol Assicurazioni and Fondiaria-SAI (now UnipolSai), Assicurazioni Generali and INA Assitalia, to ascertain the existence of alleged violations of Art. 2 of Law 287/1990 and/or Art. 101 of the Treaty on the Functioning of the European Union, in the assumption of coordination between said insurance companies aimed at limiting the competition between said parties in participation in tenders called by certain Local Public Transport Companies regarding MV TPL insurance coverage services for vehicles that are used to provide said transportation service. UnipolSai, deeming that it acted in full compliance with legality and correctness, retained its lawyers for the protection of its rights. The preliminary investigation stage ended on 28 January 2015 with the final hearing of the parties.
On 26 March 2015 the Antitrust Authority notified a penalty provision with which UnipolSai Assicurazioni was ordered to pay an administrative penalty of €16.9m.
At the end of the hearing of 2 December 2015, the Regional Administrative Court accepted the appeal filed by UnipolSai and entirely repealed the measure of the Antitrust Authority, indicating that it shares nearly all the substantial remarks raised by the Company.
With appeal served to UnipolSai on 21 March 2016, AGCM challenged the ruling issued by the Regional Administrative Court before the Council of State, which with judgement dated 1 December 2016, published on 7 March 2017, rejected the appeal, confirming the cancellation of the penalty imposed at the time. The Company has already started an action to recover the sum paid at the time.

With measure no. 36446 (the "Initiation Measure"), notified to Unipol Banca S.p.A. (the "Bank") together with assessment inspections performed on 26 May 2016, the Antitrust Authority ("AGCM" or "Authority") decided to initiate the proceeding PS10295 (the "Proceeding") aimed at assessing any infringement of Articles 20-22 of the Italian Legislative Decree no. 206 of 6 September 2005, reporting the Consumer Code (as subsequently amended). Based on the "claim of a consumer", the Proceeding assumed that the Bank, "in selling to consumers variable rate mortgage products, both concerning properties and cash", performed a deceiving commercial practice consisting in the "lack or deceiving reporting of the minimum thresholds of the annual nominal interest rate in the pre-contract and contract modules of such products".
During the preliminary investigation, after presenting its specific claims supporting the propriety of its actions, the Bank submitted a proposal of undertakings meant to eliminate any residual concerns of the Authority.
With a measure adopted at the hearing held on 7 February 2017 and notified to the Bank on 16 February 2017, the Authority accepted the proposal of undertakings submitted by the Bank and, as a result, closed the proceedings without ascertaining any infractions and without imposing any penalties on the Bank.

Consob sanction proceedings

By means of communications dated 19 April 2013, Consob commenced two separate penalty proceedings against Fondiaria-SAI and Milano Assicurazioni for charges relating to their respective 2010 consolidated financial statements.
Pursuant to Art. 187-septies, paragraph 1 of the Consolidated Law on Finance, Consob notified Ms. Jonella Ligresti and Mr. Emanuele Erbetta, for the offices held in Fondiaria-SAI at the time of the events, of the violation set forth in Art. 187-ter, paragraph 1, of the

Consolidated Law on Finance. Fondiaria-SAI is also charged with this violation as a party bearing joint and several liability. It is also charged with the offence set forth in Art. 187-quinquies, paragraph 1, letter a), of the Consolidated Law on Finance for the aforementioned violation of Art. 187-ter, paragraph 1 of the Consolidated Law on Finance by Ms. Jonella Ligresti and Mr. Emanuele Erbetta, acting in the above mentioned capacities.

Consob also made the same charge against Milano Assicurazioni. In this regard, pursuant to Art. 187-septies, paragraph 1 of the Consolidated Law on Finance, the Commission charged Mr. Emanuele Erbetta, for the role he held in the subsidiary at the time of the events, with the violation established in Art. 187-ter, paragraph 1, of the Consolidated Law on Finance. Milano Assicurazioni is also charged with this violation as a party bearing joint and several liability. It is also charged with the offence set forth in Art. 187-quinquies, paragraph 1, letter a), of the Consolidated Law on Finance for the aforementioned violation of Art. 187-ter, paragraph 1 of the Consolidated Law on Finance by Mr. Emanuele Erbetta, acting in the above mentioned capacity.

Fondiaria-SAI and Milano Assicurazioni (currently UnipolSai), assisted by their lawyers, presented their conclusions, asking that the administrative penalties set out in Articles 187-ter, 187-quinquies and 187-septies of the Consolidated Law on Finance not be imposed on the companies. On 20 March 2014 the Consob issued a resolution whereby, not deeming that the parties' defences deserved to be accepted, it ordered:

- Jonella Ligresti to pay €250,000 and to be disqualified from office for four months;
- Emanuele Erbetta to pay €400,000 and to be disqualified from office for eight months;
- UnipolSai to pay €650,000.

UnipolSai provided for the payment of the fines, and also filed an appeal against Mrs. Ligresti. Mr. Erbetta directly paid the penalty imposed on him. In any case, UnipolSai challenged the decision before the Court of Appeal of Bologna, which rejected the appeal on 6 March 2015. The Company, assisted by its lawyers, challenged the decision before the Supreme Cassation Court.

IVASS assessments

On 2 July 2014, IVASS sent to UnipolSai the order of sanctions at the end of the proceeding started in 2012 against Unipol Assicurazioni on the matter of the measurement of the claims provisions of the MV and Boats TPL class. The imposed penalty amounted to €27,500. Since UnipolSai does not deem the conclusions of the Institute to be acceptable in any way, it appealed against this decision before the Regional Administrative Court (TAR). On 9 September 2015 the Regional Administrative Court rejected the appeal of the Company, which challenged the ruling before the Council of State, which has not set a date for the hearing for the discussion yet.

Corporate liability action against certain former directors and statutory auditors decided by the Shareholders' Meetings of Fondiaria-SAI and Milano Assicurazioni

On 17 October 2011, Amber Capital LP, fund manager of Amber Global Opportunities Master Fund Ltd, a Fondiaria-SAI shareholder, in accordance with Art. 2408 of the Civil Code, informed the Board of Statutory Auditors of Fondiaria-SAI of various transactions carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family, criticising the "non-market" conditions and "anomalies" of said transactions.

On 16 March 2012 the Board of Statutory Auditors of Fondiaria-SAI issued an initial response in its "Report pursuant to Art. 2408, paragraph 2 of the Civil Code", after which by letter dated 26 March 2012 the shareholder Amber Capital requested further investigation.

The Board of Statutory Auditors therefore performed further controls and investigations. On 15 June 2012 IVASS served Measure no. 2985 upon Fondiaria-SAI by which the Authority defined the proceedings launched pursuant to Art. 238 of the Private Insurance Code, and through IVASS Communication prot. no. 32-12-000057 of the same date charged Fondiaria-SAI with significant irregularities pursuant to Art. 229 of the Private Insurance Code, with particular reference to a number of transactions implemented by Fondiaria-SAI and its subsidiaries with counterparties qualifying as related parties of Fondiaria-SAI, and assigning a fifteen-day deadline for the effects of these transactions to be permanently removed.
IVASS considered that the actions proposed or implemented by the Company were not suitable to correct the situation which led to the charges cited in the notice of 15 June 2012, prolonging – according to the Institute – the inability of Fondiaria-SAI to remedy the violations and the relative effects.

Therefore by Measure no. 3001 of 12 September 2012 (the "IVASS Measure"), IVASS appointed Prof. Matteo Caratozzolo as ad acta commissioner of Fondiaria-SAI (the "Commissioner") also as Parent, considering the requirements of Art. 229, Legislative Decree 209 of 7 September 2005 to be met.
In particular, with regard to the disputed transactions considered not only on an individual basis but as a whole, IVASS tasked the Commissioner with (i) specifically identifying the individuals responsible for the transactions carried out to the detriment of Fondiaria-SAI SpA and its subsidiaries; (ii) determining the damage suffered by the same; (iii) promoting or encouraging the promotion of all necessary initiatives, including judicial, at Fondiaria-SAI SpA and its subsidiaries, suitable, in relation to the disputed transactions, to safeguard and reintegrate the assets of Fondiaria-SAI SpA and its subsidiaries; (iv) exercising the powers held by Fondiaria-SAI SpA as Parent and as a shareholder in the shareholders' meetings of the subsidiaries.

Following the in-depth examinations conducted regarding the above-mentioned transactions, entered into by the Fondiaria-SAI Group primarily in the real estate segment in the 2003-2011 period, which directly involved members of the Ligresti family and certain SPVs attributable to said family, the Commissioner asked the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni to call the respective Shareholders' Meetings, placing on the agenda the proposed corporate liability action, pursuant to Articles 2392 and 2393 of the Civil Code, against some directors and statutory auditors of the companies (jointly with other parties).

On 5 February 2013, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni, having examined the respective reports drafted by the Commissioner in accordance with Art. 125-ter of the Consolidated Law on Finance, resolved, following the aforementioned request, to call the Shareholders' Meetings of the two companies for 13 and 14 March 2013, on first and second call respectively.
The Shareholders' Meetings, held on second call on 14 March 2013, resolved to promote corporate liability action against the persons indicated in the reports prepared for the Meetings by the Commissioner and made these resolutions public in accordance with law.
As a result of the aforementioned resolutions, the ad acta Commissioner appointed his own lawyers who arranged for civil proceedings to be brought before the Court of Milan against the parties identified as responsible for the transactions described above. The proceedings are currently at preliminary investigation stage.

In relation to the aforementioned transactions, the companies requested and, on 20 December 2013, obtained a seizure order from the Court of Milan against some of the defendants in the above proceedings. The Company made arrangements to enforce the attachment through the parties concerned and through third parties, and the related enforcement proceedings are still in progress.
The attachment was challenged by the counterparties and on 24 March 2014 the Court of Milan, sitting en banc, confirmed the precautionary provision, rejecting all complaints filed by the counterparties.
Furthermore, with reference to the other transactions involved in the complaint from Amber Capital LP, not included in the Commissioner's mandate ("Minor Transactions"), on the invitation of the Board of Statutory Auditors of Fondiaria-SAI pursuant to Art. 2408 of the Civil Code, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni conducted investigations and checks, which showed that Minor Transactions were also carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family with various breaches of directors' and statutory auditors' duties. In particular, the investigations and checks highlighted both breaches of directors' and statutory auditors' duties and damages to the company assets of the Fondiaria-SAI Group.
The persons who, as a result of the checks performed by the Boards of Directors, were deemed responsible for the Minor Transactions are (i) members of the Ligresti family, who exercised control over the Fondiaria-SAI Group companies involved, and who would have pursued their own personal interests to the detriment of said companies in violation of Articles 2391 and 2391-bis of the Civil Code and the procedure governing "related party" transactions; (ii) the former "executive" directors, who would have proposed and implemented the transactions in question, and the administrators on the internal control committees of Fondiaria-SAI and Milano Assicurazioni, who would also have been responsible for the violation of said regulations and procedures; (iii) the statutory auditors who would have also been responsible for the damages suffered by the companies in the Fondiaria-SAI Group due to the violation of Articles 2403 and 2407 of the Civil Code and Art. 149 of the Consolidated Law on Finance.
The liability of members of the Ligresti family in relation to the transaction in question (as with the transactions already involved in the liability actions of the Commissioner) would derive not only from the violation of their duties of the offices of director formally held in Fondiaria-SAI and Milano Assicurazioni but also (aa) from the "unitary management" they would have illegitimately exercised over companies in the Fondiaria-SAI Group by helping to approve and implement the transactions constituting a "conflict of interests" and "in violation of the principles of correct corporate and business management" (pursuant to Art. 2497 of the Civil Code); (bb) the de facto interference (in particular from Mr. Salvatore Ligresti) in the administration of the companies in the Fondiaria-SAI Group (in accordance with Art. 2392 of the Civil Code).

Consequently, on 30 July 2013 the ordinary shareholders' meetings of Fondiaria-SAI and Milano Assicurazioni resolved to promote corporate liability action pursuant to Articles 2392 and 2393 of the Civil Code and, to the extent they may apply, Articles 2043 and 2497 of the Civil Code, against certain former de facto and official directors of Fondiaria-SAI and Milano Assicurazioni, regardless of their particular offices held and even if no formal office was held; certain former directors of Fondiaria-SAI and Milano Assicurazioni and, pursuant to Art. 2407 of the Civil Code, against certain members of the Board of Statutory Auditors of Fondiaria-SAI and Milano Assicurazioni.
In connection with the resolutions mentioned above, UnipolSai (formerly Fondiaria-SAI) served the writ of summons. At present, two hearings were conducted, during which preliminary matters were discussed.

Bankruptcy of Im.Co. SpA in liquidazione and Sinergia Holding di Partecipazioni SpA in liquidazione

On 18 February 2016, the agreement with Visconti Srl, in charge of the arrangements with creditors of Im.Co. and Sinergia, was fully implemented.
It should be noted that, on 17 November 2014, the Court of Milan approved the bankruptcy agreement regarding Im.Co. that had been put forward by Visconti. The main effects of the relevant decree included transfer of the real estate complex in Milan at Via De Castillia to UnipolSai, and the real estate complex in Parma, Località San Pancrazio Parmense, to UnipolSai Real Estate (now UnipolSai).
As a result of the closure of the Bankruptcy proceeding of Im.Co, stated by the Court of Milan on 5 February 2015, all challenge proceedings recognised in liabilities in due time, were declared interrupted by the Judge. Pending judgements before the Supreme Cassation Court (Gen. Criminal Records Reg. 19245/14 and Gen. Criminal Records Reg. 1686/14) - following the endorsement of the composition with creditors and the acquisition of the property by Visconti - were subject to discontinuation.
UnipolSai currently has a residual receivable of €102m from ASA Srl deriving from a contract for future purchases (at the time signed by Milano Assicurazioni) and regarding a real estate complex in Rome, Via Fiorentini. As regards this amount due, the most suitable recovery initiatives are being assessed and value adjustments related to this receivable were recognised in previous years, for a total amount of €74m. Therefore, the net receivable to date amounts to approximately €28m.

Castello Area

On 27 October 2015 the Florence Court of Appeal, partly amending the judgement issued on 6 March 2013 by the Court of Florence, convicted all the defendants in the criminal proceeding regarding the urbanisation of the Castello Area (Florence). The Court of Appeal, on the contrary, confirmed the absolving ruling of the Court with regard to UnipolSai as it deemed the appeal filed by the Prosecutor's Office of Florence inadmissible for the part regarding the Company.
In this regard, it should be noted that the Company was accused, in the criminal proceedings launched in 2008 by the Public Prosecutor's Office of Florence, of the crime of corruption, which involved other defendants that included some representatives of Fondiaria-SAI, certain professionals and some public administrators.
Fondiaria-SAI was accused of unlawful administration set forth in Art. 5 and Art. 25 of Legislative Decree 231/2001 in relation to the offence set out in Art. 319 and Art. 321 of the criminal code, which punishes the crime of corruption of a public official.
The judgement of the Court of Appeal sentenced for corruption the public administrators, the professionals and the representatives of Fondiaria-SAI who were the defendants in the case.
The sentence was objected by the defendants before the Court of Cassation. On 6 May 2016, with final judgement the Court rejected the sentence of the Florence Court of Appeal and all defendants were acquitted. The Company, discharged in the first and second instance, was not a party in the case before the Court of Cassation as the Public Prosecutor's Office of Florence did not object the ruling of the Court of Appeal that confirmed the first instance acquittal judgement.

Unipol Banca execution of orders on financial transactions

In November 2007 and July 2009 some Unipol Banca customers instituted civil and criminal proceedings relating to alleged irregularities and illicit activities carried out by Unipol Banca while executing orders pertaining to OTC financial derivatives. The claimants submitted compensation requests for a total of €67m. The preliminary investigations of the criminal proceedings concluded in April 2009 with the Public Prosecutor applying for the case to be dismissed, which the claimants opposed. Deeming the opponents to have no case, Unipol Banca also applied for the civil case to be dismissed and made a counterclaim for payment of the amounts due by the claimants to Unipol Banca. In November 2009, the counterparties made further compensation requests totalling €145.4m. In court Unipol Banca disputed the lateness and inadmissibility of the new claims, stating that they were totally unfounded. In July 2011, the judge at the preliminary hearing at the Bologna Court ordered that the criminal proceedings instigated as a result of the claim brought by these customers, be dismissed. As regards the civil cases, after the official technical expertise was lodged and the examination of the reports concluded at the hearing of 5 February 2015, two of the counterparties involved for minor amounts expressed their willingness to reach a compromise agreement to settle the dispute. The compromise deeds were finalised in April 2015, and the parties waived any mutual request and/or claim.

As regards cases of a more relevant amount and a case of a minor amount, on 8 June 2015 the partial judgments were published in which the Court of Bologna rejected all requests filed by plaintiffs with respect to the Bank. As regards the counterclaims filed by the Bank for payment of the amounts due by the claimants related to their current accounts at the bank, the Court adjourned the cases for pre-trial examination stating that the expert, in his reports, gave a generic opinion on the correctness of the calculation of the amounts due to the Bank, without specifying whether he assessed that the calculation was correct from a strictly mathematical point of view. With separate order, the Court of Bologna therefore adjourned the cases for pre-trial examination and summoned the expert once again to clarify whether he assessed the correctness, from a strictly mathematical point of view, of the amounts related to overdrafts quantified in the Bank current accounts; the expert was also asked to calculate interest at legal rate as from the closing of the current accounts.

The expert's document was filed by the set term of 28 October 2015: except for minor malfunctioning, the court-appointed expert essentially confirmed the adequacy of the credit rights claimed by the Bank as a counterclaim. With judgement published on 17 May 2016 the Court of Bologna up-held the counterclaims filed by the Bank and ordered the claimants to pay the Bank the amount of €23.9m for the cases of a more relevant amount and €1.1m for the case of a minor amount: added with interest at 30 September 2015, and refund of legal fees.

In the meanwhile the counterparties proposed the challenge against the judgement published in June 2015 by the Court of Bologna for a total claim of €117m. At the first instance hearing for the case of considerable amount, held on 1 March 2016, the Bank insisted for the rejection of the opposing challenges, objecting to the inadmissibility of the new claims and opposing arguments. The Court postponed the hearing of 4 April 2017 to clarify the conclusions. For the case of lower amount being challenged, having acknowledged the requests to reject the opposing appeal and our objections of inadmissibility of the new claims, the Court postponed the hearing of 17 April 2018 to clarify the conclusions.

Given that the first instance sentences were provisionally enforceable, the Bank served the claimants with the injunction and the distraint to third parties in order to obtain the recovery of the amounts receivable. In addition, the Bank obtained the issue of the provisionally enforceable interim order on further receivables from one the aforesaid claimants that objected the sentence. In the proceedings challenging the interim order, at the hearing on 29 September 2016 the Judge rejected the counterparty's request to suspend the provisional enforceability of the order and scheduled the hearing for 26 January 2017.

As regards the objection to enforcement initiated on the basis of the cited interim order, at the hearing of 11 July 2016 the Bank appeared before the Court and asked the rejection of the counterparty's claims and also asked the assignment of some amounts from garnishees.

With respect to one of the judgements in the first instance, by an unappealable order published on 4 November 2016, the Court of Appeals ordered the suspension of its enforceability. This resulted in the subsequent suspension of the executive proceedings launched on the basis of the above-mentioned judgement within the scope of one of which the Bank in the meantime had garnished several sums.

Ongoing disputes with investors

Writs of summons by shareholders of La Fondiaria Assicurazioni (Tender offer legal cases)

From 2003 onwards, a number of La Fondiaria Assicurazioni ("Fondiaria") shareholders have initiated a series of legal proceedings claiming, albeit on different legal grounds and justifications, compensation for damages allegedly suffered due to failure to launch the takeover bid on Fondiaria shares by SAI Società Assicuratrice Industriale SpA ("SAI") in 2002.

On the whole, 16 proceedings were brought against the Company. At 31 December 2016, four proceedings were still pending, one of which before the Supreme Cassation Court and three before the Milan Court of Appeal after the resumption following the decision of the Cassation.

Other ongoing proceedings

UnipolSai Assicurazioni SpA is a party in criminal and civil proceedings referring to events occurred during the previous management of Fondiaria-SAI and Milano Assicurazioni.

A summary of the currently pending criminal cases is provided below.

(a) Criminal Case 21713/13 (formerly Gen. Criminal Records Reg. 20219/2012) pending before the Fourth Criminal Section of the Court of Turin against defendants Salvatore Ligresti, Antonio Talarico, Fausto Marchionni, Jonella Ligresti, Emanuele Erbetta, Ambrogio Virgilio and Riccardo Ottaviani, accused of the offences of false corporate communications under Art. 2622 of the Civil Code in relation to the 2010 financial statements of Fondiaria-SAI SpA and market manipulation under Art. 185 of the Consolidated Law on Finance) on Fondiaria-SAI and Milano Assicurazioni securities, owing to the alleged falsification of the financial statements that allegedly pertained to the "claims provisions"; within this proceeding, UnipolSai Assicurazioni SpA was summoned and appeared before the court as civilly liable for the actions of the defendants.
At the end of the preliminary hearings and of the trial phase, at the hearing of 11 October 2016 the Court read out the verdict and the sentence (whose grounds have, as yet, not been released) whereby:
- it affirmed the criminal liability of the defendants Salvatore Ligresti, Jonella Ligresti, Fausto Marchionni and Riccardo Ottaviani, accused of false corporate communications and market manipulation;
- it ordered the defendants, jointly and where applicable, with the civilly liable UnipolSai Assicurazioni SpA and Reconta Ernst & Young SpA, to pay compensation for damages to the 2,265 allowed civil claimants, to be allowed in a separate civil proceeding;
- it ordered the defendants, jointly and where applicable, with the civilly liable UnipolSai Assicurazioni SpA and Reconta Ernst & Young SpA, to pay the legal fees of the civil claimants' legal counsel;
- it acquitted the defendants Antonio Talarico and Ambrogio Virgilio because they did not commit any criminal offence, in accordance with Art. 530, paragraph 2 of the Code of Criminal Procedure;
- it rejected the compensation requests of some civil claimants;
- it set the term for filing the grounds for the decision as 90 days.

The Court of Turin did not order payment of any interim award on the damage claimed by the civil claimants.
Moreover, with its decision of 25 October 2016, the Court of Turin allowed the plea bargain request filed by Mr. Emanuele Erbetta and sentenced the defendant to 3 years of incarceration and a fine of €200k, in addition to the payment of the legal expenses borne by the civil claimants.

b) The criminal proceeding Gen. Criminal Records Reg. no. 14442/14, with the defendants Gioacchino Paolo Ligresti, Pier Giorgio Bedogni and Fulvio Gismondi accused of false corporate communications (Art. 2622 of the Civil Code) and market manipulation (Art. 185 of the Consolidated Law on Finance) and, for Fulvio Gismondi only, false official statement in certificates (Art. 481 of the Criminal Code), ended in the first instance, at the end of the shortened and simplified proceedings, with the decision of 16 December 2015 acquitting the defendants because the fact does not exist. The decision was appealed by the General Prosecutor's Office at the Court of Appeal of Milan and by the civil claimant Consob.
On 16 December 2015, the preliminary hearing judge also delivered a decision not to proceed against UnipolSai Assicurazioni SpA, as the administrative liable party pursuant to Legislative Decree 231/2001, which became definitive during 2016.

(c) Criminal Case (Gen. Criminal Records Reg. 24630/2013) against Benito Giovanni Marino, Marco Spadacini and Antonio D'Ambrosio, acquitted on 10 November 2014 at the end of the shortened and simplified proceeding before the Court of Turin, is awaiting the setting of the appeal trial following the Prosecutor's filing of an appeal.

Based on the status of the criminal proceedings, on the information acquired hitherto by the Company and on the legal opinions acquired on the matters, the risk of loss is deemed unlikely.

Moreover, it should be pointed out that some investors have autonomously initiated civil proceedings for damages. In these proceedings, the plaintiffs summarily stated that they had purchased and subscribed Fondiaria-SAI shares because they were prompted by the information in the information prospectuses published by Fondiaria-SAI on 24 June 2011 and 12 July 2012 in relation to the increases in share capital under option resolved by the company on 14 May 2011, 22 June 2011 and 19 March 2012 respectively, and in the financial statements of Fondiaria-SAI relating to the years 2007-2012. UnipolSai (former Fondiaria-SAI) appeared at all Civil Proceedings and disputed the plaintiffs' claims. A first civil proceeding initiated before the Court of Turin ended with a final decision rejecting the merits of the Plaintiff's demands, acquitting UnipolSai from all compensation claims. Of the remaining proceedings, some are in the decision stage and some in the introductory/preliminary stage.

Provisions deemed suitable were made in relation to the disputes with investors described above.

3. Technical provisions

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Non-Life premium provisions	2,873.9	2,912.0	
Non-Life claims provisions	12,936.1	13,619.6	
Other Non-Life technical provisions	51.7	42.8	
Total Non-life provisions	**15,861.7**	**16,574.3**	***(4.3)***
Life mathematical provisions	37,343.5	34,946.7	
Provisions for amounts payable (Life business)	446.7	845.7	
Technical provisions where the investment risk is borne by policyholders and arising from pension fund management	7,167.9	7,131.2	
Other Life technical provisions	3,290.0	3,651.6	
Total life provisions	**48,248.1**	**46,575.2**	***3.6***
Total technical provisions	**64,109.8**	**63,149.6**	*1.5*

4. Financial liabilities

Financial liabilities were, at 31 December 2016, €16,897.9m (€15,571.4m at 31/12/2015).

4.1 Financial liabilities at fair value through profit or loss

The item, which amounted to €3,264.8m (€2,657.8m at 31/12/2015), is broken down as follows:

- Financial liabilities held for trading totalled €431.8m (€266m at 31/12/2015);
- Financial liabilities designated at fair value through profit or loss totalled €2,833.1m (€2,391.7m at 31/12/2015). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders, which do not contain a significant insurance risk borne by the Group (some types of Class III, Class V and Class VI contracts).

4.2 Other financial liabilities

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Subordinated liabilities	2,518.7	2,564.7	*(1.8)*
Liabilities from financial contracts issued by insurance companies	0.3	0.5	*(29.9)*
Deposits received from reinsurers	233.1	216.0	*7.9*
Debt securities issued	3,598.0	4,073.1	*(11.7)*
Payables to bank customers	6,312.6	5,505.7	*14.7*
Interbank payables	694.5	436.1	*59.3*
Other loans obtained	270.4	111.9	*141.6*
Sundry financial liabilities	5.3	5.6	*(5.2)*
Total other financial liabilities	**13,633.0**	**12,913.6**	***5.6***

Details of **Subordinated liabilities** are shown in the table below:

Issuer	Nominal amount outstanding	Subord. level	Year of maturity	call	Rate	L/NL
UnipolSai	€300.0m	tier II	2021	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€261.7m	tier II	2023	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€400.0m	tier I	2023	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€100.0m	tier II	2025	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€150.0m	tier II	2026	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€50.0m	tier II	2026	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€750.0m	tier I	in perpetuity	every 3 months from 18/06/2024	fixed rate 5,75% (*)	Q
Unipol Banca	€14.8m	tier II	2017		fixed rate 4,4%	NQ
Unipol Banca	€83.0m	tier II	2017		3M Euribor + 20 b.p.	NQ
Unipol Banca	€7.0m	tier II	2017		fixed rate 4,8%	NQ
Unipol Banca	€62.1m	tier II	2017		3M Euribor + 30 b.p.	NQ
Unipol Banca	€23.4m	tier II	2019		fixed rate 4,5%	NQ
Unipol Banca	€47.7m	tier II	2019		fixed rate 4,5%	NQ
Unipol Banca	€253.0m	tier II	2019		quarterly average 3M Euribor + 640 b.p.	NQ

(*) from June 2024 floating rate of 3M Euribor + 518 b.p.

(**) since September 2014, in application of the contractual clauses ("Additional Costs Clauses"), UnipolSai and Mediobanca signed an agreement to amend some Loan Agreements covering medium-term subordinated loans amounting to €700m. This agreement provides for the amendment of several economic terms, including payment by way of compromise, of an annual indemnity (additional spread) equal to 71.5 basis points, which increases the previous spread (thereby raising the total spread from 1.80 to 2.515 basis points) provided for in the Loan Agreements.

The Subordinated liabilities of the UnipolSai Group amounted to €2,027.3m at 31 December 2016 (€2,026.5m at 31/12/2015), whilst Unipol Banca outstanding subordinated liabilities totalled €491.4m (€538.2m at 31/12/2015).

The item **Interbank payables** included €640m in subsidised loans obtained by Unipol Banca through participation in the ECB's TLTRO auctions (€415m at 31/12/2015), having repaid €415m early in 2016.

Debt securities issued - Other loans obtained - Sundry financial liabilities

At 31 December 2016, **debt securities issued by Unipol**, net of intragroup subscriptions, totalling €1,601.9m (€1,592.7m at 31/12/2015) were related to three *senior unsecured* bonds listed on the Luxembourg Stock Exchange, with a total nominal value of €1,616m (unchanged compared to 31/12/2015):

- €299m of nominal value, 5% fixed rate, 7 year duration, maturity in 2017 (unchanged with respect to 31/12/2015);
- €317m of nominal value, 4.375% fixed rate, 7 year duration, maturity in 2021 (unchanged with respect to 31/12/2015);
- €1,000m of nominal value, 3% fixed rate, 10 year duration, maturity in 2025 (unchanged with respect to 31/12/2015).

The **outstanding debt securities issued by Unipol Banca** amounted to €1,996.1m (€2,480.3m at 31/12/2015).

With regard to **Other loans obtained** and **Sundry financial liabilities**, totalling €275.7m (€117.6m at 31/12/2015), €169.6m refers to the new loan taken out by the Real Estate Fund Athens, through the company Loan Agency Service Srl, from a pool of 13 banks, including Unipol Banca (the latter for a nominal value of €10.5m eliminated during the consolidation process), as part of the purchase of property for hotel use of the former Una SpA, while €110.8m refers to the loan stipulated by the Real Estate Fund Tikal with Mediobanca acting as Agent Bank (amount essentially unchanged compared to 31/12/2015), which, at the maturity on 4 January 2017, Unipol Banca took over in full.

5. Payables

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Payables arising from direct insurance business	**150.4**	**146.9**	***2.4***
Payables arising from reinsurance business	**76.4**	**87.6**	***(12.8)***
Other payables	**728.1**	**683.2**	***6.6***
Policyholders' tax due	164.9	173.4	*(4.9)*
Sundry tax payables	67.7	63.4	*6.7*
Trade payables	217.3	201.6	*7.8*
Post-employment benefits	80.4	83.3	*(3.5)*
Social security charges payable	44.4	43.1	*3.1*
Sundry payables	153.4	118.5	*29.5*
Total payables	**954.9**	**917.7**	***4.0***

6. Other liabilities

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Current tax liabilities	53.1	42.4	*25.2*
Deferred tax liabilities	33.2	49.4	*(32.7)*
Commissions on premiums under collection	103.8	100.8	*2.9*
Deferred commission income	24.2	17.8	*36.0*
Accrued expense and deferred income	46.8	12.0	*290.9*
Other liabilities	1,058.8	917.5	*15.4*
Total other liabilities	**1,320.0**	**1,139.9**	***15.8***

The item Deferred tax liabilities is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax assets

4. Notes to the Income Statements

Comments and further information on the items in the income statement and the variations that took place compared with the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the income statement).

REVENUE

1.1 Net premiums

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Non-life earned premiums	**7,888.1**	**8,039.3**	***(1.9)***
Non-Life written premiums	7,856.0	7,920.9	*(0.8)*
Changes in Non-Life premium provision	32.0	118.4	*(72.9)*
Life written premiums	**6,299.8**	**7,643.9**	***(17.6)***
Non-life and life gross earned premiums	**14,187.8**	**15,683.1**	***(9.5)***
Non-life earned premiums ceded to reinsurers	**(385.6)**	**(405.5)**	***(4.9)***
Non-Life premiums ceded to reinsurers	(384.7)	(394.9)	*(2.6)*
Changes in Non-Life premium provision - reinsurers' share	(0.9)	(10.7)	*(91.3)*
Life premiums ceded to reinsurers	**(15.4)**	**(16.2)**	***(4.9)***
Non-life and life earned premiums ceded to reinsurers	**(401.0)**	**(421.8)**	***(4.9)***
Total net premiums	**13,786.8**	**15,261.4**	***(9.7)***

1.2 Commission income

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Commission income from banking business	98.7	95.1	*3.7*
Commission income from investment contracts	37.3	19.0	*95.8*
Other commission income	6.7	3.1	*118.1*
Total commission income	**142.7**	**117.2**	***21.7***

1.3 Net gains on financial instruments at fair value through profit or loss

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Net gains/losses:			
on held-for trading financial assets	(81.3)	205.5	
on held-for trading financial liabilities	(2.8)	(1.5)	
on financial assets/liabilities at fair value through profit or loss	125.3	165.4	
Total net gains/losses	**41.2**	**369.4**	***(88.8)***

1.4 Gains on investments in subsidiaries, associates and interests in joint ventures

These totalled €16.1m (€17.6m at 31/12/2015).

1.5 Gains on other financial instruments and investment property

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Interest	**2,005.8**	**1,988.1**	**0.9**
on held-to-maturity investments	58.8	69.0	*(14.9)*
on loans and receivables	406.0	459.0	*(11.5)*
on available-for-sale financial assets	1,537.4	1,454.2	*5.7*
on sundry receivables	2.5	3.0	*(15.9)*
on cash and cash equivalents	1.2	2.9	*(59.2)*
Other income	**162.7**	**178.5**	**(8.8)**
from investment property	76.4	95.2	*(19.8)*
from loans and receivables	1.5	0,0	
from available-for-sale financial assets	84.8	83.2	*1.9*
Realised gains	**503.9**	**754.7**	**(33.2)**
on investment property	3.4	4.0	*(14.3)*
on held-to-maturity investments	0,0	5.0	*(100.0)*
on loans and receivables	14.9	10.8	*37.2*
on available-for-sale financial assets	485.0	734.4	*(34.0)*
on other financial liabilities	0.6	0.4	*34.0*
Unrealised gains and reversals of impairment losses	**90.3**	**114.9**	**(21.5)**
on available-for-sale financial assets	0.0	31.8	*(100.0)*
on other financial assets and liabilities	90.3	83.1	*8.6*
Total item 1.5	**2,762.7**	**3,036.2**	***(9.0)***

1.6 Other revenue

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Income from non-current assets held for sale	0.0	0.2	*(99.8)*
Sundry technical income	124.5	95.7	*30.1*
Exchange rate differences	9.3	11.1	*(15.7)*
Extraordinary gains	26.5	52.2	*(49.3)*
Other income	312.1	401.0	*(22.2)*
Total other revenue	**472.4**	**560.3**	***(15.7)***

COSTS

2.1 Net charges relating to claims

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Net charges relating to claims - direct and indirect business	**12,263.8**	**13,825.2**	***(11.3)***
Non-life business	**5,139.6**	**5,156.5**	***(0.3)***
Non-Life amounts paid	5,949.6	6,256.7	
changes in Non-Life claims provision	(692.8)	(972.8)	
changes in Non-Life recoveries	(116.5)	(126.7)	
changes in other Non-Life technical provisions	(0.8)	(0.8)	
life business	**7,124.2**	**8,668.7**	***(17.8)***
Life amounts paid	5,437.4	6,594.1	
changes in Life amounts payable	(399.8)	421.8	
changes in mathematical provisions	2,422.4	2,185.3	
changes in other Life technical provisions	32.5	196.8	
changes in provisions where the investment risk is borne by policyholders and arising from pension fund management	(368.3)	(729.3)	
Charges relating to claims - reinsurers' share	**(169.4)**	**(189.5)**	***(10.6)***
Non-life business	**(161.0)**	**(186.8)**	***(13.8)***
Non-Life amounts paid	(184.9)	(243.3)	
changes in Non-Life claims provision	16.5	55.6	
changes in Non-Life recoveries	7.4	0.8	
changes in other Non-Life technical provisions	0,0	0,0	
life business	**(8.3)**	**(2.7)**	***214.0***
Life amounts paid	(22.5)	(22.2)	
changes in Life amounts payable	2.1	1.1	
changes in mathematical provisions	12.0	18.3	
Total net charges relating to claims	**12,094.4**	**13,635.7**	***(11.3)***

2.2 Commission expense

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Commission expense from banking business	17.1	14.5	*18.0*
Commission expense from investment contracts	16.7	10.4	*60.1*
Other commission expense	8.9	8.1	*9.3*
Total commission expense	**42.6**	**33.0**	***29.1***

2.3 Losses on investments in subsidiaries, associates and interests in joint ventures

At 31 December 2016 these totalled €3.2m (€14.1m at 31/12/2015).

2.4 Losses on other financial instruments and investment property

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Interest:	**229.7**	**264.5**	***(13.2)***
on other financial liabilities	226.2	263.1	*(14.0)*
on payables	3.5	1.5	*140.4*
Other charges:	**52.7**	**53.8**	***(2.0)***
from investment property	39.9	38.8	*2.8*
from available-for-sale financial assets	2.6	4.7	*(44.7)*
from cash and cash equivalents	0.1	0.3	*(54.2)*
from other financial liabilities	10.1	10.1	*(0.6)*
from sundry payables	0.1	0,0	
Realised losses:	**295.7**	**303.1**	***(2.5)***
on investment property	1.9	0.3	*497.7*
on loans and receivables	7.2	30.4	*(76.2)*
on available-for-sale financial assets	285.9	271.1	*5.5*
on other financial liabilities	0.7	1.3	*(49.8)*
Unrealised losses and impairment losses:	**290.6**	**475.5**	***(38.9)***
on investment property	96.4	134.8	*(28.4)*
on loans and receivables	138.0	233.9	*(41.0)*
on available-for-sale financial assets	54.2	106.8	*(49.2)*
on other financial liabilities	1.9	0,0	
Total item 2.4	**868.8**	**1,097.0**	***(20.8)***

Interest on other financial liabilities amounting to €226.2m relates in particular to interest expenses accrued on bonds issued by Group companies (subordinated and non-subordinated), €89m of which relating to the banking sector. At 31 December 2015 they totalled €263.1m, of which €120.5m relating to the banking sector.

At 31 December 2016 the unrealised losses and impairment losses totalled €290.6m (€475.5m in 2015), due to write-downs of loans and receivables attributable to banking activities for €131.8m (€227.4m at 31/12/2015), write-downs due to impairment of financial instruments recognised as available-for-sale assets (shares and UCITs) for €43.4m (€44.9 million at 31/12/2015), write-downs on investment property for €60.1m (€97.1m at 31/12/2015), carried out on the basis of updated valuations performed by independent experts, and to property depreciation for €36.3m (€37.6m in 2015).

2.5 Operating expenses

Amounts in €m	**31/12/2016**	*% comp.*	31/12/2015	*% comp.*	*% var.*
Insurance sector	2,453.1	*89.3*	2,512.6	*89.6*	*(2.4)*
Banking sector	311.4	*11.3*	315.8	*11.3*	*(1.4)*
Holding and Other Businesses Sector	101.6	*3.7*	100.0	*3.6*	*1.6*
Real Estate Sector	12.0	*0.4*	13.2	*0.5*	*(8.9)*
Intersegment eliminations	(131.2)	*(4.8)*	(137.6)	*(4.9)*	*(4.6)*
Total operating expenses	**2,746.9**	***100.0***	**2,804.0**	***100.0***	***(2.0)***

Below are details of **Operating expenses in the Insurance sector:**

Amounts in €m	Non- Life			Life			Total		
	Dec-16	Dec-15	*% var.*	**Dec-16**	Dec-15	*% var.*	**Dec-16**	Dec-15	*% var.*
Acquisition commissions	1,283.1	1,227.9	*4.5*	98.1	131.7	*(25.5)*	1,381.2	1,359.6	*1.6*
Other acquisition costs	343.4	438.2	*(21.6)*	49.1	49.6	*(1.1)*	392.5	487.9	*(19.5)*
Changes in deferred acquisition costs	4.2	(9.6)	*(144.0)*	(7.6)	(1.7)	*342.4*	(3.4)	(11.3)	*(69.8)*
Collection commissions	158.5	160.3	*(1.2)*	8.9	10.3	*(13.2)*	167.4	170.6	*(1.9)*
Profit sharing and other commissions from reinsurers	(124.9)	(129.1)	*(3.3)*	(2.5)	(3.8)	*(34.3)*	(127.3)	(132.9)	*(4.2)*
Investment management expenses	83.4	66.1	*26.2*	49.5	45.9	*8.0*	133.0	112.0	*18.7*
Other administrative expenses	399.6	394.5	*1.3*	110.2	132.4	*(16.8)*	509.8	526.8	*(3.2)*
Total operating expenses	**2,147.4**	**2,148.3**	***(0.0)***	**305.7**	**364.3**	***(16.1)***	**2,453.1**	**2,512.6**	***(2.4)***

2.6 Other costs

Amounts in €m	**31/12/2016**	31/12/2015	*% var.*
Other technical charges	302.6	232.1	*30.4*
Impairment losses on receivables	34.2	12.4	*176.1*
Other charges	422.9	575.6	*(26.5)*
Total other costs	**759.8**	**820.1**	***(7.4)***

3. Income tax

In accordance with the provisions of IAS 12 the following table shows, at consolidated level, the deferred taxes utilised and accrued.

Amounts in €m	31/12/2016			31/12/2015		
	Ires	Irap	Total	Ires	Irap	Total
Current taxes	**(167.1)**	**(18.1)**	**(185.2)**	**(194.1)**	**(39.8)**	**(233.8)**
Deferred tax assets and liabilities:	**19.6**	**(5.8)**	**13.9**	**(150.6)**	**5.0**	**(145.6)**
Use of deferred tax assets	(115.4)	(11.9)	(127.3)	(277.2)	(5.9)	(283.1)
Use of deferred tax liabilities	61.9	3.7	65.6	58.3	2.5	60.8
Provisions for deferred tax assets	140.4	18.5	158.9	355.1	53.0	408.1
Provisions for deferred tax liabilities	(67.3)	(16.1)	(83.4)	(286.8)	(44.6)	(331.4)
Total	**(147.4)**	**(23.9)**	**(171.3)**	**(344.6)**	**(34.7)**	**(379.4)**

Against pre-tax income of €706.3m, taxes pertaining to the year of €171.3m were recorded, corresponding to a tax rate of 24.3% (39.6% at 31/12/2015), positively affected by €36m of gains for taxes from previous years due to the recognition of taxes on the previous losses of the former Premafin as a result of a request for private letter ruling.

The following table shows the breakdown of deferred tax assets and liabilities, showing the major differences for taxation purposes:

Amounts in €m	**31/12/2016**	31/12/2015
Deferred tax asset		
Intangible assets and property, plant and equipment	122.7	96.0
Technical provisions - reinsurers' share	167.4	171.2
Investment property	179.6	103.7
Financial instruments	(423.2)	(392.0)
Sundry receivables and other assets	267.4	252.8
Provisions	324.4	337.3
Technical provisions	179.9	178.4
Financial liabilities	(22.3)	(20.6)
Payables and other liabilities	(1.6)	(3.7)
Other deferred tax assets	213.6	196.4
Total deferred tax assets	**1,007.9**	**919.5**
Deferred tax liabilities		
Intangible assets and property, plant and equipment	(104.5)	(78.1)
Technical provisions - reinsurers' share	(13.8)	(11.3)
Investment property	4.2	(19.1)
Financial instruments	1,034.2	1,202.0
Sundry receivables and other assets	(2.7)	(11.4)
Provisions	(2.4)	(10.7)
Technical provisions	(761.5)	(862.5)
Financial liabilities	0.2	4.3
Payables and other liabilities	1.1	0.8
Other deferred tax liabilities	(121.5)	(164.5)
Total deferred tax liabilities	**33.2**	**49.4**

Deferred tax assets and liabilities were offset, as illustrated in chapter 2, “Main accounting standards”.

Net tax assets are deemed to be recoverable on the basis of the provisional plans of Group companies.

5. Other Information

5.1 Hedge Accounting

Fair value hedging concerns bonds linked to European inflation, for which the actual interest rate risk was hedged through Inflation Swap IRS.

UnipolSai Assicurazioni: in 2016, no new transactions were carried out concerning fair value hedging. Existing positions at 31 December 2016 are related to IRS contracts, for a nominal value of €250m to hedge bond assets recorded in Loans and Receivables, with a hedged synthetic notional value equal to €130.4m. Compared to 31 December 2015, the fair value change related to the hedged risk of bonds came to a positive €31.6m, while the fair value change of IRS amounted to a negative €35.7m, with a negative net economic effect of €4.1m, including the tax effect of €1.3m.
At 31 December 2016, hedging was effective since the ratios between the respective variations in fair value were still within the range 80%-125%.

Cash flow hedges

The objective of the existing hedges is to transform the interest rate from a floating rate to a fixed rate, stabilising the cash flows. The details by company of existing positions are provided below:
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Amounts in €m

Company	Hedged financial instruments	Notional amount hedged	Derivative	Gross effect recognised in shareholders' equity	Net tax effect
UnipolSai	AFS bonds	1,053.8	IRS	(8.9)	(6.2)
UnipolSai	Bond loans issued	250.0	IRS	(3.1)	(2.2)
Arca Vita	AFS bonds	30.0	IRS	(0.0)	(0.0)
Unipol Banca	Bond loans issued	132.0	IRS	(2.0)	(1.4)
Total				**(14.1)**	**(9.7)**

In 2016, two IRS of UnipolSai with a total notional value of €200m hedging subordinated loans and one IRS of the Real Estate Fund Tikal with a notional value of €55m hedging a loan payable expired.

5.2 Information relating to the actual or potential effects of netting agreements

In order to allow an evaluation of the actual or potential effects of netting agreements on the Unipol Group, the information relating to the financial instruments involved in master netting arrangements are reported below. The transactions shown in the tables below concern:
- derivatives;
- repurchase agreements.

With reference to derivatives, the agreements contained in the ISDA *Master agreements* which regulate transactions in said instruments, make provision, in the cases of the insolvency of one of the contractual parties, for the offsetting between receivables and payables including any cash deposits or financial instruments pledged as guarantee.

In relation to repurchase agreements, the set-off clause, applicable in the case of the insolvency of the forward purchaser, is intrinsically constituted by the collateral pledged on the financial securities forming the object of the forward purchase.

Financial assets

Amounts in €m

Type	Gross amount (A)	Total financial liabilities offset in the financial statements (B)	Net total financial assets recognised in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements: Financial instruments (D)	Related amounts not subject to offsetting in the financial statements: Cash deposits received as guarantees (E)	**Net total (F)=(C)-(D)-(E)**
Derivative transactions (1)	416.6	0.0	416.6	388.8	3.4	24.4
Repurchase agreements (2)	0.0	0.0	0.0	0.0		
Securities lending						
Other						
Total	**416.7**	**0.0**	**416.7**	**388.8**	**3.4**	**24.4**

Financial liabilities

Amounts in €m

Type	Gross amount (A)	Total financial assets offset in the financial statements (B)	Net total financial liabilities recogni-sed in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements: Financial instruments (D)	Related amounts not subject to offsetting in the financial statements: Cash deposits given as guarantees (E)	**Net total (F)=(C)-(D)-(E)**
Derivative transactions (1)	253.1	0.0	253.1	149.6	95.1	8.4
Repurchase agreements (2)						
Securities lending						
Other						
Total	**253.1**	**0.0**	**253.1**	**149.6**	**95.1**	**8.4**

(1) The amounts indicated include the fair value in the financial statements of the derivatives involved in the offsetting agreements and any cash deposits given or received as guarantee.

(2) The amounts indicated include the financial receivable/payable relating to the repurchase agreement and the value of the financial asset involved in the forward purchase.

5.3 Earnings (loss) per share

Amounts in €m	**31/12/2016**	31/12/2015
Profit/loss allocated to ordinary shares (€m)	329.6	271.8
Weighted average of ordinary shares outstanding during the year (no./m)	708.7	707.7
Basic earnings (loss) per share (€ per share)	**0.47**	**0.38**

5.4 Dividends

In view of the profit for the year made by the Parent Unipol at 31 December 2015 of €165.5m (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of Unipol held on 28 April 2016, resolved on the distribution of dividends totalling €128m, corresponding to €0.18 per Ordinary Share, taking account of treasury shares.

The Shareholders' Meeting also set the dividend payment date for 25 May 2016 (ex-dividend date 23/05/2016).

The financial statements of the Parent Unipol at 31 December 2016, drawn up in accordance with Italian GAAP, posted a profit for the year of €159.9m. Unipol's Board of Directors proposes that the Ordinary Shareholders' Meeting allocate as dividends €0.18 per Ordinary Share.

The total amount set aside for dividends, including treasury shares, came to €128.3m.

5.5 Non-current assets or assets of a disposal group held for sale

Reclassifications made in application of IFRS 5, totalling €207.8m (€16.5m at 31/12/2015), concern only assets for which the relative preliminary sales contracts have already been signed or advanced stage negotiations are under way. In particular, these include 200 real estate units distributed throughout the country for which acceptance of a purchase offer was resolved upon at the end of 2016.

5.6 Transactions with related parties

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).

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 to the other companies of 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 Assicurazioni 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 Companies of the consortium:
- 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 of:
- 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 manage 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.

Since 31 December 2015, contracts for the following services provided by Arca Vita:
- internal control, risk management and compliance for Arca Assicurazioni;
- internal controls for Arca Vita International Ltd;
- anti-terrorism services for Arca Assicurazioni.

have been terminated. As of 1 January 2016, the services listed above are provided by UnipolSai.

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 the following 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.

It should be noted that, in accordance with Art. 2497 et seq. of the Civil Code, none of the shareholders of the Parent Unipol carries out management and coordination activities.
Finsoe SpA holds an investment in Unipol equal to 31.404% (31.404% at 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.

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 following table shows transactions with related parties (holding company, associates and others) carried out during 2016, as laid down in IAS 24 and in Consob Communication DEM/6064293/2006.

Transactions with subsidiaries have not been recognised since in drawing up the consolidated financial statements transactions among Group companies consolidated using the line-by-line method have been eliminated as part of the normal consolidation process.

Information on transactions with related parties

Amounts in €m	Holding company	Associates	Others	**Total**	*% inc. (1)*	*% inc. (2)*
Loans and receivables	0.0	23.4	85.9	109.3	*0.1*	*5.8*
Available for sale	0.0	0.0	33.7	33.7	*0.0*	*1.8*
Sundry receivables	2.2	50.8	0.0	53.0	*0.1*	*2.8*
Other assets	0.4	0.0	0.0	0.4	*0.0*	*0.0*
Total assets	**2.6**	**74.1**	**119.6**	**196.3**	***0.2***	***10.5***
Other financial liabilities	16.8	32.9	7.8	57.4	*0.1*	*3.1*
Sundry payables	0.2	0.0	0.0	0.2	*0.0*	*0.0*
Other liabilities	0.2	0.4	0.0	0.6	*0.0*	*0.0*
Total liabilities	**17.1**	**33.2**	**7.8**	**58.1**	***0.1***	***3.1***
Net premiums	0.0	0.2	0.0	0.2	*0.0*	*0.0*
Commission income	0.0	0.1	0.0	0.1	*0.0*	*0.0*
Gains on other financial instruments and investment property	0.1	4.3	5.1	9.5	*1.3*	*0.5*
Other revenue	0.1	0.3	0.0	0.3	*0.0*	*0.0*
Total revenue and income	**0.1**	**4.8**	**5.1**	**10.0**	***1.4***	***0.5***
Losses on other financial instruments and investment property	0.0	0.0	10.9	10.9	*1.5*	*0.6*
Operating expenses	1.3	87.7	0.5	89.5	*12.7*	*4.8*
Other costs	0.0	0.5	0.0	0.5	*0.1*	*0.0*
Total costs and expenses	**1.3**	**88.2**	**11.4**	**101.0**	***14.3***	***5.4***

(1) Percentage based on total assets in the consolidated statement of financial position recognised under Shareholders' Equity, and on pre-tax profit/(loss) for income statement items.

(2) Percentage on total net cash flow from operating activities mentioned in the statement of cash flows.

Loans and receivables for €109.3m refer, in the amount of €23.4m, to the loans granted to associates by Unipol Banca (€15.2m) and by UnipolSai (€8.2m) and, in the amount of €85.1m, to loans granted by Unipol Banca to the Goethe Fund (Mutual Real Estate Investment Fund).
The item Available-for-sale financial assets includes €33.2m in UCITS units of the Goethe Fund subscribed by Unipol Banca.
The item Sundry receivables from associates included €50.7m in receivables due from insurance brokerage agencies for commissions.
The item Other financial liabilities due to associates for €32.9m, to other related parties for €7.8m and to the holding company for €16.8m referred to bank deposits at Unipol Banca.
Gains on other financial instruments and investment property included rent income of €4.3m from associates, gains realised for the sale of available-for-sale assets of €3m from other related parties and interest income for loans and receivables due from the Goethe fund of €2m.
The item losses on other financial instruments and investment property included losses realised on the sale of units in the Core Italian Properties Fund of €10.9m from other related parties.
Operating expenses due to associates for €87m include costs on commissions paid to insurance brokerage agencies.

Remuneration for 2016 due to the Directors, Statutory Auditors and Key Managers of the Parent, for carrying out their duties in Unipol and in other consolidated companies amounted to €16m, details of which are as follows:

Amounts in €m

Directors and General Manager	7,6
Statutory auditors	0,4
Other key managers	7,9 (*)

(*) 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 companies in the Group paid Unipol the sum of €1.8m as remuneration for the activities carried out by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers, eliminated during the consolidation process.

5.7 Fair value measurements – IFRS 13

IFRS 13:
a) defines the fair value;
b) groups into a single accounting standard the rules for measuring fair value;
c) enriches financial statement information.

The standard defines *fair value* as the sale price of an asset based on an ordinary transaction or the transfer price of a liability in an ordinary transaction on the main reference market at terms applicable at the measurement date (exit price).
Fair value measurement assumes that the transaction relating to the sale of assets or transfer of liabilities can take place:
- on the main listing market;
- if there is no listing market, on the market most advantageous for the assets and liabilities to be measured.

When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 also defines a fair value hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure fair value.

Chapter 2, "Main accounting standards", outlines the fair value measurement policies and criteria adopted by the Unipol Group.

Fair value measurement on a recurring basis

The table below shows a comparison between the assets and liabilities measured at fair value at 31 December 2016 and 31 December 2015, broken down based on fair value hierarchy level.

Assets and liabilities at *fair value* on a recurring and non-recurring basis: breakdown by *fair value level*

	Level 1		Level 2		Level 3		Total	
Amounts in €m	2016	2015	2016	2015	2016	2015	2016	2015
Assets and liabilities at fair value on a recurring basis								
Available-for-sale financial assets	50,874.9	49,307.8	686.5	707.9	978.2	900.2	52,539.6	50,915.8
Financial assets at fair value through profit or loss:								
- held for trading	117.8	121.2	148.8	184.1	42.1	101.5	308.7	406.8
- at fair value through profit or loss	9,831.8	8,784.1	10.2	24.0	134.2	698.2	9,976.1	9,506.3
Total assets at fair value on a recurring basis	***60,824.5***	***58,213.1***	***845.5***	***916.0***	***1,154.4***	***1,699.8***	***62,824.4***	***60,828.9***
Financial liabilities at fair value through profit or loss:								
- held for trading	6.6	57.5	316.7	200.4	108.5	8.2	431.8	266.0
- at fair value through profit or loss					2,833.1	2,391.7	2,833.1	2,391.7
Total liabilities at fair value on a recurring basis	***6.6***	***57.5***	***316.7***	***200.4***	***2,941.6***	***2,399.9***	***3,264.8***	***2,657.8***

The amount of financial assets classified in Level 3 at 31 December 2016 stood at €1,154.4m. Details of changes in Level 3 financial assets and liabilities in the same period are shown below.

Details of changes in level 3 financial assets and liabilities at *fair value* on a recurring basis

Amounts in €m	**Available-for-sale financial assets**	**Financial assets at fair value through profit or loss**		**Investment property**	**Property, plant and equipment**	**Intangible assets**	**Financial liabilities at fair value through profit or loss**	
		held for trading	at fair value through profit or loss				held for trading	at fair value through profit or loss
Opening balance	**900.2**	**101.5**	**698.2**				**8.2**	**2,391.7**
Acquisitions/Issues	124.2	(0.6)	0.0				0.0	0.0
Sales/Repurchases	(25.8)	0.0	(40.9)				0.0	0.0
Repayments	(0.5)	(0.2)	(519.9)				(3.7)	0.0
Gains or losses recognised through profit or loss		(1.1)	(4.4)				91.7	0.0
- of which unrealised gains/losses	*0.0*	*(1.1)*	*(4.4)*				*91.7*	*0.0*
Gains or losses recognised in the statement of other comprehensive income statement	(24.4)	0.0	0.0					
Transfers to level 3	7.5	0.0	0.0					
Transfers to other levels	(3.7)	(58.5)	0.0					
Other changes	0.7	1.0	1.2				12.3	441.4
Closing balance	**978.2**	**42.1**	**134.2**				**108.5**	**2,833.1**

The transfers from Level 1 to Level 2 which occurred during the reference period were insignificant.

Analysis and stress testing of non-observable parameters (Level 3)

The table below shows, for Level 3 financial assets and liabilities measured at fair value, the effects of the change in the non-observable parameters used in the fair value measurement.

With reference to "assets measured at fair value on a recurring basis" and belonging to Level 3, the stress test of non-observable parameters is performed with reference to financial instruments valued on a Mark to Model basis and on which the measurement is carried out through one or more non-observable parameters.

The portion of securities subject to analysis has a market value of €264m at 31 December 2016.

The non-observable parameters subject to a shock are benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or *Credit Default Swap* curves are unavailable.

The following table shows the results of the shocks:

Amounts in €m	**Curve Spread**			
Shock	+10 bps	-10 bps	+50 bps	-50 bps
Fair Value delta	**(1.73)**	**1.75**	**(8.60)**	**8.70**
Fair Value delta %	*(0.01)*	*0.01*	*(0.03)*	*0.03*

Fair value measurement on a non-recurring basis

IFRS 13 governs the fair value measurement and the associated disclosure also for assets and liabilities not measured at fair value on a recurring basis.
For these assets and liabilities, fair value is calculated only for the purposes of information requirements for the market. Furthermore, since these assets and liabilities are not typically traded, their fair value is largely based on the use of internal parameters that cannot be directly observed in the market, with the sole exception of listed securities classified as Held-to-maturity investments.

Assets and liabilities not measured at *fair value*: breakdown by *fair value level*

			Fair value							
	Carrying amount		Level 1		Level 2		Level 3		Total	
Amounts in €m	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Assets										
Held-to-maturity investments	1,319.3	1,528.4	1,337.8	1,494.2	148.1	245.0			1,485.9	1,739.2
Loans and receivables	14,822.9	14,549.2	5.0	9.9	4,093.1	4,284.2	11,220.1	11,215.3	15,318.2	15,509.4
Investments in subsidiaries, associates and interests in joint	85.6	90.0					85.6	90.0	85.6	90.0
Investment property	2,223.8	2,350.2					2,300.6	2,462.2	2,300.6	2,462.2
Property, plant and equipment	1,886.0	1,757.0					1,994.4	1,849.5	1,994.4	1,849.5
Total assets	**20,337.6**	**20,274.8**	**1,342.8**	**1,504.1**	**4,241.2**	**4,529.2**	**15,600.7**	**15,616.9**	**21,184.6**	**21,650.2**
Liabilities										
Other financial liabilities	13,633.0	12,913.6	2,935.8	2,932.3	0.0	0.0	10,929.6	9,788.5	13,865.4	12,720.8

5.8 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 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 282,793 shares, was paid to those entitled on 1 July 2014 and the second tranche, amounting to 281,456 shares, was paid on 1 July 2015. A third and last tranche was paid 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 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 1 July 2016, 3,691,319 Unipol shares were paid to those entitled, as settlement to the last tranche of shares, related to the 2010-2012 Compensation Plan, and of the first tranche of shares related to the 2013-2015 Compensation Plan.

The Shareholders' Meetings of UnipolSai and Unipol, held on 27 and 28 April 2016, respectively, approved the new 2016-2018 Compensation Plan based on financial instruments (performance shares), which envisage the assignment of UnipolSai and Unipol shares in three years starting 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.

The total cost recorded in 2016 came to €12.9m (€8.6m in 2015), €7m of which with a contra-item in shareholders' equity.

5.9 Non-recurring significant transactions and events

The non-recurring significant transactions carried out during the period are summarised below.
- merger by incorporation of Liguria Assicurazioni and Liguria Vita into UnipolSai;
- acquisition of the hotel and property management business "Una Hotels & Resorts"

5.10 Atypical and/or unusual positions or transactions

In 2016 there were no atypical and/or unusual transactions that, because of their significance, importance, nature of the counterparties involved in the transaction, transfer pricing procedures, or occurrence close to the end of the year, could give rise to doubts relating to: the accuracy and completeness of the information in these Consolidated Financial Statements, a conflict of interest, the safeguarding of the company's assets or the protection of non-controlling shareholders.

5.11 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test)

As in previous years, in accordance with IAS 36.10, which provides for the *Impairment of Intangible Assets* that have an indefinite useful life, the impairment test was carried out on the goodwill recognised in the consolidated financial statements with reference to insurance subsidiaries.

In determining the parameters used for the assessments, criteria were adopted that are in line with the market practice, in consideration of the overall economic scenario and, in particular, of the high volatility of the financial markets, despite the recovery expected in the coming years.

Appropriate *Sensitivity Analyses* were also developed to test the stability of the recoverable amounts of goodwill if there was a variation in the main parameters used in the tests.

The Non-Life and Life *CGUs* to which goodwill was attributed were not subject to change compared to the previous year and are broken down as follows:

- Non-Life CGU: UnipolSai Assicurazioni - Non-Life, Unisalute, Linear;
- Live CGU: UnipolSai Assicurazioni - Life, Gruppo Arca.

It is stressed that no analyses were conducted on any goodwill with indefinite useful life emerging with the scope of the acquisition, by Atahotels, of the business unit concerning the hotel management of Una Hotels Spa, because: (i) the transaction was closed on 29 December 2016 and therefore the price would represent, to date, the best estimate in terms of recoverable value and (ii) the IFRS 3 prescribes that the determination of the values of the assets acquired and of the liabilities assumed as a result of Business Combinations may be carried out no later than twelve months from the date of acquisition.

In relation to the measurement methods and benchmarks adopted to estimate the recoverable value of goodwill, note that, as specified below, the same measurement criteria were adopted as for the previous year, with benchmark updating arranged at the end of 2016.

The impairment testing of the Non-Life CGU was performed as follows:

- the recoverable value of UnipolSai Assicurazioni - Non-Life, Unisalute and Linear Assicurazioni goodwill was measured using the "excess capital" version of a DDM (Dividend Discount Model);
- to determine this value, the actual figure for 2016 was considered and, for the years 2017-2021, the economic and financial projections were used as a reference to define the profit forecasts for those years, developed by the companies in question and approved by their respective Boards of Directors.

The results obtained from application of the impairment procedure show that there was no impairment and therefore they confirm the value of goodwill of the Non-Life CGUs recorded in the Consolidated Financial Statements at 31 December 2016.

The impairment testing of the Life CGU was performed as follows:

- in relation to UnipolSai Assicurazioni - Life, the recoverable amount of goodwill was calculated using the "Appraisal Value" method, by considering (i) the Embedded Value and (ii) the value of the portfolio of new products (Value of New Business); with regard to Popolare Vita and to the subsidiary The Lawrence Life, consideration was given to the results of the independent appraisal of the company carried out by a leading financial and actuarial advisor, who issued an appraisal document.
- in the case of the Arca Group, Arca Vita and Arca Vita International were measured using the "Appraisal Value" method and the DDM highlighted above was used for the subsidiary Arca Assicurazioni. The Arca Group was considered as a whole since both companies use the same sales channel (banking).

The results obtained from application of the impairment procedure show that there was no impairment and therefore they confirm the value of goodwill of the Life CGUs recorded in the Consolidated Financial Statements at 31 December 2016.

Non-life CGU	
Valuation method used	The method used, similar to that carried out last year, was an "excess capital" type of DDM (Dividend Discount Model) and focused on the future cash flows theoretically available for shareholders, without drawing on the assets needed to support the expected growth and in accordance with the capital requirements imposed by the Supervisory Authority. According to this method the value of the economic capital is the sum of the current value of potential future cash flows and the current terminal value.
Net profits used	The above net profits were considered.
Projection period	Five prospective flows were considered.
Rate of discounting	A rate of discounting of 6.37% was used, broken down as follows: - risk-free rate: 1.52% - beta: 0.88 - risk premium: 5.5% The average figure for the 10-year Long-Term Treasury Bond for the period January-December 2016 was used for the risk-free rate. A 5-year adjusted Beta coefficient for a sample of companies listed on the European market and deemed to be comparable was used. The risk Premium was raised to 5.5% compared to 5% considered in the previous year, taking into account the estimates of said parameters made by various contributors.
Long term growth rate (*g* factor)	Several significant growth indicators relating to the reference market and to the macroeconomic situation were taken into account. In particular, the annual average rate of growth of the Non-Life insurance market for 2017-2021 is expected to be 3.3%. The average variation in GDP, for the same time interval, was expected to be 2.1% in nominal terms. Considering what was deemed appropriate, a *g* factor equal to 2% was kept, as in the previous year.

Life CGU	
Goodwill recoverable amount	With regard to UnipolSai Assicurazioni - Life, the recoverable value of goodwill was determined using the "Appraisal Value" method. In the case of the Arca Group, Arca Vita and Arca Vita International were measured using the "Appraisal Value" method and the DDM highlighted above was used for the subsidiary Arca Assicurazioni. The Arca Group was considered as a whole since both companies use the same sales channel (banking).

Below are **the results of the impairment tests** along with the relevant **sensitivity analyses**:

Amounts in €m	**Pro-rata recoverable amount (a)**	**Allocation of goodwill**	**Goodwill included in equity per recoverable amount (b)**	**Goodwillto be tested**	**Excess**
Non-Life CGU	3,453	1,198	(177)	1,021	2,433
Life CGU	879	384	(130)	254	625
Total	**4,333**	**1,582**	**(307)**	**1,275**	**3,058**

(a): Recoverable value obtained as the difference between CGU pro-rata amount and Adjusted Shareholders' equity pro-rata
(b): Goodwill included in Adjusted Shareholders' equity assessed upon recoverable amount

Parameters used - Non-Life

Risk Free	1.52%
Beta	0.88
Risk premium	5.5%
Short-term discounting rate	6.37%
Range	*5,87% - 6,87%*
Pass	*0.5%*
g factor	2%
Range	*1,5% - 2,5%*
Pass	*0.5%*

Amounts in €m		Sensitivity (Value range)					
		Min			Max		
CGU	Recoverable Amount - Goodwill Delta	Value	g	Discounting rate	Value	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	1,556	1,072	1.5%	6.87%	2,305	2.5%	5.87%
Unisalute	752	606	1.5%	6.87%	983	2.5%	5.87%
Linear	125	85	1.5%	6.87%	188	2.5%	5.87%

Amounts in €m				Recoverable Amount - Goodwill Delta = 0			
		Sensitivity (Value range)		Hp. 1 (g rate = that used for impairment)		Hp. 2 (g rate assumed to be 0)	
CGU	Recoverable Amount - Goodwill Delta	Min	Max	g	Discounting rate	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	1,556	1,072	2,305	2%	9.2%	0%	9.2%
Unisalute	752	606	983	2%	28.3%	0%	28.2%
Linear	125	85	188	2%	10.0%	0%	9.5%

Amounts in €m		Sensitivity - Recoverable Amount - Goodwill Delta	
Company	Recoverable Amount - Goodwill Delta	Min	Max
UnipolSai Assicurazioni - Life	537	475	590

Amounts in €m		Sensitivity - Arca Vita	
Company	Value	Min	Max
Arca Vita and Arca Vita International	567	556	578
Arca Assicurazioni (share held by Arca Vita)	167	167	167
Arca Vita Group	**734**	**723**	**745**

Amounts in €m

Company	Recoverable Amount - Goodwill Delta	Min	Max
Arca Vita Group	88	82	96

Amounts in €m

		Sensitivity - Arca Assicurazioni	
Company	**Value**	**Min**	**Max**
Arca Vita and Arca Vita International	567	567	567
Arca Assicurazioni (share held by Arca Vita)	167	166	169
Arca Vita Group	**734**	**732**	**735**

Amounts in €m

Company	Recoverable Amount - Goodwill Delta	Min	Max
Arca Vita Group	88	87	89

5.12 Notes on Non-life business

Procedural note on fixing the level of provisions and assumptions made

The process that leads to making the assumptions is carried out in such a way as to make a valuation of the liabilities with the intention of coming up with an estimate that is as realistic as possible.
The source of the figures is internal and the trends are based on annual statistics and monitored monthly throughout the year.
As far as possible assumptions are checked against market statistics.
If any information is missing, incomplete or unreliable the estimate of the final cost is based on prudent assumptions.
The very nature of insurance business makes it very difficult to estimate the cost of settling a claim with any certainty. The provision for each claim reported is set by an adjuster and is based on the information in his possession and on experience gained in similar cases. The forecasts fed into the system are periodically updated on the basis of new information about the claim. The final cost may vary as the claim proceeds (for example deterioration in the condition in the event of injury) or in the event of catastrophes. Estimating the final cost is very difficult and the various elements that make it so complex vary depending on the class in question.
As the Group's work is concentrated in Italy the major exposure to catastrophe risks is represented by natural disasters such as Earthquake, Flood and Hail.
Reinsurance cover is taken out to cover this type of risk, at different levels with respect to the individual portfolios of the companies in the Group. The identified thresholds, with particular reference to the Earthquake risk, have been judged sufficiently prudent on the basis of calculations made using statistical models that simulate the Company's exposures in detail.

The provisions for claims are estimated using the inventory method and the adjusters' estimates are also combined, where application conditions are satisfied, with the results of statistical methods such as the Chain Ladder, the Bornhuetter Ferguson and the ACPC (Average Cost Per Claim) and with valuations based on the average costs for the year (for similar groups covering a sufficiently large number of claims).
These methods were applied after consistency of the underlying data had been verified using the model assumptions.

The Chain Ladder method is applied to the amount paid out and the loading. The method is based on historical analysis of the factors that affect the trend in claims. The selection of these factors is based on the figures for the accumulated amounts paid out, which produces an estimate of the final cost per year of occurrence if the claims for that year have not been paid in full.
The Chain Ladder method is suitable for sectors in which the figures are stable and is therefore not suitable in cases in which there are no significantly stable previous periods and in cases of significant changes in the settlement rate.
The Bornhuetter Ferguson method uses a combination of a benchmark, or estimates of the ratio of losses to 'a priori' premium and an estimate based on claims incurred (Chain Ladder).
The two estimates are combined using a formula that gives greater weight to experience. This technique is used in situations in which the figures are not suitable for making projections (recent years and new classes of risk).

The ACPC method is based on a projection of the number of claims to be paid and the respective average costs. This method is based on three fundamental assumptions: settlement rate, basic average costs and exogenous and endogenous inflation.

These methods extrapolate the final cost according to the year in which the claim is incurred and according to similar groups of risk on the basis of the trends in claims recognised in the past. When there was reason for deeming the trends recognised to be invalid some of the factors were modified and the projection adapted to fit the available information.
Some examples of what affects the trends could be:

- changes in the claims handling procedures involving different approaches to settlement/making allocations to provisions;
- market trends showing increases higher than inflation (may be linked to the economic situation or to political, legal or social developments);
- random fluctuations including the impact of "major" claims.

Claims incurred but not yet reported are estimated on the basis of the historical trends within the company, with the number and the average costs of the claims being estimated separately.

As allowed by IFRS 4, the provisions were not discounted.

Scope analysed

The following Unipol Group companies operate in the Non-Life market: UnipolSai, Siat, Incontra, Pronto Assistance, Ddor, Ddor Re, Popolare Vita, Arca, Linear and Unisalute. The scope considered in this document makes reference to the direct business claims provisions (excluding Assistance) of the companies UnipolSai, Siat, Arca, Linear and Unisalute. The analysis excludes the claims provisions of the companies Incontra, Pronto Assistance, Ddor, Ddor Re and Popolare Vita, the impact of which on the sum of total Group provisions is 0.5%.

Trend in claims (claims experience)

The tables below, which illustrate the trend in claims, show the estimated first-year costs for each year in which claims were incurred from 2007 until 2016 and the adjustments made in subsequent years as a result of the claim being settled or the budget being adjusted as a result of more information about the claim being received.
The line showing the variation compared with the first-year provision must be considered separately since subsequent adjustments may already have been incorporated into the provisions figures for later years.
Maximum caution must be exercised when extrapolating from the figures in the following tables for the purpose of ascertaining the adequacy or inadequacy of provisions.

The Group considers the provisions for claims reported or yet to be reported incurred by 31 December 2016 to be adequate in the light of information currently available. Of course, as they are estimates there is no absolute certainty that the provisions are in fact adequate.

Trend in claims (all classes except Assistance)

Amounts in €m

Year of Event	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Estimate of claims accumulated											
at the end of the year of event	8,190	8,448	9,173	8,626	7,890	7,250	6,503	6,210	5,221	5,283	**72,794**
one year later	8,114	8,672	9,162	8,570	7,722	7,049	6,401	6,175	5,175		
two years later	8,252	8,898	9,487	8,845	7,783	7,037	6,352	6,103			
three years later	8,374	9,126	9,642	8,888	7,801	7,018	6,309				
four years later	8,524	9,264	9,718	8,916	7,777	6,977					
five years later	8,661	9,318	9,715	8,928	7,757						
six years later	8,707	9,333	9,727	8,913							
seven years later	8,715	9,331	9,713								
eight years later	8,708	9,344									
nine years later	8,701										
Estimate of claims accumulated	**8,701**	**9,344**	**9,713**	**8,913**	**7,757**	**6,977**	**6,309**	**6,103**	**5,175**	**5,283**	**74,275**
Accumulated payments	8,368	8,871	9,144	8,200	6,996	6,073	5,166	4,629	3,488	2,033	**62,969**
Change compared to assessment at year 1	511	896	540	287	(132)	(274)	(194)	(106)	(47)		
Outstanding at 31/12/2016	**333**	**473**	**569**	**713**	**761**	**903**	**1,143**	**1,474**	**1,686**	**3,250**	**11,306**
Discounting effects											
Carrying amount	**333**	**473**	**569**	**713**	**761**	**903**	**1,143**	**1,474**	**1,686**	**3,250**	**11,306**

The data contained in the trend in claims table as inputs for actuarial models like the Chain-Ladder model must be used with extreme care. Future replication of changes in cost recorded in the past, in the case of provision strengthening, could lead to paradoxical situation whereby the higher the strengthening the greater the insufficiency which may be inaccurately forecast by these methods.

The IBNR claims experience estimated at 31 December 2015 showed an overall sufficiency of €40.4m or 4.1% of the estimate in 2016.

Change in the assumptions made and sensitivity analysis of the model

The estimated cost for 2007-2015 at 31 December 2016 was €68,992m, down compared to the valuation carried out at 31 December 2015 for the same years (€69,238m).
The new figure takes account of the savings recognised on claims that have been settled and of the revaluations required on claims that are still outstanding.

The risks arising from insurance policies are complex and subject to numerous variables that make the task of quantifying the sensitivity of the model very complicated.
The incidence of the amount of the 2,360 major claims net of claims handled by others (above €800,000 in the case of MV TPL, above €400,000 in the case of General TPL and €350,000 in the case of Fire) on the total provisions of the three classes was 22.3%. A 10% increase in the number of major claims would have led to a rise in provisions of €205.8m. The incidence on total provisions of claims handled by others was 2.8%. If reinsurers had revalued these claims by 5.0%, costs would have risen by €15.5m.

The sensitivity analysis of the models directed at determining two scenarios, one favourable and one unfavourable, was conducted on the MV TPL (Non-Card and Handler Card separately) and General TPL classes of UnipolSai Assicurazioni (whose provisions represent 93.3% of the total of the Unipol Group).
The two scenarios were obtained with the following assumptions:

- Favourable: for MV TPL, a decline in inflation by one and a half point (2% instead of 3.5% of the baseline method) was assumed for the ACPC method, whilst reference was made to the provision corresponding to the tenth percentile for the Chain Ladder Paid method. For General TPL, reference was made to the provision corresponding to the tenth percentile[13].
- Unfavourable: for MV TPL, an increase in inflation by one and a half point (5% instead of 3.5% of the baseline method) was assumed for the ACPC method, whilst reference was made to the provision corresponding to the ninetieth percentile for the Chain Ladder Paid method[1]. For General TPL, reference was made to the provision corresponding to the ninetieth percentile[1].

The sensitivity analysis also include the pre-2005 generations.

The following table shows the LAT's numbers:

Amounts in €m	Pre 2005	2005-2015	Total	% Delta
Provision requirements	868	11,275	12,144	
Unfavourable LAT assumption	907	11,716	12,623	*3.95*
Favourable LAT assumption	831	10,849	11,680	*(3.82)*

In assessing the results of these variations, note that these analyses are of the deterministic type and no account is taken of any correlations. Overall, the verified provisions (€12,698m relating to the analysed scope excluding the Assistance class) in the financial statements are substantially aligned to the top end, i.e. to the unfavourable scenario assumption.

[13] Assuming that the provision is distributed according to a log-normal function with parameter relating to standard deviation calculated with the Mack method

5.13 Notes on Life business

Breakdown of the insurance portfolio

Consolidated Life premiums for 2016 totalled €6,997m (insurance and investment products), with a decline of -18.6% compared to the previous year.
The Life direct premiums of the Unipol Group came from both the traditional companies (UnipolSai Assicurazioni and DDOR) and bancassurance companies (Popolare Vita Group, Bim Vita and the Arca Group). Consolidated Life premiums at 31 December 2016 are broken down as follows:

Consolidated Life direct premiums

Amounts in €m	Gruppo Arca	Gruppo UnipolSai	**Total**
Insurance premiums (IFRS4)	**1,605.2**	**4,694.1**	**6,299.2**
% var.	*1.8%*	*(22.6)%*	*(17.6)%*
Investment products (IAS39)	**112.9**	**584.8**	**697.7**
% var.	*(69.2)%*	*0.1%*	*(26.6)%*
Total life business premium income	**1,718.1**	**5,278.8**	**6,996.9**
% var.	(11.6)%	(20.6)%	(18.6)%
Breakdown:			
Insurance premiums (IFRS4)	*93.4%*	*88.9%*	*90.0%*
Investment products (IAS39)	*6.6%*	*11.1%*	*10.0%*

Life direct premiums at 31 December 2016 of the Group, totalling €6,997m, comes for €5,279m from the UnipolSai group (-20.6% compared to 2015, on a like-for-like basis), equal to 75.4% of the Total, and for €1,718m from the ARCA Group (-11.6%, 24.6% of the Total).
Insurance premiums totalling €6,299m accounted for 90.0% of total premiums, a rise compared to the figure at 31 December 2015 (88.9%). Non-insurance premiums amounted to €698m (-26.6%), and related mostly to unit-linked and open pension funds.

Direct insurance premiums: income type

Amounts in €m	Gruppo Arca	Gruppo UnipolSai	**Total**
Traditional premiums	1,605.1	3,700.3	5,305.3
Financial premiums	0.1	516.0	516.1
Pension funds	0.0	477.8	477.8
Insurance premiums (IFRS4)	**1,605.2**	**4,694.1**	**6,299.2**
of which investments with DPF	*1,571.2*	*3,005.7*	*4,576.9*
% investment with DPF	*97.9%*	*64.0%*	*72.7%*

The insurance premiums of the Unipol Group continued to be composed primarily of traditional policies, which account for 84.2% of total consolidated premiums (up compared to 80.9% in 2015), compared to 8.2% represented by financial premiums (13.4% in 2015) and, finally, 7.6% by pension funds (5.7% in 2015).

5.14 Risk Report 2016 of the Unipol Group

The purpose of the Risk Report is to provide additional supporting information to allow stakeholders to make an assessment of the Group's equity and financial situation in the perspective of a Risk Management that operates in accordance with the general principles contained in ISVAP Regulation no. 20/2008 and in the Solvency II regulation, which entered into force from 1 January 2016 onwards.

Activities were carried out during the year in implementation of Solvency II regulations and the supervisory provisions issued by IVASS.

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.

Internal Control and Risk Management System

The Unipol Group's Risk Management structure and process are part of the wider internal control and risk management system already illustrated in the Annual Integrated Report, to which reference is made.

During 2016, corporate policies referring to that 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.

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 Risk Appetite is formalised in the Risk Appetite Statement (with criteria that are differentiated for the insurance business and for the banking business, in compliance with applicable regulations), which indicates the risks that the Group and/or the individual company intends to assume or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite forms part of a reference framework - the Risk Appetite Framework (RAF). The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, the ORSA process for the insurance segment and ICAAP for the banking segment, the budget, company organisation and the internal control system.

The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stress conditions. These components are:

- Risk Capacity;
- Risk Tolerance;
- Risk Limits (or the operational risk limits);
- Risk Profile.

The activity to define RAF components is dynamic and progressive, and reflects the risk management objectives associated with the objectives of the Strategic Plan. Verification is performed annually as part of the process of assigning Budget objectives. Further analyses for preventive control of the Risk Appetite, and capital adequacy in particular, are performed when studying extraordinary transactions (such as mergers, acquisitions, disposals).
The RAF is broken down into several analysis macro areas with the aim of guaranteeing continuous monitoring of risk trends. The main analysis macro areas are risk type, group, subgroup and individual company.

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 for the insurance business;
- ICAAP for the banking business.

The internal ORSA and ICAAP assessment processes allow the final and forward-looking risk profile analysis of the Insurance Group and the Banking Group 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.

Risk Management System

The risk management process involves the following steps:

- risk identification;
- current and forward-looking assessment of risk exposure;
- risk monitoring and reporting;
- risk mitigation.

The process is performed in compliance with the Risk Appetite Framework.

Risk identification

Risk identification consists in identifying the risks considered significant, i.e. those with consequences capable of compromising the solvency or reputation of the Insurance Group and its companies, or constitute a serious obstacle to achieving strategic objectives. These risks are classified according to a methodology that takes into consideration the Group structure, the specific nature of the types of business managed by the various operating Companies and the classifications proposed by Italian and European supervisory regulations.

The categories of risk identified are as follows:

- Technical-Insurance risks (Non-Life and Health);
- Technical-Insurance risks (Life);
- Market risk;
- Credit risk;

- Liquidity and ALM risk;
- Operational risk;
- Standard compliance risk;
- Strategic risk and emerging risks;
- Reputational risk;
- Other risks.

This identification and its constant updating are the result of meticulous and continuous activity performed through:
- continuous monitoring of business operations;
- continuous monitoring of the reference regulatory framework;
- the exercise of Profit and Loss attribution that compares profit and loss recorded at year end with those estimated by the Internal Model, in order to verify whether it correctly represents all risk factors.

An assessment is performed at least annually to verify that the risks identified actually represent the risk profile of the Group and its companies.

Current and forward looking assessment of risk exposure

At least annually and in any event every time circumstances arise that could significantly alter the risk profile, the Group assesses the risks to which the insurance group and the individual companies are exposed, at present and prospectively, documenting the methods used and the related results. In the Current and Forward-looking Risk Assessment Policy, the process for the current and forward-looking assessment of risks is also defined, including risks deriving from companies included in the scope of additional supervision and taking into account the risk interdependencies.
The current and forward-looking assessment also includes stress testing to verify the company's vulnerability to extreme but plausible events.

<u>Current assessment of risks</u>
The current assessment of risks identified is performed through methods envisaged in regulations and best practices as regards risks for which measurement is not regulated or defined by high-level principles.

<u>Forward-looking assessment of risks</u>
The Own Risk Solvency Assessment (ORSA) is used to support strategic business decisions.

<u>Stress test analysis</u>
The Insurance Group and the Companies periodically carry out stress tests in accordance with the regulations of the national Supervisory Authority and participate, when required, to the performance of the system stress test exercises established by supranational Authorities.
In addition, the Group and the Companies carry out the stress test exercises ad hoc upon the occurrence of such situations of the economic and financial context as to compromise the solvency situation of the Group and of the Companies in case of prolonged and persisting crisis situation or upon specific requests by the Board of Directors.

Risk monitoring and reporting

In order to ensure prompt and constant monitoring of the evolution of the Risk Profile and compliance at the different levels of company responsibility with the defined Risk Appetite, a reporting system was implemented based on the principles of completeness, promptness and disclosure efficiency.
This system guarantees that the quality and quantity of information provided is commensurate with the needs of the various recipients and with the complexity of the business managed, in order for it to be used as a strategic and operating tool in assessing the potential impact of decisions on the company's risk profile and solvency.
In relation to the recipients, reporting is divided into "internal" and "external". "Internal" reporting is addressed to the bodies and internal structures of the Group and its companies, with the aim of steering strategic and business decisions and verifying sustainability over time. "External" reporting is directed to Supervisory Authorities and the market and meets the disclosure and transparency requirements of regulations in force.

With regard to internal reporting, in consideration of the recipients of the various requirements and uses, two types of reporting are provided:
- strategic reporting on risk management, containing information important in supporting strategic decisions;
- operational reporting on risk management with an adequate granularity in supporting business operations.

As part of the strategic reporting, the following are provided to the Board of Directors, the Control and Risk Committee, Top Management and the Group Risk Committee:
- annually, a proposal for approval of the Risk Appetite (Risk Appetite Statement)[14];
- quarterly, a report with the results of controls performed on observance of the Risk Appetite for the current year (Risk Appetite Monitoring);
- quarterly, a report with the results of controls performed on observance of the operational risk limits defined in the Specific Risk Management Policies;
- at least annually, the results of stress testing.

Risk *escalation* and mitigation process

With regard to Risk Appetite monitoring, detection of any of the defined thresholds being exceeded triggers the escalation process described below:
- if the Risk Appetite and the Risk Tolerance, when defined, are exceeded, the Board of Directors is informed. The Board of Directors assesses whether the approval of a new Risk Appetite or Risk Tolerance level is appropriate or defines action to be taken to restore the Risk Appetite or Risk Tolerance level;
- if the Risk Capacity is exceeded, the Board of Directors is notified and defines the actions to be taken.

If the Risk Appetite and/or Risk Tolerance and/or Risk Capacity of individual companies is exceeded, the Parent Board of Directors is informed, indicating any corrective action taken.

In order to mitigate existing or prospective levels of risk not in line with the defined risk objectives, the following measures can be adopted:

a) **Financial hedges**: these measures may take the form of hedging transactions on the market using financial derivatives. The Investment Policy defines the principles for the use and management of hedging instruments.
b) **Reinsurance**: transfers part of the underwriting risk outside the Group, providing more possibility for business growth, both by proportionally reducing the amounts at risk (e.g. proportional treaties) and by limiting even further the amounts of major claims (e.g. non-proportional treaties). The "Reinsurance and Other Risk Mitigation Techniques Policy" defines the guidelines on reinsurance cover management.
c) **Guarantees held as a hedge against credit risks**: the main type of guarantee available on exposures to reinsurers comprises deposits with the Group for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depend on the specific nature of the underlying insurance benefits and on the actual duration of the reinsurance agreements, which are renegotiated at the end of each year. For exposures to reinsurers the Group also makes use of a limited number of guarantees consisting mainly of Letters of credit and Securities. Collateral deposited by the counterparties for operating in derivatives under CSA-type (Credit Support Annex) agreements is also used as guarantees on credit risks[15]. If the Internal Model for measuring risks includes mitigation techniques, their compatibility and constant updating in line with performance must be guaranteed.
d) **Management action**: corrective action to be applied if certain events occur, such as the restructuring of assets and/or liabilities under management or the disposal of assets and/or liabilities (position closures).
e) **Operational risk mitigation actions**: mitigation plans with the aim of preventing or mitigating the effects should a risk event occur. The implementation of mitigation plans is based on decisions made on a continual basis during the entire operational risk monitoring stage.

[14] In reference to the Parent, at consolidated level and at individual company level.

[15] The CSA requires the delivery of a collateral asset when the value of the contract exceeds the set threshold.

f) **Emergency and contingency plans**: extraordinary ex-ante measures to be activated if certain catastrophes or emergency events should occur, such as those envisaged in the Business Continuity Plan and Disaster Recovery Plan which govern operating procedures for declaring a crisis situation arising from catastrophes and managing the effects.

Capital management

The latest updated text of the "Capital management and dividend distribution Policy" (the "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 constraints and the capital absorption.

Insurance Sector

This paragraph contains a summary of the calculation methodologies used within the Unipol Group, whilst the subsequent paragraphs provide additional information on the calculation procedure and the principal results for each risk.

Internal Model

As already noted, the Group companies UnipolSai Assicurazioni and Arca Vita received authorisation to use the Partial Internal Model for calculating the individual Solvency Capital Requirement with effect from 31 December 2016.

The Partial Internal Model approved includes the following risk modules:
- Non-Life underwriting and provisions risk;
- Life underwriting and provisions risk;
- Market risk;
- Credit risk;
- Risk aggregation.

The modules currently included in the Partial Internal Model were defined on the basis of the following criteria:
- Relevance of the module, taking into account the specific characteristics of the Companies;
- Level of progress reached in the development of measurement methodologies for the individual risk modules.

There is a plan for the extension of the Partial Internal Model to include all measurable risk modules and reach a Full Internal Model type configuration.

Non-Life underwriting and provisions risk is measured using the Partial Internal Model, consistent with the standards set out by Solvency II legislation, characterised by a component valued using the Internal Model (Catastrophe and Earthquake Risk), the use of Group specific parameters (relating to tariff-setting and provisions risks in the Non-Life insurance and reinsurance obligations segments 1, 4 and 5) and Formula Standard components.

The **Life underwriting and provisions risk** of the securities portfolio other than that in which investment risk is borne by customers is measured using a Partial Internal Model based on an ALM-type stochastic approach in line with the standards laid down in the Solvency

II regulations, which allow an integrated "fair value" measurement of assets and liabilities. This approach uses the Least Square Monte Carlo method. Life underwriting and provisions risk of the securities portfolio for which investment risk is borne by customers and Life catastrophe risk are measured using the Market Wide Standard Formula.

Market risk of the securities portfolio for which investment risk is borne by customers is measured using a Partial Internal Model that adopts a Monte Carlo VaR approach. As part of the internal market model, Life liabilities are replicated through cash flows with a maturity equivalent to the breakdown of Life provisions and polynomial functions (the Least Square Monte Carlo approach) to represent the Future Discretionary Benefits component. Market risk of the securities portfolio for which investment risk is borne by customers and concentration risk are measured using the Market Wide Standard Formula.

Credit risk is measured using the Partial Internal Model that adopts a CreditRisk+ approach.
This model makes it possible to measure the risk of default relating to bank counterparties, concerning exposures deriving from cash available at banks and financial risk mitigation operations through derivative contracts, and to the insurance and reinsurance counterparties. Furthermore, the model allows the risk of default deriving from exposures to intermediaries and policyholders to be measured.

Risk aggregation is measured using the Partial Internal Model. The risk aggregation process defined by the Group calls for a bottom-up approach and may be broken down into two phases:
- aggregation of the risk sub-modules which make up Market risks, Non-Life and Health Technical Insurance risks, Life technical insurance risks and Credit risks so as to obtain the Probability Distribution Forecast ("PDF") of each risk module;
- aggregation of the risk modules of Market risks, Non-Life and Health Technical Insurance risks, Life technical insurance risks and Credit risks in order to calculate the Basic SCR.

The aggregation of the sub-modules involves three distinct approaches:
- joint sampling of risk factors;
- aggregation by means of the Var-Covar method (with a posteriori determination of the PDF);
- aggregation of multiple marginal distributions through coupling functions.

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 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 and the Company's Solvency Capital Requirement for the Non-Life and Health tariff-setting and provisions risks.
In particular, the use of the specific parameters concerns the tariff-setting and provision risks in the segments of Non-Life insurance and reinsurance 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.

Market Wide Standard Formula

For Group companies other than UnipolSai Assicurazioni and Arca Vita, risk is measured using the Market Wide Standard Formula.

Below is additional information on the calculation procedure and the principal results for each risk at 31 December 2016.

Financial Risks

The Group's Investment Policy establishes the criteria forming the basis of the investment policy, the types of activities considered correct to invest in, the breakdown of the portfolio of medium/long-term investments and fixes the limits on the underwriting and monitoring of market risk in such a way as to ascertain total exposure, in line with the "risk appetite" expressed in the Group's strategic objectives, guaranteeing an adequate portfolio diversification.

Market risk

Market risks refer to the risk of losses as a result of changes in interest rates, share prices, real estate market value, exchange rates and credit spreads. The following types are considered:

- Interest rate risk, or the risk of a possible variation in the value of a financial asset in the portfolio as a consequence of unfavourable movements in interest rates;
- Share price risk, or the risk linked to losses due to unfavourable changes in share prices;
- Real estate risk, or the risk linked to losses due to unfavourable movements in real estate market value;
- Currency risk, or the risk of possible losses on currency items in the portfolio as a result of an unfavourable change in exchange rates;
- Credit spread risk, or the risk that the value of the portfolio that is sensitive to credit may fall owing to the deterioration of the issuer's credit quality.

In the Partial Internal Model, the Value at Risk method is used to measure the market risk, calculated over a 1-year time period and with a confidence interval of 99.5%. In addition, sensitivity and stress test measurements are determined for each risk factor.

Interest rate risk for ALM purposes is quantified in terms of duration mismatch. The assets falling under the calculation of the duration mismatch include securities, cash, receivables and properties; the liabilities include the financial liabilities and technical provisions; the gap is then calculated as the weighted difference for the market value of assets, financial liabilities and best estimates of the technical provisions, by considering the corrective effect of derivatives.
At 31 December 2016 the duration mismatch for Life business stood at -0.88 and at +1.34 for Non-Life business.

Equity risk is the risk connected with a potential variation in the value of share assets, as a result of market volatility of the reference indexes.

Real estate risk is the risk connected with the occurrence of losses as a result of unfavourable changes in the market value of real estate assets.
The assets falling under the calculation of real estate risk include property funds, directly-owned properties and direct and indirect investments in real estate projects.
In particular, with reference to directly-owned properties, the value used to calculate the risk (fair value) is that deriving from the estimate made by independent experts.

Currency risk for ALM purposes is defined as the risk of a possible variation in the value of financial statement assets and liabilities and the Net Asset Value as a result of unfavourable changes in exchange rates. Based on the Investment Policy, the total exposure to non-Euro currencies, net of currency hedging, must be limited to 3% of total investments.
The Unipol Group's exposure to currency risk was not significant at 31 December 2016.

Credit spread risk is the risk connected with a variation in the value of bond assets following a change in spreads representing the credit rating of individual issuers. In light of the policies and processes adopted to monitor and manage liquidity risk and the objective difficulty in quantifying the default risk of government bonds issued by European Union Member States, spread risk on government bonds has been excluded from the measurement of the market SCR based on the Partial Internal Model. It is not included because of:

- the nature of the business of the insurance companies, characterised by primarily buy and hold type long-term investment strategies and restrictions regarding the matching of liabilities expressed in terms of ALM;
- the objective difficulty of quantifying the probability of default and loss given default of developed countries, which represent the reference investment area for government bonds for risk measurement purposes.

The assessment of spread risk on government bonds is included within Pillar II risks and the relative measurement is carried out based on a stress testing type approach.

The level of sensitivity of the portfolios of financial assets to the main market risk factors is shown below by Group sector.

Sensitivity is calculated as a variation in the market value of the assets at 31 December 2016, following the shocks resulting from a:
- parallel change in the interest rate curve of +10 bps;
- -20% change in the share prices;
- +10 bps change in the credit spread.

	Insurance Business	
Amounts in €m	Impact on income statement	Impact on statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	19.64	(307.92)
Credit spread sensitivity (+10 bps)	-1.01	(337.70)
Equity sensitivity (-20%)	1.02	(379.67)

	Banking Business	
Amounts in €m	Impact on income statement	Impact on statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	0.00	(3.20)
Credit spread sensitivity (+10 bps)	0.00	(4.72)
Equity sensitivity (-20%)	-0.01	(8.94)

	Holding and Other Business	
Amounts in €m	Impact on income statement	Impact on statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	0.00	(0.61)
Credit spread sensitivity (+10 bps)	0.00	(1.03)
Equity sensitivity (-20%)	0.00	(6.81)

The values include the hedging derivatives.

Liquidity risk

Liquidity risk is the possibility that the Companies and the Group lack the liquid resources necessary to meet the assumed obligations, in the financial statements and off-balance sheet, pertaining to their business, without undergoing economic losses deriving from forced sales of assets in case of adverse scenarios.
The liquid resources functional for the core business deriving from cash and cash equivalents, from the sale of securities that can be swiftly turned into cash and from any financing activities.
The main principles on which the liquidity risk management model within the Unipol Group is based may be summarised as follows:
- punctual measurement of the contractual and forecast cash flows on different maturity dates;
- definition and approval of the liquidity risk tolerance in terms of Survival time in ordinary and stress conditions;
- managing structural liquidity by keeping a balance between maturities of medium-term assets and liabilities in order to avoid critical situations in the short-term liquidity positions;

- managing short-term liquidity in order to have the necessary liquidity to fulfil short-term commitments, both foreseeable and unforeseeable, deriving from any stress scenarios, by keeping a suitable balance between cash in-flows and outflows;
- defining and periodically applying stress scenarios relating to the technical and financial variables in order to verify the ability of the individual Companies and of the Group as a whole to address these situations;
- maintaining an adequate amount of assets that can be swiftly turned into cash on the market, so as to avoid significant economic impact if adverse scenarios occur, or able to be financed with repurchase agreements.

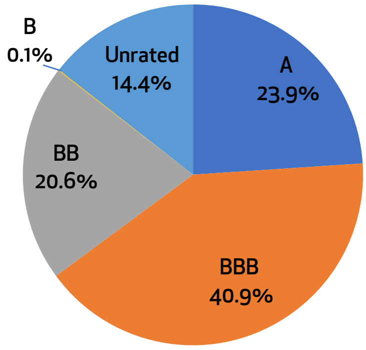
Credit risk

In general terms, credit risk is the risk that a debtor or a guarantor under an enforcement order may wholly or partially fail to honour its accrued monetary commitment to the Parent or one of the Group companies (Counterparty Risk).
Credit risk therefore reflects the potential losses from an unexpected default by counterparties and debtors of the insurance and reinsurance companies in the next twelve months. Counterparty default risk includes the risk mitigation contracts, e.g. reinsurance agreements, securitisations and derivatives, and likewise every other credit exposure not included among the financial risks (credit spread risk).
Credit risk management is defined in the Credit Policy which describes the roles and responsibilities of the parties involved, the risk assessment principles, the operating limits imposed for monitoring purposes and the mitigation principles.
In relation to credit risk, the Risk Management Department monitors compliance with the limits defined in the Group Credit Policy and prepares reports to the administrative bodies, Top Management and the operating structures on developments in this risk.

In the insurance sector, credit risk is mainly found in exposures to banks, to the bond classes of the Group's insurance companies and to outwards reinsurance. Note that as part of the risk measurement system, the bond classes are included under Non-Life technical-insurance risk and the related exposures are also monitored as part of credit risk.

<u>Banks</u>
Existing exposure to banks refers to deposited liquidity and exposures in OTC derivatives. In particular, the derivatives exposure considered for risk management and monitoring purposes is equal to the sum of market values of the individual contracts in portfolio and takes into account any risk mitigation arrangements (collateralisation) covered in the CSAs signed with individual counterparties.
The following table shows the distribution of Unipol Group receivables from banks, broken down by rating class, recognised at 31 December 2016 (total exposure of €345m, net of intragroup reinsurance).

Receivables from banks by rating class



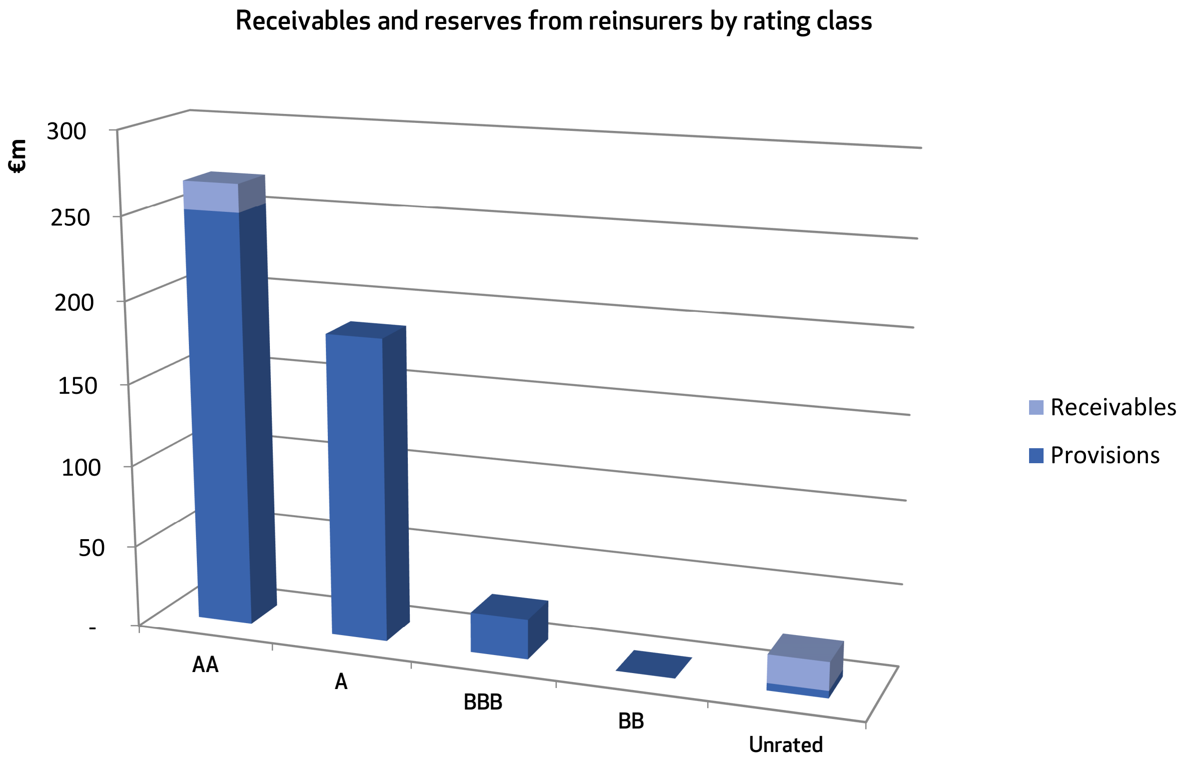
<u>Bond classes of the insurance companies in the Group</u>
This risk is calculated as a technical insurance risk (see relevant section) and monitored by the Group Credit Risk Committee.

Outwards reinsurance

In this area, the existing exposure to credit risk is divided into:

- liquid receivables already due arising out of the bordereaux sent to the reinsurer listing the balances on each policy during the period and those still outstanding;
- potential estimated receivables for the provisions borne by the reinsurer (which will become due at the time of the payment to the policyholder and for the relative amounts). The exposure for provisions is always deemed to be net of any deposits retained or other collateral guarantees (e.g. Banking LOC, reinsurers' and Parent's commitment, etc.).

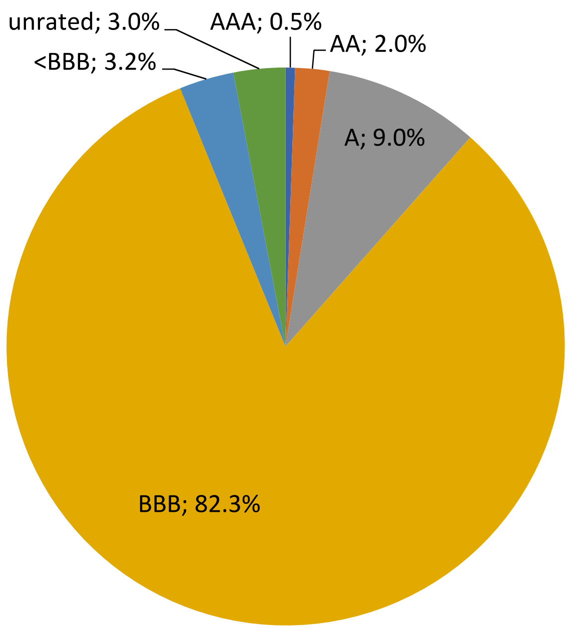
The following table shows the distribution of Unipol Group receivables from reinsurers and provisions for claims borne by them, broken down by rating class, recognised at 31 December 2016 (amounts in €m, net of intragroup reinsurance).



Debt security Issuer Risk

The credit risk of debt securities is monitored within market risk based on credit spread volatility, and within credit risk on the basis of the probability of issuer default and associated loss given default. The following table shows the distribution of the Unipol Group's bonds portfolio, insurance business and holding business, broken down by rating class (figures at 31/12/2016).

Breakdown of debt securities by rating class



Information relating to exposure to sovereign debt securities

In accordance with Consob Communication DEM/11070007 of 5 August 2011 and ESMA document 2011/397 of 25 November 2011, relating to information to be provided in annual and interim financial reports on listed companies' exposures to Sovereign debt securities and current trends in international markets, details are provided of Sovereign exposures (i.e. bonds issued by central and local governments and by government organisations and loans granted to them) held by the Unipol Group at 31 December 2016.

	Balance at 31 December 2016		
Amounts in €m	Nominal value	Carrying amount	Market value
Italy	**34,745.1**	**36,306.5**	**36,596.1**
Available-for-sale financial assets	30,656.6	32,388.4	32,388.4
Loans and receivables	168.9	75.6	75.6
Held-to-maturity investments	1,131.9	1,135.8	1,296.3
Financial assets at fair value through profit or loss	2,787.8	2,706.7	2,835.8
Spain	**3,287.8**	**3,283.0**	**3,277.7**
Available-for-sale financial assets	3,207.0	3,210.4	3,210.4
Held-to-maturity investments	31.0	31.3	33.7
Loans and receivables	49.8	41.2	33.6
Portugal	**457.9**	**455.1**	**459.1**
Available-for-sale financial assets	404.9	401.4	401.4
Held-to-maturity investments	53.0	53.8	57.7
Ireland	**137.5**	**156.6**	**156.6**
Available-for-sale financial assets	137.5	156.6	156.6
Germany	**144.9**	**153.4**	**153.4**
Available-for-sale financial assets	144.9	153.4	153.4
Canada	**32.8**	**36.0**	**36.0**
Available-for-sale financial assets	32.8	36.0	36.0
Belgium	**45.0**	**47.2**	**47.2**
Available-for-sale financial assets	45.0	47.2	47.2
Slovenia	**147.5**	**159.6**	**159.6**
Available-for-sale financial assets	147.5	159.6	159.6
Serbia	**64.1**	**66.3**	**67.2**
Held-to-maturity investments	64.1	66.3	67.2
Great Britain	**1.2**	**1.7**	**1.7**
Available-for-sale financial assets	1.2	1.7	1.7
Mexico	**15.0**	**15.8**	**15.8**
Available-for-sale financial assets	15.0	15.8	15.8
Poland	**6.5**	**6.8**	**6.8**
Available-for-sale financial assets	6.5	6.8	6.8
Latvia	**40.5**	**44.6**	**44.6**
Available-for-sale financial assets	40.5	44.6	44.6
Chile	**14.1**	**15.1**	**15.1**
Available-for-sale financial assets	14.1	15.1	15.1

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	Balance at 31 December 2016		
Amounts in €m	Nominal value	Carrying amount	Market value
Cyprus	**67.2**	**71.8**	**71.8**
Available-for-sale financial assets	67.2	71.8	71.8
Francia	**320.5**	**300.8**	**300.8**
Available-for-sale financial assets	320.5	300.8	300.8
Austria	**20.5**	**22.2**	**22.2**
Available-for-sale financial assets	20.5	22.2	22.2
Lithuania	**10.0**	**10.5**	**10.5**
Available-for-sale financial assets	10.0	10.5	10.5
Finlandia	**4.7**	**4.9**	**4.9**
Available-for-sale financial assets	4.7	4.9	4.9
Netherlands	**15.0**	**15.8**	**15.8**
Available-for-sale financial assets	15.0	15.8	15.8
Switzerland	**3.7**	**4.2**	**4.2**
Available-for-sale financial assets	3.7	4.2	4.2
USA	**18.1**	**17.9**	**17.9**
Available-for-sale financial assets	18.1	17.9	17.9
Sweden	**2.0**	**2.1**	**2.1**
Available-for-sale financial assets	2.0	2.1	2.1
Slovakia	**30.3**	**32.0**	**32.0**
Available-for-sale financial assets	30.3	32.0	32.0
Singapore	**4.0**	**4.1**	**4.1**
Available-for-sale financial assets	4.0	4.1	4.1
China	**21.9**	**22.2**	**22.2**
Available-for-sale financial assets	21.9	22.2	22.2
TOTAL	**39,657.8**	**41,255.9**	**41,545.0**

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2016 totalled €41,255.9m, 88% being accounted for by securities issued by the Italian State.

Technical-insurance risks

Risks relating to Life portfolios

With regard to the Life business, the guidelines of the underwriting and provisions activities are defined in the "Underwriting Policy - Life Business" and in the "Provisions Policy - Life Business", the latest update of which was approved by the Unipol Board of Directors in December 2016.

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of Unipol Group insurance companies based in Italy and operating in the Life business.

The Provisions Policy defines the guidelines addressing provisioning activities for direct business and the related risk management, governing the provisioning principles and logic of Unipol Group insurance companies based in Italy and operating in the Life business, in compliance with national and international accounting standards and the Solvency II prudential supervisory system.

Life risks are estimated using the Partial Internal Model based on an ALM type stochastic approach which measures all assets and liabilities at fair value by considering the risks and correlation between them. This model is consistent with the standards set out by Solvency II. In particular, the impacts were assessed in terms of risk capital absorption.

Technical-insurance risks relating to Life business underwriting are divided into:
- mortality risk: associated with an unfavourable change in demographic bases resulting from experience (higher death rate) compared to those used in determining the tariff;
- longevity risk: associated with an unfavourable change in demographic bases resulting from experience (lower death rate) compared to those used in determining the tariff;
- disability/morbidity risk: associated with an unfavourable change in disability/morbidity bases resulting from experience compared to those used in determining the tariff;
- surrender risk: associated with adverse changes in the level or volatility of the incidence of surrenders, withdrawals, early settlements and terminations in premium payments;
- expense risk: associated with adverse changes in the value of expense linked to policies compared to the values used to determine the tariff;
- catastrophe risk: deriving from an unforeseeable event, the consequence of which is to affect multiple individuals at the same time, generating a number of claims for amounts significantly higher than expected.

The options included in the tariffs that can affect the assessment of risks present in the portfolio are monitored. The most significant of these are illustrated below.

Surrender
Excluding the pure-risk tariffs and returns currently being distributed, the option of surrendering the contract and receiving the surrender value is always granted to the customer. Depending on the contract type, more or less significant penalties can be applied, often based on claim seniority.

Conversion to annuity
In individual products where the benefit is expressed in the form of capital, there is often the option to accept disbursement as an annuity.
Among the individual policies portfolio there are products for which the conversion ratios are determined at the time of issue of the contract and others, the majority of which (generally those issued after 2000) with the amount of the annuity determined only at the time of the option. In this case the demographic risk is considerably mitigated.
In the supplementary pensions segment, especially collective, the ratios are often associated with each sum paid in, but the risk is mitigated by the frequency at which the offer conditions can be reviewed.

Maturity deferment
The portfolio includes individual term life products (not "whole-life") that in many cases provide the option to extend the validity of the contract after its original maturity date. During maturity deferment the payment of further premiums is not normally allowed.
The conditions applied during deferment vary according to the contractual terms, and continuation of the contract's financial guarantees or the application of those used at the time of the option can be granted. Depending on the conditions, even the duration of the maturity deferment can be determined or extended year by year.
The impact on the portfolio of exercising the maturity deferment option is not particularly significant.

Risks relating to Non-Life portfolios

During 2016 the "Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks", the "Underwriting Policy - Non-Life Business" and the "Provisions Policy - Non-Life Business" were updated.

The Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks defines guidelines on the governance and amendment of the USP methodology by defining the roles and responsibilities of the corporate bodies and functions involved.

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of Unipol Group insurance companies based in Italy and operating in the Non-Life business.

The Provisions Policy defines the guidelines addressing provisioning activities and the related risk management, governing the provisioning principles and logic of Unipol Group insurance companies based in Italy and operating in the Non-Life business, in compliance with national and international accounting standards and the Solvency II prudential supervisory system.

During 2016 the Non-Life technical-insurance risks were calculated using the Non-Life Partial Internal Model, consistent with the standards of Solvency II.

With regard to the assessment of Non-Life and Health underwriting and provisions risks, in the initial transition phase it was decided to adopt the use of parameters calculated by Undertaking Specific Parameter methods (USP) for the high-volume business lines, in place of market parameters. These methods allow a more accurate representation of the Group's risk characteristics, which have specific features in terms of dimension, business type and reference market, that cannot be captured by average estimates performed on the European market.

With reference to Earthquake risk, the Group adopts one of the main global models for the analytical evaluation of such risk. This tool consists of three modules:

- Hazard, which assesses the uncertainty associated with the possibility of an earthquake occurring in a given area (frequency) and the uncertainty relating to its magnitude (intensity). The following chance variables are modelled in this module:
    - location (uncertainty associated with determining the possible point of origin of the event);
    - frequency (period of recurrence of the events);
    - intensity (the severity of the event in terms of energy released);
- Vulnerability, which assesses the seismic vulnerability of different types of insurable assets to a seismic event of a given intensity. The assessment is based on specific parameters such as the type of building (residential, commercial, etc.), the construction quality, the number of floors in the building and the type of assets present;
- Financial, which identifies the economic loss to the insurance company (in terms of deductibles, the sum insured, reinsurance cover, etc.).

In addition to helping to calculate risk capital, in 2016 this tool also provided support to the Group in the Underwriting and Tariff-setting processes and in defining the reinsurance strategy.

With reference to other Catastrophe Risks, the assessments were performed using the standardised scenario approach proposed by EIOPA, in which the following events are taken into consideration:

- natural disasters such as earthquake, flood and hail;
- man-made disasters such as large-scale fires and acts of terrorism;
- "health" risks, such as the risk of a pandemic.

The Risk Management department continued to collaborate with the Non-Life Technical Area to define tariffs on a risk-adjusted basis which ensures not only the proper coverage of expected costs but the return on the capital absorbed in line with the risk profile and the Group's performance objectives.

Operational risks

In order to ensure a complete analysis of company risks, the Unipol Group has drafted an Operational Risk Management framework to identify, measure, monitor and manage Operational Risk. This term means "the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources and internal systems, or from external events". Based on the Operational Risk Management framework, relations and reciprocal impacts between operational and other risks are also considered, with the objective of understanding the direct and indirect effects of events linked to operational risk. In particular, the analysis schemes adopted are aimed at understanding, based on a causal approach, the risk factors, events and effects, both financial and non-financial, and the impacts these can have on the Group's solvency and on the achievement of the objectives set.

Within the Group governance structure, the monitoring of Operational Risks is entrusted to the Operational Risks function of the Risk Management Department. The objectives assigned to this unit, within the internal control system, are aimed at ensuring the Group's assets are safeguarded and at adequate risk control.
Operational risk identification consists in gathering as much information as possible about the risk event, its possible causes and effects with a view to increasing awareness of the specific exposure of the various company areas. In addition, this activity also aims to assess the adequacy of controls and identify the best management solutions for any critical situations.

The data collected refers to:

- internal events that have actually happened, generating a negative impact on income statement. This data gathering process is known as Loss Data Collection;
- potential internal events that could happen within the context of a process and which are assessed using the Risk Self-Assessment method based also on expert judgement. The data collected in this respect include an estimate of the average and maximum impact on income statement of the risk event and an estimate of the expected frequency of the event on an annual basis.

The organisational model for operational risk governance and control envisages a network of analysts in a number of UnipolSai Assicurazioni Divisions which, after following a specific training course on operational risk management, provide support to the Risk Management Department in identifying operational risk and monitoring this risk within their own areas of operations.

Operational risk assessment is performed annually by the main Group companies.

Standard compliance risk

With regard to the Standard compliance risk, the Unipol Group's compliance risk management process is transversal and comprises organisational and operating monitoring activities carried out by resources from the various company functions. The Compliance Function is tasked with assessing whether the organisation and the internal corporate procedures are suitable to reach the objective of preventing this risk, according to a risk-based approach.

Strategic, emerging and reputational risk

With regard to the strategic risk, the emerging risks and the reputational risk, within the dedicated structure present within the Risk Management Department, a dedicated Observatory was created at Group level, called "Reputational & Emerging Risk Observatory", whose key elements are the involvement of an interfunctional Technical Panel and of all the main Business Departments, the use of a consolidated predictive model based on the "Meeting Points" theory and a holistic approach aimed at grasping and governing the interconnections, both in reading the external context for an integrated vision of the different emerging macro trends (social, technological, political and environmental), and in the internal response for a unified view of the different corporate areas and of the different steps of the value chain.
The purpose of the Observatory is to assure effective monitoring of the emerging risks and of the reputational risk, verifying the constant alignment between stakeholders' expectations and the Group's responses and anticipating the most significant phenomena to catch new business opportunities and prevent potential emerging risks.
With specific reference to the reputational risk, within the frame of the Observatory, a Reputation Management framework was developed at the Group level, which operates in the dual mode of construction and protection of the reputational capital, through two work sites that rely on dedicated corporate competencies and structures in a path of constant mutual alignment, under the joint

leadership of the "Corporate Communication and Media Relations" and "Risk Management" functions, with the goal of stably integrating these assets in the strategic planning processes.

Banking Sector

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 easily 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.
The main aspects of the risks assumed and managed in the Unipol Group's banking sector are described below.

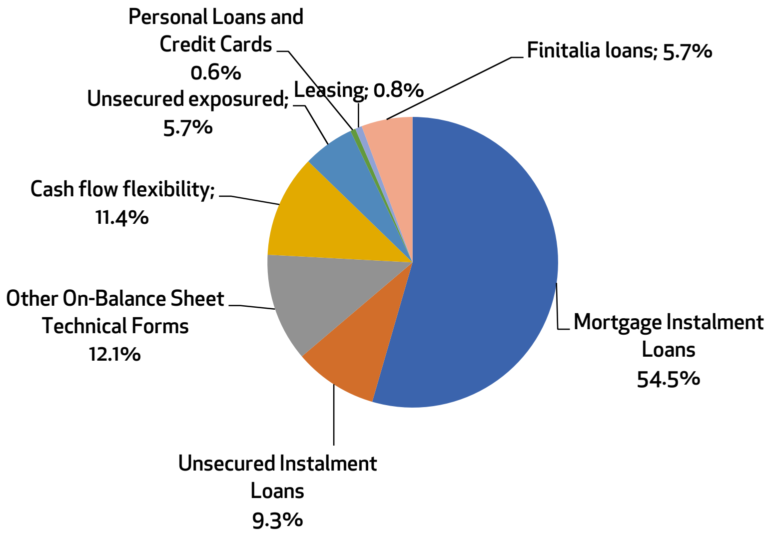
Credit risk

This risk arises mainly as a consequence of lending to customers and is governed on the basis of principles defined in the Group Credit Policy. In particular, this document defines the guidelines for underwriting and monitoring the credit risk in such a way as to ascertain total exposure to the individual counterparty, in line with the "risk appetite" expressed in the Group's strategic objectives, thus ensuring sufficient portfolio diversification.

The development of credit risk trends is currently monitored using classic indicators. The results of monitoring and analysing the Group's credit portfolio are sent to the administrative bodies, relevant risk committees and the operating structures, with a particular focus on the most significant exposures and the sectors of greatest concentration.
In 2016, credit rating models for companies and private parties developed by the IT outsourcer CEDACRI with support from the consulting firm Prometeia SpA were used to measure credit risk referred to performing loans. The non-static rating models provided by the same outsourcer continued to be used for a number of residual segments.
The same rating was used in the disbursement process referred to the retail counterparties, together with CRIF scoring systems.

Net of bad and doubtful loans, approximately 54.5% of Unipol Banca and Finitalia loans were made up of mortgage loans (exposure entirely attributable to the Unipol Banca portfolio).

Breakdown of loans (net of bad and doubtful loans)



On 3 August 2011 the Parent Unipol Gruppo Finanziario entered into a contract by which it undertook to reimburse Unipol Banca for any losses it might suffer on impaired loans to several counterparties representing the highest concentrations of risk in the real estate sector. Most of them were mortgages on property and in almost all cases their value was greater than the amounts owed to the bank.
The guarantee provided by the holding company offers Unipol Banca an important hedge against the risk represented by the volatility in values in the real estate market in return for assets that can mostly be measured in the medium to long term. Apart from the commitment to indemnify the bank, the main aim of the intervention of the holding company, Unipol, was to realise the value of the properties by making available its experience gained in the real estate sector through several subsidiaries or investees.

As regards risk mitigation techniques, support was obtained in the form of traditional guarantees recognised by law (liens, enforcement and sureties), including recourse to the guarantees provided by Confidi.

Liens and related monitoring are particularly important in containing the "Residual Risk". For this purpose the provisions on prudential supervision of banks were adopted (Bank of Italy Circular no. 285/13).
Fluctuations in value of the financial instruments accepted as guarantees on credit facilities granted (mainly government securities, Bank-issued bonds and policies) are monitored.

The management of critical positions is also strengthened through specific company monitoring procedures.
Highlighted is also the constant commitment to guaranteeing the systematic monitoring of the positions showing early performance anomalies, with the aim of curbing the potential ensuing credit risk by taking timely actions to restore conditions of normality.

Market risks

In December 2016 the exposure to market risks was purely residual. Positions held for trading are those subject to intentional short-term disposal and/or assumed in order to benefit, in the short term, from purchase and sale price spreads or other changes in price or interest rate.

In 2016 the Investment Policy was updated. The Policy establishes guidelines for the investment process, investment policy criteria, types of assets in which investment is considered appropriate and the structure of limits.
Market risk measurement and monitoring of the limits defined in the Investment Policy is performed monthly through the preparation of Market Risk Reports discussed at special committee meetings.

Interest Rate Risk and Price Risk

The entire banking book of the Banking Group is analysed, comparing total loans against deposits sensitive to interest rate risk, thereby providing a global view and detecting any mismatches, both in terms of duration and the imbalance in items positioned in the various repricing segments: at 31 December 2016, the duration mismatch was -0.19. The impact in terms of sensitivity to a parallel change in the curve of -200 bps in Equity was -€33m (-1.32% of Equity).

Liquidity risk

Bi-weekly operations meetings are held on ALM and Liquidity Management at which, in addition to monitoring the overall liquidity position of banking assets, other action is defined if necessary to meet emerging liquidity needs.
The gap between structural and tactical liquidity, using the cash flows maturity structure as an operating tool, is analysed at the meeting.
The liquidity gap is calculated on the basis of contractual and forecast cash flows, then compared against the reserves of liquid assets or assets than can be liquidated quickly.
This analysis is conducted under "business as usual" conditions and in idiosyncratic, market and combined stress conditions (the "worst case scenario").
In particular, with reference to the Banking Group, at 31 December 2016 the 3M "business as usual" gap was positive for €1,189m and the 1M stressed gap was positive for €426m.
Lastly, as part of the Prudential Supervisory Reports, the Liquidity Coverage Ratio (LCR), is calculated monthly. The ratio calculation is agreed by the Finance Committees and funding strategies are outlined that offer full compliance with regulatory requirements. At 31 December 2016 the LCR for the Unipol Banking Group was higher than 100%.

Operational risks

The Risk Self-Assessment is performed annually, representing a forward-looking qualitative and quantitative analysis which - through subjective indications provided by interviewees - aims to identify and assess potential operational risks associated with operations and related existing controls.
A specific annual analysis is also performed on the effects of IT risk scenarios on company processes, based on the document Group IT risk methodology, and in compliance with the provisions of Circular no. 285 of 17 December 2013, 11th update "Supervisory provisions for banks". The outcomes of this activity are examined and approved by the Boards of Directors of Unipol Banca and Unipol through the preparation of the "Summary report on Unipol Banca's IT risk situation" and the analogous document for Unipol as parent of the Unipol Banking Group.

Lastly, operating loss data is collected and analysed quarterly (Loss Data Collection - LDC), and the results are submitted to the Board of Directors of Unipol Banca.

Reputational and strategic risk

Each year the Risk Management department conducts an assessment cycle that involves the company functions to a greater extent, making it an important tool to raise awareness on and spread the culture of the reputational and strategic risk within the Bank.
As regards the reputational risk, the assessment includes the monitoring of a set of listening and monitoring indicators. Monitoring of the strategic risk is carried out based on a specific framework comprising the main strategic drivers of the Bank's Plan.

Bologna, 23 March 2017

The Board of Director

TABLES APPENDED
TO THE NOTES TO THE INTEGRATED FINANCIAL STATEMENTS

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Method (1)	Business activity (2)
Unipol Gruppo Finanziario Spa	086	Italy	Bologna		G	4
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna		G	1
Unisalute Spa	086	Italy	Bologna		G	1
Midi Srl	086	Italy	Bologna		G	10
Unipol Banca Spa	086	Italy	Bologna		G	7
Unisalute Servizi Srl	086	Italy	Bologna		G	11
UnipolSai Finance Spa	086	Italy	Bologna		G	9
Grecale Abs Srl (*)	086	Italy	Bologna		G	11
Unipol Investment Spa	086	Italy	Bologna		G	9
Castoro Rmbs Srl (*)	086	Italy	Milan		G	11
Atlante Finance Srl (*)	086	Italy	Milan		G	11
Ambra Property Srl	086	Italy	Bologna		G	11
Arca Vita Spa	086	Italy	Verona		G	1
Arca Assicurazioni Spa	086	Italy	Verona		G	1
Arca Vita International Dac	040	Ireland	Dublin		G	2
Arca Direct Assicurazioni Srl	086	Italy	Verona		G	11
Arca Inlinea Scarl	086	Italy	Verona		G	11
Arca Sistemi Scarl	086	Italy	Verona		G	11
Grecale RMBS 2011 srl (*)	086	Italy	Bologna		G	11
SME Grecale Srl (*)	086	Italy	Bologna		G	11
UnipolSai Assicurazioni Spa	086	Italy	Bologna		G	1
BIM VITA Spa	086	Italy	Turin		G	1
Incontra Assicurazioni Spa	086	Italy	Milan		G	1
Pronto Assistance Spa	086	Italy	Turin		G	1
Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni	086	Italy	Genoa		G	1
Ddor Novi Sad	289	Serbia	Novi Sad		G	3
Ddor Re	289	Serbia	Novi Sad		G	6

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
				100.00%
100.00%		100.00%		100.00%
98.53%		98.53%		100.00%
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%
57.75%	42.25% UnipolSai Assicurazioni Spa	86.59%		100.00%
	100.00% Unisalute Spa	98.53%		100.00%
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%
	0.00% Unipol Banca Spa 10.00% UnipolSai Finance Spa	6.83%		100.00%
100.00%		100.00%		100.00%
	0.00% Unipol Banca Spa			100.00%
	0.00% Unipol Banca Spa			100.00%
100.00%		100.00%		100.00%
63.39%		63.39%		100.00%
	98.12% Arca Vita Spa	62.20%		100.00%
	100.00% Arca Vita Spa	63.39%		100.00%
	100.00% Arca Vita Spa	63.39%		100.00%
	60.22% Arca Vita Spa 39.78% Arca Assicurazioni Spa	62.92%		100.00%
	82.03% Arca Vita Spa 16.97% Arca Assicurazioni Spa 1.00% Arca Inlinea Scarl	63.19%		100.00%
	0.00% Unipol Banca Spa			100.00%
	0.00% Unipol Banca Spa			100.00%
51.15%	1.36% UnipolSai Finance Spa 5.92% Unipol Investment Spa 0.01% Pronto Assistance Spa 0.00% Popolare Vita Spa 0.33% UnipolSai Nederland Bv 10.02% Unipol Finance Srl	68.26%		100.00%
	50.00% UnipolSai Assicurazioni Spa	34.13%		100.00%
	51.00% UnipolSai Assicurazioni Spa	34.81%		100.00%
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%
	94.69% UnipolSai Assicurazioni Spa	64.64%		100.00%
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%
	0.00% Ddor Novi Sad 100.00% UnipolRe Dac	68.26%		100.00%

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Method (1)	Business activity (2)
Popolare Vita Spa	086	Italy	Novara		G	1
The Lawrence Life Assurance Company Dac	040	Ireland	Dublin (Ireland)		G	2
UnipolRe Dac	040	Ireland	Dublin (Ireland)		G	5
Finitalia Spa	086	Italy	Milan		G	11
UnipolSai Nederland Bv	050	Nederland	Amsterdam		G	11
Finsai International Sa	092	Luxembourg	Luxembourg		G	11
UnipolSai Investimenti Sgr Spa	086	Italy	Turin		G	8
SAI MERCATI Mobiliari Spa in Liquidazione	086	Italy	Milan		G	11
Apb Car Service Srl	086	Italy	Turin		G	11
Auto Presto & Bene Spa	086	Italy	Turin		G	11
Casa di Cura Villa Donatello - Spa	086	Italy	Florence		G	11
Centro Oncologico Fiorentino Casa di Cura Villanova Srl in Liquidazione	086	Italy	Sesto Fiorentino (FI)		G	11
Florence Centro di Chirurgia Ambulatoriale Srl	086	Italy	Florence		G	11
UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata	086	Italy	Bologna		G	11
Tenute del Cerro Spa - Societa' Agricola	086	Italy	Bologna		G	11
UnipolSai Servizi Previdenziali Srl	086	Italy	Florence		G	11

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
	50.00%	UnipolSai Assicurazioni Spa	34.13%		100.00%
	100.00%	Popolare Vita Spa	34.13%		100.00%
	100.00%	UnipolSai Nederland Bv	68.26%		100.00%
	100.00%	Unipol Banca Spa	86.59%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	68.26%		100.00%
	36.15% 63.85%	UnipolSai Finance Spa UnipolSai Assicurazioni Spa	68.26%		100.00%
51.00%	49.00%	UnipolSai Assicurazioni Spa	84.45%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	68.26%		100.00%
	70.00%	Auto Presto & Bene Spa	47.78%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	68.26%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	68.26%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	68.26%		100.00%
	100.00%	Centro Oncologico Fiorentino Casa di Cura Villanova Srl in Liquidazione	68.26%		100.00%
0.02%	0.20% 0.20% 0.02% 0.20% 98.23% 0.02% 0.02% 0.90% 0.11% 0.02% 0.02% 0.02% 0.02%	Compagnia Assicuratrice Linear Spa Unisalute Spa Unipol Banca Spa Arca Vita Spa UnipolSai Assicurazioni Spa BIM VITA Spa Incontra Assicurazioni Spa Pronto Assistance Spa Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni UnipolRe Dac Finitalia Spa Auto Presto & Bene Spa Pronto Assistance Servizi Scarl	68.37%		100.00%
	98.81% 1.19%	UnipolSai Assicurazioni Spa Pronto Assistance Spa	68.26%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	68.26%		100.00%

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Method (1)	Business activity (2)
Sogeint Societa' a Responsabilita' Limitata	086	Italy	San Donato Milanese		G	11
Pronto Assistance Servizi Scarl	086	Italy	Turin		G	11
Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	086	Italy	Milan		G	11
Consorzio Castello	086	Italy	Florence		G	10
Italresidence Srl	086	Italy	Milan		G	11
Marina di Loano Spa	086	Italy	Loano (SV)		G	10
Meridiano Secondo Srl	086	Italy	Turin		G	10
Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	086	Italy	Florence		G	10
Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' per Azioni	086	Italy	Bologna		G	10
Villa Ragionieri Srl	086	Italy	Florence		G	10
Tikal R.E. Fund	086	Italy			G	10
Athens R.E. Fund	086	Italy			G	10
Unipol Finance Srl	086	Italy	Bologna		G	9
Grecale RMBS 2015 srl (*)	086	Italy	Bologna		G	11
Alfaevolution Technology Spa	086	Italy	Bologna		G	11

(1) Consolidation method: G=on a line-by-line basis; P=proportional; U=on a line-by-line basis as per unitary management.

(2) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other.

(3) The product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first.

(4) Total % availability of votes at ordinary general meetings if different from the direct or indirect investment.

(5) This disclosure is required only if the country of operations is different from the country of the registered office.

(*) Securitisation SPVs which, though not subsidiaries, are consolidated as essentially all risks and benefits are retained.

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%
	3.00% Compagnia Assicuratrice Linear Spa 0.25% Unisalute Spa 0.10% Unipol Banca Spa 95.34% UnipolSai Assicurazioni Spa 0.15% Incontra Assicurazioni Spa 0.31% Pronto Assistance Spa 0.25% Apb Car Service Srl 0.25% Auto Presto & Bene Spa 0.10% UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata 0.25% Alfaevolution Technology Spa	69.21%		100.00%
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%
	99.57% Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	67.97%		100.00%
	100.00% Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	68.26%		100.00%
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%
	51.67% UnipolSai Assicurazioni Spa	35.27%		100.00%
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%
	95.00% UnipolSai Assicurazioni Spa	64.85%		100.00%
	0.68% Unipol Banca Spa 64.72% UnipolSai Assicurazioni Spa 24.19% Tikal R.E. Fund	60.46%		100.00%
100.00%		100.00%		100.00%
	0.00% Unipol Banca Spa			100.00%
	100.00% UnipolSai Assicurazioni Spa	68.26%		100.00%

Consolidation scope: interests in entities with material non-controlling interests

Amounts in €m

Name	% non-controlling interests	% Votes available at Ordinary General Meetings to non-controlling interests	Consolidated profit (loss) attributable to non-controlling interests	Shareholders' Equity attributable to non-controlling interests
UnipolSai Assicurazioni Spa	31.74%		153.7	1,830.5
Popolare Vita Spa	65.87%		19.1	315.9
The Lawrence Life Assurance Company Ltd	65.87%		1.9	48.8

Details of unconsolidated investments

Name	Country of registered office		Registered office	Country of operations (5)	Business activity (1)
Hotel Villaggio Citta' del Mare Spa in Liquidazione	086	Italy	Modena		11
Assicoop Modena & Ferrara Spa	086	Italy	Modena		11
Assicoop Bologna Spa	086	Italy	Bologna		11
Fondazione Unipolis	086	Italy	Bologna		11
Uci - Ufficio Centrale Italiano	086	Italy	Milan		11
Assicoop Imola Spa	086	Italy	Imola (BO)		11
Assicoop Toscana Spa	086	Italy	Siena		11
Pegaso Finanziaria Spa	086	Italy	Bologna		9
SCS Azioninnova Spa	086	Italy	Bologna		11
Promorest Srl	086	Italy	Castenaso (BO)		11
Assicoop Grosseto Spa in Liquidazione	086	Italy	Grosseto		11
Assicoop Emilia Nord Srl	086	Italy	Parma		11
Assicoop Romagna Futura Srl	086	Italy	Ravenna		11
Garibaldi Sca	092	Luxembourg	Luxembourg		11
Isola Sca	092	Luxembourg	Luxembourg		11
Fin.Priv. Srl	086	Italy	Milan		11
Ddor Auto - Limited Liability Company	289	Serbia	Novi Sad		3
Funivie del Piccolo San Bernardo Spa	086	Italy	La Thuile (AO)		11
Ddor Garant	289	Serbia	Beograd		11

Summary income and financial position data							
Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' equity	Profit (loss) for the year	Dividends distributed to non-controlling interests	Gross premiums written
56,429.0	50,245.6	44,929.2	3,295.4	6,273.0	492.0	149.0	9,920.6
9,287.2	9,156.5	8,123.0	566.5	542.5	46.6	22.9	1,387.7
2,157.9	2,088.5	1,590.1	453.1	74.1	2.6		268.8

Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	Carrying amount (€m)
b		49.00%	UnipolSai Assicurazioni Spa	33.45%		
b		43.75%	UnipolSai Finance Spa	29.87%		6.4
b		50.00%	UnipolSai Finance Spa	34.13%		4.9
a		100.00%	UnipolSai Assicurazioni Spa	68.26%		0.3
b		0.00%	Compagnia Assicuratrice Linear Spa	25.89%		0.2
		0.01%	Arca Assicurazioni Spa			
		37.84%	UnipolSai Assicurazioni Spa			
		0.00%	Incontra Assicurazioni Spa			
		0.09%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
b		47.33%	UnipolSai Finance Spa	32.31%		3.1
b		46.77%	UnipolSai Finance Spa	31.93%		1.2
b		45.00%	UnipolSai Finance Spa	30.72%		5.2
b		42.85%	Unipol Banca Spa	37.11%		2.0
b		49.92%	Unipol Banca Spa	43.23%		5.1
b		50.00%	UnipolSai Finance Spa	34.13%		0.9
b		50.00%	UnipolSai Finance Spa	34.13%		6.1
b		50.00%	UnipolSai Finance Spa	34.13%		6.0
b		32.00%	UnipolSai Assicurazioni Spa	21.84%		4.1
b		29.56%	UnipolSai Assicurazioni Spa	20.18%		
b		28.57%	UnipolSai Assicurazioni Spa	19.50%		32.1
a		100.00%	Ddor Novi Sad	68.26%		0.0
b		23.55%	UnipolSai Assicurazioni Spa	16.08%		2.3
b		32.46%	Ddor Novi Sad	27.30%		0.6
		7.54%	Ddor Re			

Details of unconsolidated investments

Name	Country of registered office		Registered office	Country of operations (5)	Business activity (1)
Hotel Terme di Saint Vincent - Srl	086	Italy	La Thuile (AO)		11
Ital H&R Srl	086	Italy	Bologna		11
Borsetto Srl	086	Italy	Turin		10
Butterfly Am Sarl	092	Luxembourg	Luxembourg		11
Servizi Immobiliari Martinelli Spa	086	Italy	Cinisello Balsamo (MI)		10
Metropolis Spa - in Liquidazione	086	Italy	Milan		10
Penta Domus Spa	086	Italy	Turin		10
Leithà Srl	086	Italy	Bologna		11
Golf Club Poggio dei Medici Spa Societa' Dilettantistica Sportiva	086	Italy	San Piero (FI)		11

(1) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other.

(2) a=subsidiaries (IFRS10); b= associates (IAS28); c=joint ventures (IFRS11). Please mark with an asterisk (*) any companies classified as held for sale pursuant to IFRS 5 and add the key below the statement.

(3) The product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first.

(4) Total % availability of votes at ordinary general meetings if different from the direct or indirect investment.

(5) This disclosure is required only if the country of operations is different from the country of the registered office.

Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	Carrying amount (€m)
a		100.00%	Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	68.26%		0.2
a		100.00%	UnipolSai Assicurazioni Spa	68.26%		0.1
b		44.93%	UnipolSai Assicurazioni Spa	30.67%		1.1
b		28.57%	UnipolSai Assicurazioni Spa	19.50%		2.3
b		20.00%	UnipolSai Assicurazioni Spa	13.65%		0.2
b		29.71%	UnipolSai Assicurazioni Spa	20.28%		
b		24.66%	UnipolSai Assicurazioni Spa	16.83%		0.3
a		100.00%	UnipolSai Assicurazioni Spa	68.26%		0.1
b		40.32%	Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	27.52%		0.8

Statement of financial position by business segment

Amounts in €m	Non-Life business		Life business	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
1 INTANGIBLE ASSETS	1,464.8	1,492.6	529.7	563.0
2 PROPERTY, PLANT AND EQUIPMENT	909.3	1,088.1	76.7	88.1
3 TECHNICAL PROVISIONS - REINSURERS' SHARE	799.3	804.5	78.7	92.9
4 INVESTMENTS	16,119.2	16,951.5	53,637.7	51,294.9
4.1 Investment property	1,690.5	1,823.3	7.9	10.1
4.2 Investments in subsidiaries, associates and interests in joint ventures	73.4	77.9	4.1	4.7
4.3 Held-to-maturity investments	192.2	355.1	700.1	744.9
4.4 Loans and receivables	2,038.4	2,153.2	3,213.3	3,303.5
4.5 Available-for-sale financial assets	12,015.8	12,399.6	39,535.5	37,473.1
4.6 Financial assets at fair value through profit or loss	108.8	142.4	10,176.9	9,758.5
5 SUNDRY RECEIVABLES	2,487.4	2,424.0	724.0	692.0
6 OTHER ASSETS	1,055.6	757.6	134.4	132.1
6.1 Deferred acquisition costs	32.6	36.8	57.9	50.0
6.2 Other assets	1,023.0	720.7	76.4	82.1
7 CASH AND CASH EQUIVALENTS	305.8	447.9	465.2	515.0
TOTAL ASSETS	23,141.4	23,966.1	55,646.5	53,378.1
1 SHAREHOLDERS' EQUITY				
2 PROVISIONS	403.9	454.7	21.5	28.9
3 TECHNICAL PROVISIONS	15,861.7	16,574.3	48,248.1	46,575.2
4 FINANCIAL LIABILITIES	1,665.2	1,542.6	3,845.5	3,341.0
4.1 Financial liabilities at fair value through profit or loss	153.1	62.7	3,093.3	2,573.0
4.2 Other financial liabilities	1,512.0	1,479.9	752.2	768.0
5 PAYABLES	634.6	621.5	225.5	168.6
6 OTHER LIABILITIES	723.8	638.5	298.0	299.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

Banks		Holding and Other businesses		Real Estate		Intersegment eliminations		Total	
31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
7.7	7.8	17.3	8.9	0.2	0.3	(0.8)	(1.5)	2,019.0	2,071.0
14.6	13.9	220.8	210.1	663.7	355.4	0.8	1.5	1,886.0	1,757.0
								878.0	897.4
11,782.3	10,998.2	261.6	672.8	513.8	496.5	(1,038.6)	(1,067.2)	81,276.0	79,346.6
1.2	1.1	33.2	41.6	491.1	474.0			2,223.8	2,350.2
7.0	7.0	1.0	0.2		0.3			85.6	90.0
426.9	428.4							1,319.3	1,528.4
10,505.6	9,914.5	87.6	238.5	7.0		(1,028.9)	(1,060.5)	14,822.9	14,549.2
841.5	647.2	137.7	380.4	15.8	22.3	(6.7)	(6.7)	52,539.6	50,915.8
0.1	0.1	2.0	12.0			(2.9)		10,284.8	9,913.1
82.2	92.1	138.0	223.2	38.2	28.6	(145.1)	(245.3)	3,324.9	3,214.6
461.3	411.6	519.6	515.4	47.0	25.4	(207.8)	(229.9)	2,010.0	1,612.2
								90.5	86.9
461.3	411.6	519.6	515.4	47.0	25.4	(207.8)	(229.9)	1,919.5	1,525.3
89.5	100.9	1,157.9	945.3	59.3	75.4	(1,574.7)	(1,210.1)	503.1	874.4
12,437.6	11,624.5	2,315.3	2,575.6	1,322.3	981.6	(2,966.1)	(2,752.5)	91,896.9	89,773.3
								8,133.6	8,444.5
28.2	23.2	608.4	590.1	5.6	15.9	(586.9)	(562.7)	480.7	550.1
								64,109.8	63,149.6
11,232.3	10,459.4	1,948.4	1,906.6	357.7	203.3	(2,151.1)	(1,881.5)	16,897.9	15,571.4
2.8	7.5	15.6	12.9		1.7			3,264.8	2,657.8
11,229.5	10,451.9	1,932.7	1,893.7	357.7	201.6	(2,151.1)	(1,881.5)	13,633.0	12,913.6
65.3	73.5	118.6	179.5	31.2	23.1	(120.2)	(148.5)	954.9	917.7
369.5	330.1	25.4	19.6	11.2	12.0	(107.9)	(159.9)	1,320.0	1,139.9
								91,896.9	89,773.3

Income statement by business segment

	Amounts in €m	Non-Life business		life busuness	
		31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
1.1	Net premiums	7,502.5	7,633.7	6,284.3	7,627.6
	1.1.1 Gross premiums earned	*7,888.1*	*8,039.3*	*6,299.8*	*7,643.9*
	1.1.2 Earned premiums ceded to reinsurers	*(385.6)*	*(405.5)*	*(15.4)*	*(16.2)*
1.2	Commission income	6.2	6.1	44.1	22.1
1.3	Gains and losses on financial instruments at fair value through profit or loss	(71.9)	178.1	116.4	215.3
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	5.4	11.6	10.4	5.3
1.5	Gains on other financial instruments and investment property	838.9	870.6	1,554.1	1,726.0
1.6	Other revenue	271.3	265.0	64.3	80.7
	TOTAL REVENUE AND INCOME	**8,552.3**	**8,965.1**	**8,073.6**	**9,677.1**
2.1	Net charges relating to claims	(4,978.5)	(4,969.7)	(7,115.8)	(8,666.1)
	2.1.1 Amounts paid and changes in technical provisions	*(5,139.6)*	*(5,156.5)*	*(7,124.2)*	*(8,668.7)*
	2.1.2 Reinsurers' share	*161.0*	*186.8*	*8.3*	*2.7*
2.2	Commission expenses	(6.3)	(5.8)	(17.8)	(11.6)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(1.8)	(5.6)	(0.7)	(2.3)
2.4	Losses on other financial instruments and investment property	(392.7)	(400.5)	(109.4)	(153.4)
2.5	Operating expenses	(2,147.4)	(2,148.3)	(305.7)	(364.3)
2.6	Other costs	(554.8)	(528.2)	(144.9)	(136.1)
2	**TOTAL COSTS AND EXPENSES**	**(8,081.5)**	**(8,057.9)**	**(7,694.3)**	**(9,333.7)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**470.8**	**907.1**	**379.3**	**343.3**

banks		Holding and Other businesses		Real Estate		Intersegment eliminations		Total	
31/12/2016	31/12/2015	**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015
								13,786.8	15,261.4
								14,187.8	*15,683.1*
								(401.0)	*(421.8)*
151.6	147.6	26.0	26.7			(85.2)	(85.1)	142.7	117.2
(4.4)	(0.2)	(2.0)	(22.2)	3.0	(1.7)			41.2	369.4
0.1	0.2	0.3	0.0		0.4			16.1	17.6
404.2	466.6	10.9	10.4	37.4	48.8	(82.6)	(86.3)	2,762.7	3,036.2
46.6	62.3	171.4	284.3	7.2	7.0	(88.4)	(138.9)	472.4	560.3
598.0	**676.5**	**206.5**	**299.2**	**47.6**	**54.5**	**(256.2)**	**(310.3)**	**17,221.9**	**19,362.0**
								(12,094.4)	(13,635.7)
								(12,263.8)	*(13,825.2)*
								169.4	*189.5*
(47.5)	(48.9)	(0.1)	(0.0)	(0.0)	(0.0)	29.2	33.3	(42.6)	(33.0)
(0.2)	(0.1)	(0.2)	(6.1)	(0.4)				(3.2)	(14.1)
(218.0)	(288.3)	(91.1)	(72.4)	(36.2)	(94.6)	(21.4)	(87.8)	(868.8)	(1,097.0)
(311.4)	(315.8)	(101.6)	(100.0)	(12.0)	(13.2)	131.2	137.6	(2,746.9)	(2,804.0)
(14.2)	(17.4)	(141.8)	(323.7)	(21.2)	(42.2)	117.2	227.3	(759.8)	(820.2)
(591.4)	**(670.4)**	**(334.7)**	**(502.1)**	**(69.8)**	**(150.0)**	**256.2**	**310.3**	**(16,515.6)**	**(18,403.9)**
6.7	**6.0**	**(128.2)**	**(203.0)**	**(22.2)**	**(95.4)**			**706.3**	**958.1**

Details of property, plant and equipment and intangible assets

Amounts in €m	At cost	At restated or fair value	Total carrying amount
Investment property	2,223.8		2,223.8
Other properties	1,648.8		1,648.8
Other tangible assets	237.2		237.2
Other intangible assets	427.3		427.3

Details of financial assets

	Held-to-maturity investments		Loans and receivables		Available-for-sale financial assets	
Amounts in €m	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Equity instruments and derivatives at cost					73.2	69.8
Equity instruments at fair value					614.7	681.9
of which: listed securities					*445.4*	*503.5*
Debt securities	1,319.3	1,528.4	4,357.6	4,529.5	50,297.7	48,587.0
of which: listed securities	*1,175.2*	*1,271.8*			*49,461.0*	*47,733.5*
UCITS units					1,554.1	1,577.1
Loans and receivables from bank customers			8,526.9	8,322.3		
Interbank loans and receivables			1,335.1	593.9		
Deposits with ceding companies			20.6	24.0		
Financial receivables on insurance contracts						
Other loans and receivables			582.7	1,079.5		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments						
Total	**1,319.3**	**1,528.4**	**14,822.9**	**14,549.2**	**52,539.6**	**50,915.8**

Financial assets at fair value through profit or loss				Total	
Held-for-trading financial assets		Financial assets at fair value through profit or loss		carrying amount	
31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
0.0	0.0			73.2	69.8
2.1	0.1	226.0	175.1	842.7	857.0
2.1	*0.1*	*226.0*	*175.1*	*673.5*	*678.6*
149.8	195.2	4,525.6	4,343.4	60,650.0	59,183.5
92.9	*81.3*	*4,395.4*	*3,670.1*	*55,124.5*	*52,756.6*
28.3	31.2	4,684.3	4,737.5	6,266.6	6,345.8
				8,526.9	8,322.3
				1,335.1	593.9
				20.6	24.0
		462.3	181.2	462.3	181.2
				582.7	1,079.5
127.8	169.6			127.8	169.6
0.8	10.8			0.8	10.8
		77.9	69.1	77.9	69.1
308.7	**406.8**	**9,976.1**	**9,506.3**	**78,966.6**	**76,906.5**

Details of assets and liabilities relating to insurance contracts where the investment risk is borne by policyholders and arising from pension fund management

Amounts in €m	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Recognised assets	5,708.6	5,845.0	4,255.3	3,647.9	9,963.8	9,493.0
Intragroup assets *						
Total Assets	**5,708.6**	**5,845.0**	**4,255.3**	**3,647.9**	**9,963.8**	**9,493.0**
Recognised financial liabilities	2,332.0	1,826.2	466.5	547.5	2,798.4	2,373.7
Recognised technical provisions	3,379.1	4,019.0	3,788.8	3,100.5	7,167.9	7,119.5
Intragroup liabilities *						
Total liabilities	**5,711.1**	**5,845.2**	**4,255.3**	**3,648.0**	**9,966.3**	**9,493.2**

* Assets and liabilities eliminated on consolidation

Details of technical provisions – reinsurers' share

Amounts in €m	Direct business		Indirect business		Total carrying amount	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Non-Life provisions	**764.1**	**772.2**	**35.2**	**32.3**	**799.3**	**804.5**
Premium provisions	190.4	187.1	1.0	0.0	191.4	187.1
Claims provision	573.7	585.1	34.2	32.3	607.8	617.4
Other technical provisions						
Life provisions	**71.7**	**84.7**	**7.1**	**8.2**	**78.7**	**92.9**
Provision for amounts payable	4.7	6.8	0.1	0.1	4.8	6.9
Mathematical provisions	67.0	77.9	7.0	8.1	73.9	86.0
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management						
Other technical provisions						
Total technical provisions - reinsurers' share	**835.8**	**856.9**	**42.2**	**40.5**	**878.0**	**897.4**

Details of technical provisions

	Direct business		Indirect business		Total carrying amount	
Amounts in €m	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Non-Life provisions	**15,692.1**	**16,415.0**	**169.6**	**159.3**	**15,861.7**	**16,574.3**
Premium provision	2,861.7	2,906.5	12.2	5.4	2,873.9	2,912.0
Claims provision	12,778.7	13,465.7	157.4	153.9	12,936.1	13,619.6
Other technical provisions	51.7	42.8	0.0	0.0	51.7	42.8
including provisions allocated as a result of the liability adequacy test						
Life provisions	**48,234.4**	**46,556.9**	**13.7**	**18.3**	**48,248.1**	**46,575.2**
Provision for amounts payable	445.2	842.8	1.5	2.9	446.7	845.7
Mathematical provisions	37,331.3	34,931.3	12.2	15.4	37,343.5	34,946.7
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	7,167.9	7,131.2			7,167.9	7,131.2
Other technical provisions	3,290.0	3,651.6			3,290.0	3,651.6
including provisions allocated as a result of the liability adequacy test						
including deferred liabilities to policyholders	*3,155.4*	*3,522.4*			*3,155.4*	*3,522.4*
Total technical provisions	**63,926.5**	**62,971.9**	**183.3**	**177.6**	**64,109.8**	**63,149.6**

Details of financial liabilities

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Held-for-trading financial liabilities		Financial liabilities at fair value through profit or loss					
Amounts in €m	**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015
Equity instruments								
Subordinated liabilities					2,518.7	2,564.7	2,518.7	2,564.7
Liabilities from financial contracts issued by insurance companies			2,820.2	2,379.5	0.3	0.5	2,820.5	2,380.0
Arising from contracts where the investment risk is borne by policyholders			*2,352.6*	*1,830.9*			*2,352.6*	*1,830.9*
Arising from pension fund management			*467.6*	*548.7*			*467.6*	*548.7*
Arising from other contracts					*0.3*	*0.5*	*0.3*	*0.5*
Deposits received from reinsurers					233.1	216.0	233.1	216.0
Financial items payable on insurance contracts								
Debt securities issued					3,598.0	4,073.1	3,598.0	4,073.1
Payables to bank customers					6,312.6	5,505.7	6,312.6	5,505.7
Interbank payables					694.5	436.1	694.5	436.1
Other loans obtained					270.4	111.9	270.4	111.9
Non-hedging derivatives	168.2	114.5	12.9	12.2			181.1	126.7
Hedging derivatives	263.5	151.6					263.5	151.6
Sundry financial liabilities					5.3	5.6	5.3	5.6
Total	**431.8**	**266.0**	**2,833.1**	**2,391.7**	**13,633.0**	**12,913.6**	**16,897.9**	**15,571.4**

Details of technical insurance items

		31/12/2016			31/12/2015	
Amounts in €m	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business						
NET PREMIUMS	**7,888.1**	**(385.6)**	**7,502.5**	**8,039.3**	**(405.5)**	**7,633.7**
a Written premiums	7,856.0	(384.7)	7,471.4	7,920.9	(394.9)	7,526.0
b Change in premium provision	32.0	(0.9)	31.1	118.4	(10.7)	107.8
NET CHARGES RELATING TO CLAIMS	**(5,139.6)**	**161.0**	**(4,978.5)**	**(5,156.5)**	**186.8**	**(4,969.7)**
a Amounts paid	(5,949.6)	184.9	(5,764.7)	(6,256.7)	243.3	(6,013.5)
b Change in claims provision	692.8	(16.5)	676.2	972.8	(55.6)	917.2
c Change in recoveries	116.5	(7.4)	109.1	126.7	(0.8)	125.9
d Change in other technical provisions	0.8		0.8	0.8		0.8
Life business						
NET PREMIUMS	**6,299.8**	**(15.4)**	**6,284.3**	**7,643.9**	**(16.2)**	**7,627.6**
NET CHARGES RELATING TO CLAIMS	**(7,124.2)**	**8.3**	**(7,115.8)**	**(8,668.7)**	**2.7**	**(8,666.1)**
a Amounts paid	(5,437.4)	22.5	(5,415.0)	(6,594.1)	22.2	(6,572.0)
b Change in provision for amounts payable	399.8	(2.1)	397.7	(421.8)	(1.1)	(423.0)
c Change in mathematical provisions	(2,422.4)	(12.0)	(2,434.4)	(2,185.3)	(18.3)	(2,203.6)
d Change in technical provisions where the investment risk is borne by policyholders and arising from pension fund management	368.3		368.3	729.3		729.3
e Change in other technical provisions	(32.5)	(0.0)	(32.5)	(196.8)	(0.0)	(196.8)

Investment income and charges

Amounts in €m	Interest	Other income	Other charges	Realised gains	Realised losses
Balance on investments	**2,082.3**	**368.8**	**(259.3)**	**615.4**	**(336.4)**
a Arising from investment property		76.4	(39.9)	3.4	(1.9)
b Arising from investments in subsidiaries, associates and interests in joint ventures		15.8	(2.4)	0.3	(0.6)
c Arising from held-to-maturity investments	58.8				
d Arising from loans and receivables	406.0	1.5	(0.0)	14.9	(7.2)
e Arising from available-for-sale financial assets	1,537.4	84.8	(2.6)	485.0	(285.9)
f Arising from held-for-trading financial assets	4.6	95.0	(98.0)	34.9	(12.7)
g Arising from financial assets at fair value through profit or loss	75.5	95.3	(116.4)	76.9	(28.1)
Balance on sundry receivables	**2.5**				
Balance on cash and cash equivalents	**1.2**		**(0.1)**		
Balance on financial liabilities	**(231.0)**	**4.8**	**(49.4)**	**0.6**	**(3.3)**
a Arising from held-for-trading financial liabilities	(4.8)	4.8			(2.7)
b Arising from financial liabilities at fair value through profit or loss		0.0	(39.3)		
c Arising from other financial liabilities	(226.2)		(10.1)	0.6	(0.7)
Balance on payables	**(3.5)**		**(0.1)**		
Total	**1,851.4**	**373.6**	**(308.9)**	**616.0**	**(339.8)**

Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total gains and losses 31/12/2016	Total gains and losses 31/12/2015
	Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment			
2,470.7	**339.3**	**0.2**	**(437.8)**	**(110.0)**	**(208.2)**	**2,262.5**	**2,630.0**
38.1			(36.3)	(60.1)	(96.4)	(58.3)	(74.6)
13.1				(0.2)	(0.2)	12.9	3.5
58.8						58.8	74.0
415.2	89.6	0.2	(131.8)	(6.2)	(48.2)	367.0	288.6
1,818.6	0.0		(10.8)	(43.4)	(54.2)	1,764.4	1,921.0
23.8	38.7		(143.8)		(105.1)	(81.3)	205.5
103.1	211.0		(115.1)		95.9	199.0	211.9
2.5						**2.5**	**3.0**
1.0						**1.0**	**2.6**
(278.3)	**0.4**		**(36.4)**		**(36.0)**	**(314.4)**	**(322.1)**
(2.7)			(0.1)		(0.1)	(2.8)	(1.5)
(39.3)			(34.4)		(34.4)	(73.8)	(46.5)
(236.3)	0.4		(1.9)		(1.5)	(237.8)	(274.0)
(3.6)						**(3.6)**	**(1.5)**
2,192.3	**339.7**	**0.2**	**(474.3)**	**(110.0)**	**(244.3)**	**1,948.1**	**2,312.1**

Details of insurance business expenses

Amounts in €m	Non-Life business		Life business	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Gross commissions and other acquisition costs	**(1,789.2)**	**(1,816.9)**	**(148.5)**	**(189.9)**
a Acquisition commissions	(1,283.1)	(1,227.9)	(98.1)	(131.7)
b Other acquisition costs	(343.4)	(438.2)	(49.1)	(49.6)
c Change in deferred acquisition costs	(4.2)	9.6	7.6	1.7
d Collection commissions	(158.5)	(160.3)	(8.9)	(10.3)
Commissions and profit-sharing received from reinsurers	**124.9**	**129.1**	**2.5**	**3.8**
Investment management expenses	**(83.4)**	**(66.1)**	**(49.5)**	**(45.9)**
Other administrative expenses	**(399.6)**	**(394.5)**	**(110.2)**	**(132.4)**
Total	**(2,147.4)**	**(2,148.3)**	**(305.7)**	**(364.3)**

Details of the consolidated comprehensive income statement

Amounts in €m	Amounts allocated		Adjustments from reclassification to profit or loss	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Other income items not reclassified to profit or loss	**(10.9)**	**15.0**		
Reserve deriving from changes in the shareholders' equity of the investees	(4.6)	8.6		
Revaluation reserve for intangible assets				
Revaluation reserve for property, plant and equipment				
Gains and losses on non-current assets or assets of a disposal group held for sale				
Actuarial gains and losses and adjustments relating to defined benefit plans	(6.3)	6.4		
Other items	0.0	0.0		
Other income items reclassified to profit or loss	**143.8**	**186.6**	**(344.9)**	**(434.4)**
Reserve for foreign currency translation differences	(0.8)	0.1		
Gains or losses on available-for-sale financial assets	183.8	182.8	(345.0)	(434.4)
Gains or losses on cash flow hedges	(39.2)	3.8	0.0	
Gains or losses on hedges of a net investment in foreign operations				
Reserve deriving from changes in the shareholders' equity of the investees				
Gains and losses on non-current assets or assets of a disposal group held for sale				
Other items				
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	**132.9**	**201.6**	**(344.9)**	**(434.4)**

Other changes		Total changes		Income tax		Balance	
31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
(1.3)	**(0.0)**	**(12.2)**	**15.0**	**3.0**	**(4.9)**	**6.0**	**18.2**
(0.0)		(4.6)	8.6			12.5	17.1
						20.7	20.7
(1.3)	(0.0)	(7.6)	6.3	3.0	(4.9)	(27.2)	(19.6)
		0.0	0.0			0.0	0.0
(3.5)	**(1.0)**	**(204.7)**	**(248.7)**	**90.4**	**181.6**	**807.3**	**1,012.0**
0.1		(0.7)	0.1			3.2	3.9
(6.8)	(1.0)	(168.0)	(252.6)	75.9	180.5	813.9	981.9
3.2		(36.0)	3.8	14.5	1.1	(9.7)	26.2
(4.9)	**(1.0)**	**(216.8)**	**(233.8)**	**93.4**	**176.7**	**813.3**	**1,030.2**

Details of reclassified financial assets and their effects on the income statement and comprehensive income statement

Categories of financial assets subject to reclassification		Type of asset	Amount of assets reclassified in 2015 at the reclassification date	Carrying amount at 31/12/2016 of reclassified assets		Fair value at 31/12/2016 of reclassified assets	
from	to			Assets reclassified in 2016	Assets reclassified up to 2016	Assets reclassified in 2016	Assets reclassified up to 2016
At FV through profit or loss	Loans and receivables	debt securities			254.8		221.7
At FV through profit or loss	Loans and receivables	other fin. instr.					
Available-for-sale	Loans and receivables	debt securities			216.2		199.6
Available-for-sale	Loans and receivables	other fin. instr.					
At FV through profit or loss	Available-for-sale	equity instruments					
At FV through profit or loss	Available-for-sale	debt securities					
At FV through profit or loss	Available-for-sale	other fin. instr.					
At FV through profit or loss	Held-to-maturity investments	debt securities					
At FV through profit or loss	Held-to-maturity investments	other fin. instr.					
Available-for-sale	Held-to-maturity investments	debt securities					
Available-for-sale	Held-to-maturity investments	other fin. instr.					
Total					**471.0**		**421.3**

Amounts in €m

Assets reclassified in 2016		Assets reclassified up to 2016		Assets reclassified in 2016		Assets reclassified up to 2016	
Gains or losses recognised through profit or loss	Gains or losses recognised in the statement of other comprehensive income	Gains or losses recognised through profit or loss	Gains or losses recognised in the statement of other comprehensive income	Profit or loss that would have been recognised through profit or loss if there had been no reclassification	Profit or loss that would have been recognised in the statement of other comprehensive income if there had been no reclassification	Profit or loss that would have been recognised through profit or loss if there had been no reclassification	Profit or loss that would have been recognised in statement of other comprehensive income if there had been no reclassification
			0.1			1.6	0.0
							(14.1)
			0.1			**1.6**	**(14.1)**

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level

		Level 1		Level 2		Level 3		Total	
Amounts in €m		**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		50,874.9	49,307.8	686.5	707.9	978.2	900.2	52,539.6	50,915.8
Financial assets at fair value through profit or loss	Held for trading financial assets	117.8	121.2	148.8	184.1	42.1	101.5	308.7	406.8
	Financial assets at fair value through profit or loss	9,831.8	8,784.1	10.2	24.0	134.2	698.2	9,976.1	9,506.3
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		***60,824.5***	***58,213.1***	***845.5***	***916.0***	***1,154.4***	***1,699.8***	***62,824.4***	***60,828.9***
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	6.6	57.5	316.7	200.4	108.5	8.2	431.8	266.0
	Financial liabilities at fair value through profit or loss					2,833.1	2,391.7	2,833.1	2,391.7
Total liabilities measured at fair value on a recurring basis		***6.6***	***57.5***	***316.7***	***200.4***	***2,941.6***	***2,399.9***	***3,264.8***	***2,657.8***
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets or assets of disposal groups held for sale									
Liabilities associated with disposal groups									

Details of changes in level 3 financial assets and liabilities at fair value on a recurring basis

Amounts in €	Available-for-sale financial assets	Financial assets at fair value through profit or loss		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value	
		Held-for-trading financial assets	Financial assets at fair value through profit or loss				Held-for-trading financial liabilities	Financial liabilities at fair value through profit or loss
Opening balance	**900.2**	**101.5**	**698.2**				**8.2**	**2,391.7**
Acquisitions/Issues	124.2	(0.6)						
Sales/Repurchases	(25.8)		(40.9)					
Repayments	(0.5)	(0.2)	(519.9)				(3.7)	
Gains or losses recognised through profit or loss		(1.1)	(4.4)				91.7	
- of which unrealised gains/losses		*(1.1)*	*(4.4)*				*91.7*	
Gains or losses recognised in the statement of other comprehensive income	(24.4)							
Transfers to level 3	7.5							
Transfers to other levels	(3.7)	(58.5)						
Other changes	0.7	1.0	1.2				12.3	441.4
Closing balance	**978.2**	**42.1**	**134.2**				**108.5**	**2,833.1**

Assets and liabilities not measured at fair value: breakdown by fair value level

	Carrying amount		*Fair value*							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Assets										
Held-to-maturity investments	1,319.3	1,528.4	1,337.8	1,494.2	148.1	245.0			1,485.9	1,739.2
Loans and receivables	14,822.9	14,549.2	5.0	9.9	4,093.1	4,284.2	11,220.1	11,215.3	15,318.2	15,509.4
Investments in subsidiaries, associates and interests in joint ventures	85.6	90.0					85.6	90.0	85.6	90.0
Investment property	2,223.8	2,350.2					2,300.6	2,462.2	2,300.6	2,462.2
Property, plant and equipment	1,886.0	1,757.0					1,994.4	1,849.5	1,994.4	1,849.5
Total assets	**20,337.6**	**20,274.8**	**1,342.8**	**1,504.1**	**4,241.2**	**4,529.2**	**15,600.7**	**15,616.9**	**21,184.6**	**21,650.2**
Liabilities										
Other financial liabilities	13,633.0	12,913.6	2,935.8	2,932.3			10,929.6	9,788.5	13,865.4	12,720.8

SUMMARY
OF FEES FOR THE YEAR FOR SERVICES PROVIDED
BY THE INDEPENDENT AUDITORS

Summary of fees for the year for services provided by the Independent Auditors (Art. 149-duodecies of Issuer's Regulation)

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 Dublino	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 professional services	TLS Associazione Professionale di Avvocati e Commercialisti	Subsidiaries	180
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	Subsidiaries	189
Total subsidiaries			**4,723**
Grand total			**5,036**

(*) the fees do not include any non-deductible VAT or charged back expenses

DISCLOSURE
AS PARENT OF THE UNIPOL BANKING GROUP

Disclosure as Parent of the Unipol Banking Group

This disclosure is provided pursuant to Directive 2013/36/EU of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV), and Directive 2011/89/EU of 16 November 2011, on supplementary supervision of financial entities in a financial conglomerate ("FICOD1"). This regulation, which amended the scope of consolidated supervision of banks, envisages that such supervision should also be performed of "mixed financial services groups" (MFSG) which head a financial conglomerate identified as such by the relevant supervisory authorities.

The activities of the corporate group headed by Unipol Gruppo Finanziario (Unipol) are largely related to insurance both in terms of volumes of assets invested and of product revenue and margins. The banking business is ancillary to the insurance business. However, the assignment of Banking Group Parent status, in addition to that of Insurance Group Parent, implies that Unipol is responsible for all obligations envisaged in current regulations for the banking Parent, and in particular those indicated in EU Regulation no. 575/2013 (CRR) on prudential requirements, relating to reporting and public disclosures.

In order to comply with the minimum disclosure requirements envisaged in Part Eight of the CRR (Basel 3, Pillar III), this report - attached to the 2016 Consolidated Financial Statements of the Unipol Group - provides information on:

- Consolidated financial statements of the Unipol Banking Group prepared for prudential purposes;
- Restatement of the Unipol consolidated financial statements based on the Unipol Banking Group prudential consolidation scope (presented for the purpose of reconciling the Unipol Banking Group consolidated values prepared for prudential purposes);
- Equity and solvency ratios of the Unipol Banking Group;
- Equity: breakdown and related reconciliation with the statement of financial position prepared for prudential purposes;
- Capital requirements;
- Value adjustments to loans.

With regard to the diversity policy for the selection of members of the management body and the remuneration policy and practices adopted by the Parent for 2016, reference should be made - respectively – to the descriptions in Part III, paragraph 2 of the "Report on corporate governance and ownership structures for 2016" (available in the Governance/Shareholders meetings/2017 section of the corporate website **www.unipol.it**) and in the first section of the "Remuneration Report of Unipol Gruppo Finanziario SpA - 2016" (available in the Governance/Shareholders meetings/2017 section of the corporate website **www.unipol.it**). Please also see the Disclosure on the implementation of the 2016 remuneration policies, published by Unipol Banca on the website **www.unipolbanca.it** in the About Us/Corporate Governance section.
For information on the risk management policies, reference should be made to chapter 5.14 "Risk Report" in the Notes to the 2016 Consolidated Financial Statements of the Unipol Group.

The Unipol Banking Group applies the option envisaged in Art. 432, paragraph 1 of the CRR of not disclosing additional information pursuant to Title II, Part Eight of the CRR as it is considered immaterial[16].

[16] Pursuant to Art. 432, paragraph 2 of the CRR, a disclosure is considered material in terms of public disclosure if its omission or inaccurate indication can change or influence the opinion or decisions of users that rely upon such information in adopting their economic decisions.

Consolidated financial statements of the Unipol Banking Group prepared for prudential purposes

Pursuant to Art. 11 of the CRR, the Unipol Banking Group is required to comply with obligations relating to consolidated supervision, as envisaged in the aforementioned Regulation, based on the consolidated financial position of the controlling MFSG. For this purpose, a consolidated position relating to the prudential banking consolidation scope comprising companies in the Unipol Banking Group and Finsoe, the controlling MFSG for the Parent Unipol, has been prepared.

The companies consolidated on a line-by-line basis are:

- Unipol Gruppo Finanziario SpA (Parent of the Unipol Banking Group);
- Finsoe SpA (which holds an actual investment in Unipol, as defined in Art. 2359, paragraph 1, no. 2 of the Civil Code, equal to 31.404% of the ordinary share capital, and does not exercise any powers of management or coordination, either technical or financial, in relation to Unipol);
- Unipol Banca SpA and related directly controlled companies (Finitalia SpA and 6 securitisation companies);
- UnipolSai Investimenti SGR SpA.

All other companies, direct or indirect subsidiaries or associates of Unipol operating in other sectors and not instrumental to banking activities, are consolidated using the equity method.

The consolidated statement of financial position and consolidated income statement of the Unipol Banking Group at 31 December 2016 are provided below in the format envisaged in Bank of Italy Circular no. 262/2005, prepared in reference to the prudential banking supervision scope described above.

The statements are divided into three columns for easier comparison with the Unipol Group consolidated financial statements prepared according to the formats envisaged in IVASS Regulation no. 7/2007 and on a much wider consolidation scope, which includes all subsidiaries (except those considered insignificant as reported in the Notes to the Financial Statements).

The first column, "Unipol Consolidated Financial Statements at 31/12/2016 (restated for banking regulatory purposes)", indicates the consolidated amounts for the Unipol Group at 31 December 2016, calculated with application of the line-by-line consolidation method only for companies in the Unipol Banking Group and the equity method for all other Unipol Group companies (except for appropriate reclassifications for statements in different formats, these values correspond to the values seen in the third column "Unipol Consolidated Financial Statements at 31/12/2016 restated for consolidation method changes" included in the statements referred to in the next paragraph which were prepared for the purpose of reconciliation with the Unipol Group's consolidated statements).

The central column indicates the adjustments necessary to extend the consolidation scope to Finsoe, the controlling MFSG of the Parent Unipol.
Finsoe does not form part of the Unipol Banking Group but, as mentioned previously, Art. 11 of the CRR envisages compliance with obligations relating to consolidated supervision based on the consolidated financial position of the controlling MFSG, i.e. of Finsoe.

The third column, "Unipol Banking Group Consolidated Financial Statements at 31/12/2016 for prudential purposes", indicates the consolidated figures of the Unipol Banking Group determined for prudential purposes and including the holding company Finsoe in the consolidation.

Unipol Banking Group - Consolidated Statement of Financial Position

	Amounts in €m	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/2016	Adjustments	**Unipol Banking Group Consolidated for prudential purposes at 31/12/2016**
10	Cash and cash equivalents	89.5	0.0	89.5
20	Held-for-trading financial assets	2.1	0.0	2.1
30	Financial assets at fair value	0.0	0.0	0.0
40	Available-for-sale financial assets	979.0	0.0	979.0
50	Held-to-maturity financial assets	426.9		426.9
60	Receivables from banks	1,429.7	0.0	1,429.8
70	Receivables from customers	8,568.0	39.5	8,607.6
80	Hedging derivatives	0.0	0.0	0.0
100	Investments	5,979.7	(14.9)	5,964.8
120	Property, plant and equipment	17.1	0.0	17.1
130	Intangible assets	5.1	343.3	348.4
	of which: goodwill	*0.0*	*343.3*	*343.3*
	of which: other	*5.1*	*0.0*	*5.1*
140	Tax assets	718.0	0.0	718.0
	a) current	*4.6*	*0.0*	*4.6*
	b) deferred	*713.4*	*0.0*	*713.4*
	of which Law 214/2011	*558.7*	*0.0*	*558.7*
160	Other assets	380.0	(0.6)	379.4
	Total assets	**18,595.2**	**367.4**	**18,962.5**

	Amounts in €m	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/2016	Adjustments	**Unipol Banking Group Consolidated for prudential purposes at 31/12/2016**
10	Payables to banks	694.5	53.8	748.3
20	Payables to customers	7,578.0	(16.8)	7,561.2
30	Outstanding securities	4,099.1	475.0	4,574.1
40	Held-for-trading financial liabilities	15.7	(15.6)	0.0
60	Hedging derivatives	2.8	0.0	2.8
80	Tax liabilities	12.2	0.0	12.2
	a) current	*7.1*	*0.0*	*7.1*
	b) deferred	*5.0*	*0.0*	*5.0*
100	Other liabilities	460.4	2.8	463.2
110	Post-employment benefits	13.5	0.0	13.6
120	Provisions for risks and charges:	33.8	0.0	33.8
	a) pension funds and similar obligations	*0.0*	*0.0*	*0.0*
	b) other provisions	*33.8*	*0.0*	*33.8*
140	Valuation reserves	538.8	(367.5)	171.2
170	Provisions	(237.0)	252.3	15.4
180	Share premium reserve	1,679.9	(1,396.9)	283.0
190	Share capital	3,365.3	(2,265.3)	1,100.0
200	Treasury shares	(27.8)	27.8	0.0
210	Shareholders' equity attributable to non-controlling interests (+/-)	36.4	3,864.5	3,900.9
220	Profit (loss) for the year (+/-)	329.6	(246.8)	82.8
	Total liabilities and shareholders' equity	**18,595.2**	**367.4**	**18,962.5**

Unipol Banking Group - Consolidated Income Statement

	Amounts in €m	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/2016	Adjustments	**Unipol Banking Group Consolidated for prudential purposes at 31/12/2016**
10	Interest and similar income	314.5	0.2	314.7
20	Interest and similar expense	(165.5)	(21.1)	(186.6)
30	**Net interest income**	**149.0**	**(20.9)**	**128.1**
40	Commission income	151.1	(0.0)	151.1
50	Commission expense	(21.8)	(0.0)	(21.8)
60	**Net commission income**	**129.3**	**(0.0)**	**129.3**
70	Dividends and similar income	5.6	0.0	5.6
80	Net gains on trading	(16.5)	0.0	(16.5)
90	Net gains on hedges	0.0	0.0	0.0
100	Gains (losses) on disposal or repurchase of:	15.1	0.0	15.1
	a) receivables	*(2.4)*	*0.0*	*(2.4)*
	b) available-for-sale financial assets	*17.6*	*0.0*	*17.6*
	c) held-to-maturity financial assets	*0.0*	*0.0*	*0.0*
	d) financial liabilities	*(0.1)*	*0.0*	*(0.1)*
110	Net gains (losses) on financial assets and liabilities at fair value	(3.1)	2.8	(0.4)
120	**Gross operating income**	**279.5**	**(18.2)**	**261.3**
130	Net impairment losses/reversals on:	(89.1)	0.0	(89.1)
	a) receivables	*(80.0)*	*0.0*	*(80.0)*
	b) available-for-sale financial assets	*(10.8)*	*0.0*	*(10.8)*
	c) held-to-maturity financial assets	*0.0*	*0.0*	*0.0*
	d) other financial transactions	*1.7*	*0.0*	*1.7*
140	**Net financial income**	**190.3**	**(18.2)**	**172.1**
180	Administrative expenses:	(337.9)	(3.5)	(341.4)
	a) personnel expenses	*(183.3)*	*(0.9)*	*(184.2)*
	b) other administrative expenses	*(154.6)*	*(2.6)*	*(157.2)*
190	Net provisions for risks and charges	15.0	0.0	15.0
200	Net impairment losses/reversals on property, plant and equipment	(5.4)	(0.1)	(5.5)
210	Net impairment losses/reversals on intangible assets	(2.1)	0.0	(2.1)
220	Other operating expenses/income	40.5	1.5	42.0
230	**Operating expenses**	**(289.9)**	**(2.1)**	**(292.0)**
240	Gains (losses) on investments	408.1	(0.0)	408.1
250	Net gains/losses on FV measurement of property, plant and equipment and intangible assets	0.0	0.0	0.0
260	Value adjustments to goodwill	0.0	0.0	0.0
270	Gains (losses) on disposal of investments	(0.2)	0.0	(0.2)
280	**Pre-tax profit (loss) on continuing operations**	**308.3**	**(20.3)**	**288.0**
290	Income tax for the year on continuing operations	21.9	0.8	22.6
300	**Profit (loss) for the year on continuing operations after taxes**	**330.2**	**(19.6)**	**310.6**
310	Profit (loss) for the year on disposal groups	0.0	0.0	0.0
320	**Profit (loss) for the year**	**330.2**	**(19.6)**	**310.6**
330	Profit (loss) for the year attributable to non-controlling interests	(0.6)	(227.2)	(227.8)
340	**Profit (loss) for the year attributable to the Parent**	**329.6**	**(246.8)**	**82.8**

Restatement of the Unipol consolidated financial statements based on the Unipol Banking Group consolidation scope

Provided below are the consolidated statement of financial position and consolidated income statement of Unipol at 31 December 2016, prepared in the format pursuant to IVASS Regulation no. 7/2007, indicating the adjustments made following the change in consolidation method for subsidiaries not included in the Unipol Banking Group consolidation scope (change from line-by-line method to equity method) and subsequent post-adjustments restatement of the Unipol consolidated statements at 31 December 2016.
The first column, "Unipol Consolidated Financial Statements at 31/12/2016", shows the values taken from the Unipol Group Consolidated Financial Statements at 31 December 2016, prepared according to the usual formats envisaged in IVASS Regulation no. 7/2007 and applying the consolidation criteria illustrated in the notes to the financial statements (line-by-line consolidation for all subsidiaries except those considered insignificant; equity method for all others). The third column, "Unipol Consolidated Financial Statements at 31/12/2016 restated due to consolidation method changes", indicates the consolidated amounts calculated in reference to the same consolidation scope but with application of the line-by-line consolidation method only for companies in the Unipol Banking Group (the values in this column, except for appropriate reclassifications for statements in different formats, correspond to the values seen in the column "Unipol Consolidated Financial Statements at 31/12/2016 (restated for banking regulatory purposes)" included in the Unipol Group's consolidated statements provided in the previous paragraph). The central column shows the adjustments due to the different consolidation methods.

Consolidated Statement of Financial Position - Assets

		Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2016	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2016 restated due to consolidation method changes
1		**INTANGIBLE ASSETS**	**2,019.0**	**(2,006.7)**	**12.3**
	1.1	Goodwill	1,591.7	(1,591.7)	0.0
	1.2	Other intangible assets	427.3	(415.0)	12.3
2		**PROPERTY, PLANT AND EQUIPMENT**	**1,886.0**	**(1,870.1)**	**15.9**
	2.1	Property	1,648.8	(1,647.6)	1.1
	2.2	Other tangible assets	237.2	(222.5)	14.7
3		**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**878.0**	**(878.0)**	**0.0**
4		**INVESTMENTS**	**81,276.0**	**(63,893.7)**	**17,382.3**
	4.1	Investment property	2,223.8	(2,222.6)	1.2
	4.2	Investments in subsidiaries, associates and interests in joint ventures	85.6	5,894.2	5,979.7
	4.3	Held-to-maturity investments	1,319.3	(892.3)	426.9
	4.4	Loans and receivables	14,822.9	(4,829.6)	9,993.3
	4.5	Available-for-sale financial assets	52,539.6	(51,560.6)	979.0
	4.6	Financial assets at fair value through profit or loss	10,284.8	(10,282.7)	2.1
5		**SUNDRY RECEIVABLES**	**3,324.9**	**(3,194.5)**	**130.4**
	5.1	Receivables relating to direct insurance business	1,498.0	(1,498.0)	0.0
	5.2	Receivables relating to reinsurance business	99.7	(99.7)	0.0
	5.3	Other receivables	1,727.2	(1,596.8)	130.4
6		**OTHER ASSETS**	**2,010.0**	**(1,045.2)**	**964.8**
	6.1	Non-current assets or assets of a disposal group held for sale	207.8	(207.8)	0.0
	6.2	Deferred acquisition costs	90.5	(90.5)	0.0
	6.3	Deferred tax assets	1,007.9	(294.6)	713.4
	6.4	Current tax assets	36.1	(31.5)	4.6
	6.5	Other assets	667.6	(420.8)	246.8
7		**CASH AND CASH EQUIVALENTS**	**503.1**	**(413.5)**	**89.5**
		TOTAL ASSETS	**91,896.9**	**(73,301.7)**	**18,595.2**

Consolidated Statement of Financial Position - Shareholders' Equity and Liabilities

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2016	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2016 restated due to consolidation method changes
1	**SHAREHOLDERS' EQUITY**	**8,133.6**	**(2,448.4)**	**5,685.2**
1.1	**attributable to the owners of the Parent**	**5,648.8**	**0.0**	**5,648.8**
	Share capital and reserves attributable to the owners of the Parent	4,780.4	(0.0)	4,780.4
	Gains or losses recognised directly in equity	868.4	0.0	868.4
1.2	**attributable to non-controlling interests**	**2,484.8**	**(2,448.4)**	**36.4**
2	**PROVISIONS**	**480.7**	**(446.9)**	**33.8**
3	**TECHNICAL PROVISIONS**	**64,109.8**	**(64,109.8)**	**0.0**
4	**FINANCIAL LIABILITIES**	**16,897.9**	**(4,508.3)**	**12,389.6**
4.1	Financial liabilities at fair value through profit or loss	3,264.8	(3,246.4)	18.4
4.2	Other financial liabilities	13,633.0	(1,261.9)	12,371.1
5	**PAYABLES**	**954.9**	**(851.1)**	**103.8**
5.1	Payables arising from direct insurance business	150.4	(150.4)	0.0
5.2	Payables arising from reinsurance business	76.4	(76.4)	0.0
5.3	Other payables	728.1	(624.3)	103.8
6	**OTHER LIABILITIES**	**1,320.0**	**(937.1)**	**382.8**
6.2	Deferred tax liabilities	33.2	(28.2)	5.0
6.3	Current tax liabilities	53.1	(46.0)	7.1
6.4	Other liabilities	1,233.6	(862.9)	370.7
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**91,896.9**	**(73,301.7)**	**18,595.2**

Consolidated Income Statement

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2016	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2016 restated due to consolidation method changes
1.1	Net premiums	13,786.8	(13,786.8)	0.0
1.2	Commission income	142.7	8.5	151.1
1.3	Gains/losses on financial instruments at fair value through profit or loss	41.2	(47.6)	(6.3)
1.4	Gains on investments in subsidiaries, associates and interests in j-v	16.1	391.9	408.0
1.5	Gains on other financial instruments and investment property	2,762.7	(2,348.7)	414.0
1.6	Other revenue	472.4	(407.3)	65.2
1	**TOTAL REVENUE AND INCOME**	**17,221.9**	**(16,190.0)**	**1,031.9**
2.1	Net charges relating to claims	(12,094.4)	12,094.4	0.0
2.2	Commission expense	(42.6)	21.0	(21.6)
2.3	Losses on investments in subsidiaries, associates and interests in j-v	(3.2)	3.2	(0.0)
2.4	Losses on other financial instruments and investment property	(868.8)	539.1	(329.7)
2.5	Operating expenses	(2,746.9)	2,392.3	(354.5)
2.6	Other costs	(759.8)	741.9	(17.9)
2	**TOTAL COSTS AND EXPENSES**	**(16,515.6)**	**15,791.9**	**(723.8)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**706.3**	**(398.1)**	**308.2**
3	Income tax	(171.3)	193.2	21.9
	CONSOLIDATED PROFIT (LOSS)	**535.0**	**(204.9)**	**330.1**
	of which attributable to the owners of the Parent	**329.6**	**0.0**	**329.6**
	of which attributable to non-controlling interests	205.4	(204.8)	0.6

Equity and solvency ratios of the Unipol Banking Group

The following table summarises Equity and the solvency ratios of the Unipol Banking Group, calculated in accordance with the current supervisory regulations for banking groups (EU Regulation no. 575/2013) at 31 December 2016.

Amounts in €m	**31/12/2016**	**31/12/2015**
Equity		
CET1 capital net of regulatory adjustments	2,236.4	2,441.6
Additional Tier1 capital net of regulatory adjustments	83.4	55.6
TOTAL TIER 1 CAPITAL	**2,319.7**	**2,497.2**
T2 capital net of regulatory adjustments	256.4	345.9
TOTAL EQUITY	**2,576.1**	**2,843.2**
Risk-weighted assets		
Credit and counterparty risks	12,687.2	12,443.5
Market and regulatory risks	4.2	0.1
Operational risks	620.9	703.4
Other specific risks	0.0	0.0
TOTAL RISK-WEIGHTED ASSETS	**13,312.2**	**13,147.1**
Solvency ratios		
CET1 ratio	**16.8%**	**18.6%**
TIER1 ratio	**17.4%**	**19.0%**
TOTAL CAPITAL RATIO	**19.4%**	**21.6%**

CET1 takes into consideration the 2016 profit for the year, net of dividends planned in the proposed allocation of profit approved by the Board of Directors for the consolidated companies.

Please note that, following the supervisory review and evaluation process (SREP), the Bank of Italy, with its Measure of 16 December 2015, asked the Unipol Banking Group to meet consolidated capital requirements slightly higher than the regulatory minimums, raising the individual coefficients to the following percentage values (inclusive of the 2.5% capital conservation buffer):

- CET 1 ratio of at least 7.4% (rather than 7.0%);
- Tier 1 ratio of at least 8.9% (rather than 8.5%);
- Total capital ratio of at least 10.9% (rather than 10.5%).

Equity

Regulations in force for the supervision of banks and banking groups envisage that equity should be broken down into the following capital tiers:

- Tier 1 capital, in turn broken down into:
  - Common Equity Tier 1 (or CET1);
  - Additional Tier 1 (or AT1);
- Tier 2 capital.

The most important in significance and quality terms is CET1, mainly comprising equity instruments (ordinary shares subscribed and paid, net of any treasury shares), related issue premiums, income-related reserves, other comprehensive income, with the exclusion, in 2016, of 40% of the valuation reserves for available-for-sale financial instruments, which will be gradually included throughout the transitional period. Full calculation begins in 2018. The equity instruments included in the CET1 calculation must be readily usable without restrictions or delay to hedge risks or cover losses as and when they arise. The characteristics necessary for qualification as CET1 capital include the following:

- maximum level of subordination;

- irredeemability;
- absence of reimbursement privileges and incentives;
- option of suspending coupon and dividend payments at the discretion of the issuer, excluding cumulative rights, and without this being a cause of issuer default.

Prudential filters are applied to CET1 which aim to exclude the effect of certain types of profit and loss. For the Unipol Banking Group these exclude those deriving from cash flow hedge measurement.

The regulations also require that certain elements are deducted from CET1, of which the most important applicable to the Unipol Banking Group include:
- Goodwill, including that implicit in the value of investments, and other intangible assets net of related tax liabilities;
- Deferred tax assets, the recovery of which depends on future profitability deriving from temporary differences (less the part that exceeds the regulatory limit);
- Deferred tax assets, the recovery of which depends on future profitability and which does not derive from temporary differences (full deduction after entry into force, partial deduction in the transition period).

Breakdown of equity

The table below illustrates the breakdown of Equity at 31 December 2016, with separate indication of the effects of the transitional system.

Amounts in €m	**31/12/2016**	**31/12/2015**
A. Common Equity Tier 1 (CET1) before application of prudential filters	**3,314.0**	**3,237.8**
of which CET1 instruments subject to transitional rules		
B. CET1 prudential filters (+/-)	(0.1)	(0.3)
C. CET1 gross of deductible items and the effects of the transition system (A+/-B)	3,313.9	3,237.4
D. Items to be deducted from CET1	1,799.2	1,779.0
E. Transitionl system - Impact on CET1 (+/-), including non-controlling interests subject to transitional rules	721.6	983.2
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	**2,236.4**	**2,441.6**
G. Additional Tier 1 capital (AT1) gross of deductible items and the effects of the transition system	**136.9**	**135.2**
of which AT1 instruments subject to transition rules		
H. Items to be deducted from AT1		
I. Transition system - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to the effect of transition rules	(53.5)	(79.5)
L. Total Additional Tier1 (AT1) (G - H +/- I)	**83.4**	**55.6**
M. Tier 2 capital (T2) gross of deductible elements and the effects of the transition system	**144.8**	**139.1**
of which T2 instruments subject to transition rules		
N. Items to be deducted from T2		
O. Transition system - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to the effect of transition rules	111.5	206.9
P. Total Tier 2 capital (T2) (M - N +/- O)	**256.4**	**345.9**
Q. Total own funds (F + L + P)	**2,576.1**	**2,843.2**

A statement of reconciliation between regulatory equity and items of the consolidated statement of financial position used for the related calculation is provided below. For every equity component used in the calculation of Equity, the column "Financial statement item" indicates the reference item in the consolidated statement of financial position of the Unipol Banking Group in which the component is recognised.

Reconciliation between own funds and Consolidated Statement of Financial Position of the Unipol Banking Group

Financial statement item	*Amounts in €m*	31/12/2016	31/12/2015
Liabilities 190	Share capital (ordinary shares)	1,100.0	1,084.4
Liabilities 180	Share premium reserve	283.0	283.0
Liabilities 170	Reserves	15.4	(33.6)
Liabilities 140	Valuation reserves	171.2	198.2
Liabilities 210	Non-controlling interests included in Tier1 (excluding transitional effects)	1,679.3	1,656.7
Liabilities 220	Profit for the period	82.8	72.0
	Proposed dividends	(17.7)	(22.9)
	CET1 before regulatory adjustments	**3,314.0**	**3,237.8**
Liabilities 140	Exclusion of profit reserves generated by cash flow hedges	0.4	(0.3)
	Additional valuation adjustment (European Commission Delegated Reg. No. 101/2016)	(0.5)	0,0
	CET1 prudential filters	**(0.1)**	**(0.3)**
Assets 130	Deduction of intangible assets	(348.4)	(350.1)
Assets 100	Deduction of goodwill implicit in investments, net of related taxes	(1,442.7)	(1,420.9)
Assets 140 b)	Deduction of deferred tax assets dependent on future profitability, excluding those deriving from temporary differences	(8.1)	(8.0)
Assets 140 b)	Deduction of deferred tax assets deriving from temporary differences (amount higher than the limit set in Art. 48, paragraph 1, letter a) of the CRR)	0.0	0.0
	Items to be deducted from CET1	**(1,799.2)**	**(1,779.0)**
Assets 140 b)	Recovery of deferred tax assets deriving from temporary differences	0.0	0.0
Assets 140 b)	Partial recovery of other deferred tax assets dependent on future profitability	3.3	4.8
Liabilities 140	Exclusion of available-for-sale unrealised gains and losses	(69.0)	(112.5)
Liabilities 210	Non-controlling interests included in Tier1 as a result of the transition system	787.4	1,090.9
	Effects of transition system on CET1	**721.6**	**983.2**
	Common Equity Tier 1 - CET1	**2,236.4**	**2,441.6**
Liabilities 210	Tier 1 capital issued by subsidiaries and held by third parties	136.9	135.2
Liabilities 210	Tier 1 instruments issued by subsidiaries and included as a result of the transition system	(53.5)	(79.5)
	Additional Capital 1 - AT1	**83.4**	**55.6**
	Tier 1 capital (T1 = CET1 + AT1)	**2,319.7**	**2,497.2**
Liabilities 30	Tier 2 instruments issued by subsidiaries and held by third parties	144.8	139.1
	Tier 2 capital before regulatory adjustments	**144.8**	**139.1**
	Tier 2 instruments issued by associates and included in the transition system calculation	8.8	47.6
	Share of AFS unrealised gains and losses, including portion attributable to non-controlling interests, included as a result of the transition system	102.8	159.2
	Effects of transition system on T2	**111.5**	**206.9**
	Tier 2 capital (T2)	**256.4**	**345.9**
	Total Shareholders' Equity - Total Capital (TC = T1 + T2)	**2,576.1**	**2,843.2**

Tier 2 equity instruments are subordinated liabilities issued by Unipol Banca and held by third parties, the characteristics of which are summarised in the following table.

Tier 2 equity instruments

Issuer	Issue date	Maturity	Nominal issue value (amounts in €)	Fixed/floating coupons	Coupon rate (annual gross)	First early repayment date	Contribution to consolidated Shareholders' Equity (in €m)
Unipol Banca	15/01/2007	15/01/2017	85,000,000	Variable rate	Euribor 3-m (act/360) + spread 0.20%)	15/01/2012	0.5
Unipol Banca	15/01/2007	15/01/2017	15,000,000	Fixed rate	4.40%	15/01/2012	0.1
Unipol Banca	05/12/2007	05/12/2017	63,000,000	Variable rate	Euribor 3-m (act/360) + spread 0.30%)	05/12/2012	8.5
Unipol Banca	05/12/2007	05/12/2017	7,000,000	Fixed rate	4.80%	05/12/2012	1.0
Unipol Banca	24/08/2009	24/08/2019	25,000,000	Fixed rate	4.50%	24/08/2014	10.4
Unipol Banca	12/10/2009	12/10/2019	50,000,000	Fixed rate	4.50%	12/10/2014	21.9
Unipol Banca	17/12/2009	17/12/2019	300,000,000	Variable rate	Quarterly average Euribor 3-m (act/365) + 6.40%	N/A	111.8
Total Tier 2 instruments							**154.3**

Capital requirements

Qualitative information

The Unipol Banking Group is subject to the minimum regulatory capitalisation requirements defined in European and Italian regulations on prudential supervision.
A preliminary measure in the risk management process is the Risk Appetite definition, by which the Parent defines and formalises the risk objectives and any tolerance thresholds at Banking Group level, and - if considered appropriate for consistent pursuit and maintenance of the desired risk profile as part of the capital allocation process - also at the level of each company in the Banking consolidation. These indicators are governed in a specific document known as the *Risk Appetite Statement* and envisage at least the following elements:

- Capital at risk;
- Capital adequacy;
- Liquidity;
- Financial leverage;
- Compliance;
- Reputational and strategic risks;
- Operational risk.

The *Risk Appetite* definition process is associated with the definition process for the Business Plan and the Budget. This is an iterative process designed to gradually align the multi-year developments in income and equity variables with the risk management objectives.

Risk Appetite monitoring is performed quarterly and the results are reported to the Board of Directors. The total *Risk Appetite* is determined in line with the current and forward-looking capital adequacy assessment process contained in the ICAAP report.

The self-assessment process involves the following steps:

- risk identification: identification of the risks to which every company in the Banking Group is, or could be, exposed in relation to conducting its own business activities and to the reference markets, and identification of the significant risks to be assessed. This activity is performed in line with the RAF;
- current and forward-looking measurement of risks and the internal capital: measurement of significant Pillar I and II risks and the performance of stress tests, with subsequent calculation of the internal capital for each significant risk, or the capital requirement deemed necessary to cover losses correlated with each individual risk identified;

- current and forward-looking determination of the total internal capital: aggregation of the capital components of every risk to determine both the current and forward-looking total internal capital; the total internal capital represents the internal valuation of the total capital requirement in relation to all risks identified, integrated on a forward-looking basis to take into account strategic policies or actions in place or planned;
- reconciliation between total capital and regulatory capital: identification of the accounting items that make up the total capital and reconciliation with the equity components;
- current and forward-looking capital adequacy assessment: assessment of the capital ratios in line with Bank of Italy regulatory instructions and verification that equity is sufficient to cover the total capital, and assessment of the forward-looking capital adequacy;
- self-assessment of risk undertaking and management processes: indication of the governance, organisational and operational aspects underlying the risk undertaking-management process and definition of a summary opinion on the adequacy of the process;
- report preparation: gathering of information from the functions involved in the process and preparation of the final summary report;
- process compliance assessment: ongoing verification of the compliance of the entire process with external regulations;
- process review: verification of the approach, correct application of the process and its compliance with regulatory instructions;
- report examination: examination of the report by the Group's Risks Committee;
- report approval: presentation of the report to the Board of Directors for approval;
- reporting/monitoring: periodic monitoring of the actions taken to solve critical issues emerging from the self- assessment; periodic monitoring of the capital absorption level and the preparation of reports on control of the operating limits set after definition of the Risk Appetite and the strategic guidelines approved by the Board of Directors.

Significant risks, or those risks whose consequences can undermine Banking Group solvency or constitute a serious obstacle to achieving its objectives, are classified according to a method that takes account both of Group structure and the specific nature of the business managed by the Bank. These risks are:
- credit risk;
- counterparty risk;
- market risk;
- operational risk;
- *banking book* interest rate risk;
- liquidity risk;
- concentration risk;
- residual risk;
- compliance risk;
- strategic risk;
- reputational risk;
- financial leverage risk.

Risk identification starts with meticulous work performed continuously by the Parent's Risk Management department in coordination with the structures of the Banking Group companies, through:
i) continuous monitoring of business operations, the organisational structure, strategies and the adopted business model; *ii)* careful examination of the internal and external regulations, suitably enhanced by ongoing information gathering performed internally and externally by the department also through participation in trade and sector associations, specialist conferences, studies and research.

In order to determine the Total Internal Capital, the Banking Group deemed it appropriate to comply with the guidelines issued in Bank of Italy Circular 285/13, adopting the easiest calculation methods permitted to intermediaries in their class[17] for ICAAP purposes and applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority.

The capital adequacy assessments are performed in reference to the year-end position and the forward-looking position in line with budget forecasts. These assessments are conducted on three different levels, namely:
- Pillar I

[17] The Group qualifies as class 2: Banking groups and banks that use standardised procedures, with consolidated or individual assets exceeding €3.5bn.

- Pillar I + Pillar II
- Pillar I + Pillar II + Stress Test

The Total Internal Capital is determined by means of a building block approach, which consists in adding together the regulatory requirements for Pillar I risks, the internal capital for Pillar II risks and the results of stress tests (conducted on both risk classes).

With reference to the year-end position for 2016, the capital adequacy assessment shows the following position at Banking Group level:
- the capital ratios calculated according to prudential supervisory regulations show the following values (including conservation capital and further additional capital):
  - CET1 ratio 16.8%, against a requirement of 7.9%, of which 4.5% as the minimum regulatory requirement and 2.9% for the additional requirement (2.5% capital conservation buffer and 0.4% required by the Bank of Italy as a result of the periodic supervisory review and evaluation process - SREP);
  - Tier 1 ratio of 17.4% against a requirement of 8.9%;
  - Total capital ratio of 19.4% against a requirement of 10.9%.

With regard to 2016, the capital requirements are calculated by taking into account - amongst other things - the effects of transitional rules in application in the period under review.

Quantitative information

The table below shows the breakdown of capital requirements at 31 December 2016.

Capital requirements

Amounts in €m	Amounts not weighted	Amounts weighted	**Requirements**
A. REGULATORY CAPITAL REQUIREMENTS			
A.1 Credit risk and counterparty risk	**17,827.3**	**12,687.2**	**1015.0**
1. Standardised approach	17,827.2	12,687.1	1015.0
4. Securitisations	0.1	0.1	0.0
A.2 Credit risk - credit assessment adjustment		**0.0**	**0.0**
A.3 Regulatory risk		**0.0**	**0.0**
A.4 Market risk		**4.2**	**0.3**
1. Standardised approach		4.2	0.3
A.5. Concentration risk		**0.0**	**0.0**
A.6 Operational risk		**620.9**	**49.7**
1. Basic approach		620.9	49.7
A.7 Other prudential requirements		**0.0**	**0.0**
A.8 Total prudential requirements		13,312.2	1,065.0
B. SOLVENCY RATIOS (%)			
B.1 Common Equity Tier 1 ratio			**16.8%**
B.2 Tier 1 ratio			**17.4%**
B.3 Total capital ratio			**19.4%**

As regards the calculation of credit and market risks, the Unipol Banking Group uses the standardised approach. Operational risk is instead calculated using the basic approach.

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Capital requirements for Credit Risk and Counterparty Risk

The Unipol Banking Group uses the ECAI Moody's to calculate credit risk according to the standardised approach.

The choice of ECAIs applies to the following regulatory portfolios:

Portfolios	ECA/ECAI	Rating characteristics (*)
Exposure to central administrations and central banks	Moody's	Solicited and Unsolicited
Exposure to multilateral development banks	Moody's	Solicited and Unsolicited
Exposure to businesses and other parties	Moody's	Solicited
Exposure to UCITS	Moody's	Solicited
Positions in securitisations with a short-term rating	Moody's	-
Positions in securitisations other than those with short-term ratings	Moody's	-

(*) Solicited or Unsolicited

With regard to counterparty risk generated by OTC derivative transactions, the Group only uses hedging derivatives with leading counterparties on the market with which it has signed *Credit Support Annex* agreements.

The banking counterparty assignment process envisages that the proposal is assessed using a model that contemplates country risk, the counterparty rating, the credit derivative spread (if available) and the counterparty's capitalisation level. The assignment proposals and counterparty assessment are submitted to the Unipol Group's Credit Risks Committee, which expresses its mandatory but not binding opinion. The proposal then follows the normal decision-making process.

Regulatory portfolio

	Capital requirements	
Amounts in €m	**31/12/2016**	31/12/2015
Exposure to or guaranteed by central administrations and central banks	74.0	72.7
Exposure to or guaranteed by regional administrations or local authorities	0.1	0.1
Exposure to or guaranteed by public sector entities	2.7	1.6
Exposure to or guaranteed by multilateral development banks	0.0	0.0
Exposure to or guaranteed by international organisations	0.0	0.0
Exposure to or guaranteed by supervised intermediaries	14.6	16.9
Exposure to or guaranteed by businesses	174.3	171.9
Retail exposures	81.4	78.5
Exposures guaranteed by property	85.6	90.2
Exposures with default status	190.6	204.0
High-risk exposures	5.7	6.0
Exposures in the form of covered bonds	0.0	0.0
Short-term exposures to businesses or supervised intermediaries	0.0	0.0
Exposures to UCITS	1.1	1.1
Exposures to equity instruments	367.5	337.5
Other exposures	17.3	15.2
Exposures to central counterparties in the form of pre-financed contributions to the guarantee fund	0.0	0.0
Securitisation: positions towards securitisations	0.0	0.0
Total capital requirements for credit risk and counterparty risk (Standardised Approach)	**1,015.0**	**995.5**

Value adjustments to loans

Qualitative disclosure

Consistent with Supervisory regulations, "performing past due loans" are defined as cash and off-balance sheet exposures that are past due or unpaid for no more than 90 days, or past due or unpaid by more than 90 days provided that the past due portion does not exceed the significance threshold of 5% of exposure, calculated in accordance with applicable supervisory instructions governing the detailed technical calculation methods.

On the other hand, "impaired loans" are divided into the following risk categories:

- past due and/or unpaid (*past due*) by more than 90 days (other than exposures classed as bad and doubtful or unlikely to pay), with a past due portion exceeding the significance level of 5% (as determined above);
- unlikely to pay;
- bad and doubtful.

The recognition and classification of loans in certain risk categories is performed automatically by the Unipol Banca operating system, in accordance with criteria dictated by the Bank of Italy: these automated procedures refer to: *(i)* performing past due exposures; (*ii)* impaired past due exposures.
Classification as unlikely to pay, applied on the basis of additional criteria established by the Bank of Italy, is instead proposed and decided by the relevant corporate structures, as identified in internal regulations, based on specific customer position assessments. When the classification decision is made, a further estimate is made regarding the extent of expected losses based on available valuation elements (the equity, financial and economic position of the customer and the joint debtors, market trends, the deposit value of any guarantees, etc.) and on criteria established in internal *provisioning* regulations. The structures responsible for position management arrange periodic updates to the loss estimates as the position develops. The estimates form the calculation basis for any value adjustments to be recognised in the financial statements.

Unlike the action taken for impaired loans, the loss estimates for which originate from analytical valuation, performing exposures are subject to collective measurement.

The analytical valuation process for impaired loans consists in discounting (at the original effective interest rate) of cash flows expected by way of principal and interest, taking into account any guarantees assisting the loan. The negative difference between the present value of the loan and its carrying amount (amortised cost) at the time it is measured constitutes the estimated loss that results in a subsequent value adjustment being recognised in the income statement.

The original value of the loans is reinstated in subsequent years only in the event that the reasons that led to the estimated loss in question no longer exist. Impairment losses are recognised up to an amount not exceeding the carrying amount that it would have had if the amortised cost had been applied without prior adjustments.

Receivables for which there is no individual objective evidence of impairment are measured collectively according to standardised category of credit risk based on a matrix breakdown of customers by segment and rating classes assigned by the *Credit Rating System* (CRS) of CEDACRI (Unipol Banca *outsourcer*). The value of the intrinsic loss for each standardised category is calculated by applying probability of *default* (PD) and *Loss Given Default* (LGD) ascertained through analyses and estimates made available by CEDACRI on a consortium basis.

For Group companies that do not make use of the *outsourcer* CEDACRI, *performing* loans are measured collectively by standardised category of credit risk, identified on the basis of a matrix breakdown by customer segment and product type. The value of the intrinsic loss for each standardised category is calculated by applying percentage loss indices ascertained through time-series performance analysis of that category.

The loss estimates and subsequent value adjustments determined according to the collective measurement method are recognised in item 130 of the income statement. In subsequent periods any additional adjustments or reversals of impairment losses are determined using the differential method by reference to the entire loan portfolio measured as a whole.

The guarantees given by the Bank and commitments undertaken with third parties are measured analytically and collectively in a manner similar to that used for loan valuation.

Quantitative disclosure

Breakdown of credit exposure by portfolio and by credit quality (carrying amounts):

Amounts in €m

Portfolio/Quality	bad and doubtful	unlikely to pay	restructured exposures	impaired past due exposures	performing assets	**Total**
1. Available-for-sale financial assets		0.1			899.3	899.4
2. Held-to-maturity investments					426.9	426.9
3. Receivables from banks					1,429.8	1,429.8
4. Receivables from customers	1,127.4	767.3	145.3	168.2	6,399.3	8,607.5
5. Financial assets at fair value						
6. Discontinued financial assets						
Total 2016	**1,127.4**	**767.4**	**145.3**	**168.2**	**9,155.4**	**11,363.7**
Total 2015	1,128.8	925.3	122.4	436.5	8,232.6	10,845.6

Cash credit exposure to customers: total value adjustments trend

Amounts in €m

Reason/Category	**Bad and doubtful** Total	- of which subject to concession	**Unlikely to pay** Total	- of which subject to concession	**Past due exposures** Total	- of which subject to concession
Total adjustments - opening balance	**1,515.2**	**35.9**	**220.0**	**91.0**	**6.6**	**1.6**
- of which: exposures transferred but not written off	39.3	0.1	1.2	0.1	0.0	0.0
B. Increases	**201.4**	**24.4**	**57.0**	**15.3**	**5.0**	**1.5**
B.1 value adjustments	162.3	3.8	45.4	15.2	5.0	1.5
B.2 losses on disposal	0.2	0.0	2.3	0.0	0.0	0.0
B.3 transfers from other classes of impaired exposures	36.0	20.6	3.8	0.1	0.0	0.0
B.4 other increases	2.9	0.0	5.5	0.0	0.0	0.0
C. Decreases	**192.5**	**3.0**	**81.5**	**42.1**	**6.3**	**1.2**
C.1 reversals of unrealised losses	52.6	1.9	23.6	15.0	2.0	1.0
C.2 reversals on collection	3.6	0.0	10.8	6.0	0.6	0.1
C.3 gains on disposal	0.0	0.0	0.0	0.0	0.0	0.0
C.4 write-offs	134.4	1.1	0.3	0.0	0.0	0.0
C.5 transfers to other classes of impaired exposures	1.0	0.0	43.4	21.1	3.4	0.1
C.6 other decreases	0.8	0.0	3.3	0.0	0.3	0.0
D. Total adjustments - closing balance	**1,524.1**	**57.3**	**195.5**	**64.2**	**5.3**	**1.9**
- of which: exposures transferred but not written off	*41.7*	*0.0*	*0.9*	*0.0*	*0.0*	*0.0*

Cash credit exposure to customers: coverage ratio

The following table illustrates the coverage ratio of cash credit exposure to customers.

Amounts in €m	**Gross exposure**	**Total value adjustments**	**Net exposure**	**Coverage ratio**
Bad and doubtful	2,651.4	1,524.1	1,127.4	57.5%
- of which subject to concession	*86.4*	*57.3*	*29.0*	*66.4%*
Substandard	957.5	190.2	767.3	19.9%
- of which subject to concession	*434.6*	*64.2*	*370.3*	*14.8%*
Impaired past due exposures	150.6	5.3	145.3	3.5%
- of which subject to concession	*68.6*	*1.9*	*66.7*	*2.7%*
Other loans	6,612.2	44.6	6,567.6	0.7%
- of which subject to concession	*301.8*	*6.4*	*295.4*	*2.1%*
Total receivables from customers	**10,371.7**	**1,764.1**	**8,607.6**	**17.0%**
- of which subject to indemnity	*1,028.7*	*708.8*	*319.9*	*68.9%*

The line "of which subject to indemnity" summarises the values for cash credit exposures covered by an indemnity agreement between the Parent Unipol and the subsidiary Unipol Banca, details of which are provided in the following paragraph.

Credit indemnity agreement between the Parent Unipol and the subsidiary Unipol Banca

As part of the capital consolidation transactions of the subsidiary Unipol Banca, in 2011 the Parent Unipol signed indemnity agreements with Unipol Banca and Unipol Merchant (a company at that time a subsidiary of Unipol Banca, whose business activities were involved in a partial spin-off to Unipol Banca and which was later merged into the latter), effective from 30 June 2011 and relating to a certain credit limit, largely mortgage-related, for a total of €547m at that date. The agreements were subsequently amended and extended to extra net loans. In particular:

- on 10 February 2012, with effect from 31 December 2011, the agreement was extended to additional loans for a value of €47.7m;
- on 7 August 2014, with effect from 30 June 2014, the original arrangements contained in separate agreements were incorporated with amendments into a single Indemnity Agreement, and the indemnity provisions were extended to additional net loans for €192m;
- on 11 February 2015, with effect from 31 December 2014, the Indemnity Agreement was again extended to additional net impaired loans for a value of €201m.

Under the Indemnity Agreement, Unipol is committed to paying Unipol Banca the principal and interest amounts (only the portion already accrued at the starting date of the related indemnity commitment) relating to the aforementioned credit positions that the Bank is unable to collect after all possible credit recovery action has been taken, including legal action, as envisaged by law, up to the maximum amount (capital and interest) equal to the carrying amount of these loans at the start date of the related indemnity commitment (Maximum Guaranteed Amount). The Maximum Guaranteed Amount reduces by an extent equal to collections obtained by Unipol Banca in relation to the loans subject to indemnity.
As a result of the extensions listed above and taking into account any payments received in the meantime, the Maximum Guaranteed Amount owed by the Parent Unipol totalled €820m at 31 December 2016. The agreement will be valid until 31 December 2024 or until the date, if earlier, that *i)* Unipol Banca receives full repayment of the loans or *ii)* the Maximum Guaranteed Amount equals zero.

Against the commitments undertaken by Unipol, Unipol Banca pays Unipol a quarterly commission of 0.75% calculated on an amount corresponding to Unipol's existing commitment (this particularly high percentage entered into force on 1 January 2014, compared to the 0.25% quarterly commission agreed originally). The total commission due to Unipol for 2016 was €26m (€26.7m in 2015).

In relation to the Indemnity Agreement, the separate financial statements of the Parent Unipol at 31 December 2016 recognised a provision for risks totalling €590.7m (€567m at 31/12/2015), of which €586.9m for cash exposures and €3.8m for unsecured exposures (€562.7m and €4.3m at 31/12/2015, respectively), with a negative impact on the 2016 income statement of €23.8m (€100m in 2015).
The following table provides details of the loans portfolio subject to indemnity and the related coverage.

Amounts in €m	**Gross exposure**	**Bank adjustments**	**Parent adjustments**	**Total adjustments**	**Net exposure**	**Coverage ratio**
bad and doubtful	909.2	118.9	546.7	665.5	243.7	73.2%
- of which subject to concession	39.4	1.5	31.2	32.7	6.8	82.8%
unlikely to pay	119.5	3.0	40.2	43.3	76.3	36.2%
- of which subject to concession	36.4	0.2	16.4	16.6	19.8	45.6%
Other loans	0.0	0.0	0.0	0.0	0.0	0.0%
Total	**1,028.7**	**121.9**	**586.9**	**708.8**	**319.9**	**68.9%**

In addition to the cash exposures mentioned above, the agreement also covers the following unsecured exposures.

Amounts in €m	**Gross exposure**	**Bank adjustments**	**Parent adjustments**	**Total adjustments**	**Net exposure**	**Coverage ratio**
Bad and doubtful	3.8	0.0	3.8	3.8	0.0	98.8%
Unlikely to pay						
Other impaired assets						
Performing exposures						
Total	**3.8**	**0.0**	**3.8**	**3.8**	**0.0**	**98.8%**
- of which subject to indemnity	*3.8*	*0.0*	*3.8*	*3.8*	*0.0*	*98.8%*

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

Statement on the Consolidated Financial Statements

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH ART. 81-ter OF 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 consolidated financial statements for the period 1 January 2016 - 31 Decamber 2016.

2. The assessment of the adequacy of the administrative and accounting procedures for preparing the consolidated 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 consolidated financial statements at 31 December 2016:
   - were drafted in compliance with the International Accounting Standards recognised in the European Community in accordance with EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002, and Legislative Decree no. 38/2005, Legislative Decree no. 209/2005 and the applicable IVASS provisions, regulations and circulars;
   - 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 and of the consolidated companies;

   3.2. the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer and the group of consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Bologna, 23 March 2017

The Chief Executive Officier
Carlo Cimbri

The Manager in charge of
financial reporting
Maurizio Castellina

(signed on the original)

INDEPENDENT
AUDITORS' REPORT

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 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

We have audited the accompanying consolidated financial statements of Unipol Gruppo Finanziario SpA and its subsidiaries ("Unipol Group"), which comprise the statement of financial position as at 31 December 2016, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Unipol Gruppo Finanziario SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree N° 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

PricewaterhouseCoopers SpA

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Unipol Group as at 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 90 of Legislative Decree N° 38/2005.

REPORT ON COMPLIANCE WITH OTHER LAWS AND REGULATIONS

Opinion on the consistency with the consolidated financial statements of the annual integrated 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 annual integrated 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 No. 58/1998, which are the responsibility of the directors of Unipol Gruppo Finanziario SpA, with the consolidated financial statements of the Unipol Group as at 31 December 2016. In our opinion, the annual integrated report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Unipol Group 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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