2016 Consolidated Financial Statements

CLOSE
TO REALITY.
TOGETHER
BEYOND NUMBERS.

UnipolSai
ASSICURAZIONI

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Consolidated Financial Statements
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In 2016 the Unipol 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.

UnipolSai Assicurazioni defined its own future as part of this master design: the most important assets on which to focus over the three years, maintaining its leadership in MV TPL and creating products with a strong service content, constantly adapting its product mix to needs and demand as they evolve.

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.

Close to reality, together beyond numbers. This is the sense of UnipolSai's commitment, as well that of the entire Group. For Unipol, for us, a geographical network, presence and proximity are decisive factors founded on in-depth awareness of the world which we live in. Distinguishing features, which enable us to combine long-term sustainable profitability with the creation of value for everyone: stakeholders and community.

Contents

Company bodies

BOARD OF DIRECTORS	CHAIRMAN	Carlo Cimbri	
	VICE CHAIRMEN	Fabio Cerchiai	
		Pierluigi Stefanini	
	DIRECTORS	Francesco Berardini	Maria Rosaria Maugeri
		Milva Carletti	Maria Lillà Montagnani
		Paolo Cattabiani	Nicla Picchi
		Lorenzo Cottignoli	Giuseppe Recchi
		Ernesto Dalle Rive	Elisabetta Righini
		Giorgio Ghiglieno	Barbara Tadolini
		Salvatore Lauria	Francesco Vella
		Massimo Masotti	
	SECRETARY OF THE BOARD OF DIRECTORS	Roberto Giay	
GENERAL MANAGER		Matteo Laterza	
BOARD OF STATUTORY AUDITORS	CHAIRMAN	Paolo Fumagalli	
	STATUTORY AUDITORS	Giuseppe Angiolini	
		Silvia Bocci	
	ALTERNATE AUDITORS	Domenico Livio Trombone	
		Luciana Ravicini	
		Donatella Busso	
INDEPENDENT AUDITORS		PricewaterhouseCoopers SpA	
MANAGER IN CHARGE OF FINANCIAL REPORTING		Maurizio Castellina	

Introduction

Macroeconomic background and market performance

Macroeconomic background

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

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

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

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

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

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

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

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

In 2016, the Italian economy achieved a growth rate of approximately 0.9%. The key factors underlying this result were a less restrictive fiscal policy and the consequent recovery in domestic demand, in particular in the durable goods sector. However, the results observed on the employment front are still contradictory: in December, 242 thousand new jobs were recorded compared to the figure of twelve months before, however the general unemployment rate rose to 12% and the youth unemployment rate returned above 40%. The result of the constitutional referendum led to the collapse of the government, quickly replaced by a new administration. Different political questions remain open, including the revision of the electoral law that will have to be drafted on the basis of the recent decision of the Constitutional Court. In the meantime, the full extent of the problem of impaired loans affecting the Italian banking system, inherited from a recession that lasted until 2014, emerged. This called for public intervention which, in compliance with European regulations, sought to forestall the risk of contagion. In total, the government set aside €20bn in support for banks in difficulty.

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. Though this is not an immediate threat, the gradual increase in rates, also involving Italian government security yields, is destined to have an impact on the expense to service the debt, restricting the degree of freedom of the government's fiscal policy.

Financial markets

In 2016 there was a general downward shift in the interest rate curve on the money market, hitting a low during the summer and later bouncing back in the final quarter, but failing to return to the 2015 year-end levels. A similar curve was seen for German securities. Italian government security rates showed a more marked upward trend after the summer, reaching values higher than those of the end of 2015 for securities maturing in more than 5 years. Thus, in the past year, the spread between Italian and German securities rose across all maturities, from 34 points for the two-year security (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. This trend reflects the divergent monetary policies pursued on the two sides of the Atlantic, as well as, since the US election results, the overlapping effects of the more expansive fiscal policy and the resulting acceleration of monetary restriction in the USA.

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

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

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

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

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

Insurance sector

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

There was a 1.6% decrease in activity on the Non-Life business (including cross-border operations), in the first three quarters of 2016, with respect to the same period in 2015. The decline was concentrated in the MV segment, where motor vehicle TPL was down 5.9%. This result seems due to the high rate of competition of the sector, as a result of which, according to Ania data, premiums decreased by slightly more than 5% on average for the year. This decline cannot be explained by the trend of claims frequency, as this recorded a 0.06% increase in the first three quarters of 2016: this parameter has recorded small, but constant, increases for seven quarters in a row. On the contrary, in the Land Vehicle Hulls business, there was a 5.5% increase in turnover, with support provided by the good performance of the automotive market (+16% new vehicle registrations in 2016).

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

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

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

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

Pension funds

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

Banking sector

In 2016, the problem of impaired loans afflicting the Italian banking system emerged in all its severity. Experience with the application of "bail in" to four local banks, in hardship at the end of 2015, induced marked risk aversion, which manifested itself through a phase of a severe volatility of the sector's index. The unsuccessful outcome of the stress tests administered by the European Central Bank on Monte dei Paschi di Siena in July and the failure of the capital

increase directed at individuals in December forced the government to intervene. Shortly before Christmas, the Council of Ministers approved an allocation of €20bn to strengthen the Italian banking sector.
As at the end of November 2016, loans to non-financial companies decreased by 1% on the end of 2015, while loans to households increased by 0.7%, due to growth in the transactions in the real estate market and to the good health of durable consumer goods. The overall stagnation of loans also dragged down direct deposits, which declined by 1.5%. The most rapidly declining form was bonds (-10% compared to December 2015).
Funding from abroad contracted by 5.3%, while the securities portfolio grew by more than €6bn (+0.9% compared to the end of 2015). It should be stressed that the component of Italian government bonds declined only by a modest amount, to €382.8bn, versus approximately €390bn at the end of 2015.
In November, the total amount of gross bad and doubtful loans returned above €199bn after reaching a low of €196bn in February: net of impairments, the total is slightly above €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 were down: borrowing costs for new loans to non-financial companies declined from 1.92% in December 2015 to 1.56% in November 2016 and the rate applied on home purchase loans to households decreased from 2.50% at the end of 2015 to 2.05% eleven years later. With regard to direct deposits, there was only a slight decrease in the rates paid on newly acquired funds: on term deposits, they reached 0.98% in November 2016 (1.22% in December 2015); for repurchase transactions the decline was approximately by 12 basis points (from 0.53% to 0.41%). The average rate on the balance of the bonds issued declined from 2.94% in December 2015 to 2.75% in November 2016.

Real Estate market

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

Main regulatory developments

Main Measures and Regulations issued by IVASS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Update to Consob regulations

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

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

In line with the amendments made in the reference regulatory framework, starting in 2017 the UnipolSai 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 193 of 22 October 2016 converted with Law 225 of 1 December 2016 ("Connected to the 2017 Budget Law")</u> which 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 232 of 11 December 2016 ("2017 Budget Law")</u>, which 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

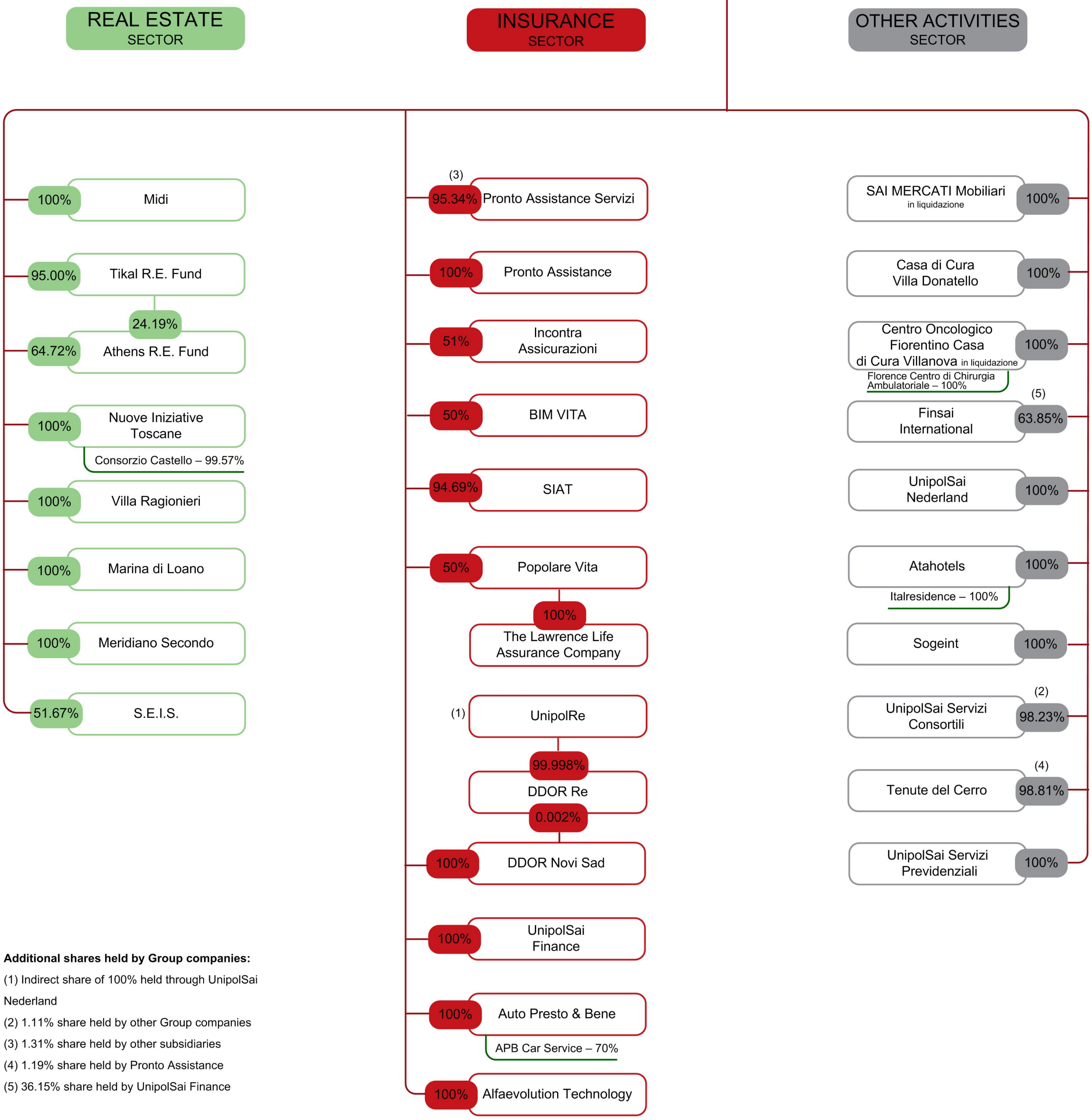
corporate assets and for the realignment of the civil and fiscal values; the extension of the terms for the facilitated assignment of the assets to shareholders.

The Consolidated financial statements of UnipolSai Assicurazioni SpA are subject to an audit by independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2013/2021 period.

Consolidation Scope at 31 December 2016

(direct holding out of total share capital)

For more details see the table appended to the Notes "Consolidation Scope"



Additional shares held by Group companies:

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

(2) 1.11% share held by other Group companies

(3) 1.31% share held by other subsidiaries

(4) 1.19% share held by Pronto Assistance

(5) 36.15% share held by UnipolSai Finance

MANAGEMENT REPORT

Group highlights

Amounts in €m	31/12/2016	31/12/2015
Non-Life direct insurance premiums	7,218	7,334
% variation	*(1.6)*	*(12.9)*
Life direct insurance premiums	5,279	6,648
% variation	*(20.6)*	*(12.3)*
of which Life investment products	585	584
% variation	*0.1*	*n.s.*
Direct insurance premiums	12,497	13,982
% variation	*(10.6)*	*(12.7)*
Net gains on financial instruments (*)	1,580	2,048
% variation	*(22.8)*	*14.8*
Consolidated profit (loss)	527	738
% variation	*(28.5)*	*(5.8)*
Balance on the statement of comprehensive income	325	488
% variation	*(33.5)*	*(64.0)*
Investments and cash and cash equivalents	63,261	63,291
% variation	*(0.0)*	*0.7*
Technical provisions	55,816	56,095
% variation	*(0.5)*	*(0.2)*
Financial liabilities	4,681	3,897
% variation	*20.1*	*2.2*
Shareholders' Equity attributable to the owners of the Parent	6,156	6,278
% variation	*(1.9)*	*(0.3)*
UnipolSai Assicurazioni SpA Solvency II ratio - Partial Internal Model	243%	n.d.
No. Staff	10,280	9,951

(*) 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

Alternative performance indicators[1]

	classes	31/12/2016	31/12/2015
Loss ratio - direct business (including OTI ratio)	Non-Life	67.0%	65.4%
Expense ratio (calculated on written premiums) - direct business	Non-Life	28.7%	28.5%
Combined ratio - direct business (including OTI ratio)	Non-Life	95.7%	93.9%
Loss ratio - net of reinsurance	Non-Life	68.0%	66.4%
Expense ratio (calculated on premiums earned) - net of reinsurance	Non-Life	28.5%	28.2%
Combined ratio - net of reinsurance (*)	Non-Life	96.5%	94.6%
Premium retention ratio	Non-Life	94.1%	94.0%
Premium retention ratio	Life	99.8%	99.8%
Premium retention ratio	Total	96.3%	96.6%
Group pro-rata APE (amounts in €m)	Life	547	568
Expense ratio - direct business	Life	4.8%	4.5%
Expense ratio - net of reinsurance	Life	4.8%	4.8%

(*) with expense ratio calculated on premiums earned

[1] These indicators are not defined by accounting rules; rather, they are calculated based on economic-financial procedures used in the sector.
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.
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.
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 reinsurance, is concerned.
Combined ratio: indicator that measures the balance of Non-Life technical management, represented by the sum of the loss ratio and the expense ratio.
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.
The 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.

1 Management Report

Management Report

Significant events during the year

2016-2018 Business Plan approved

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

1. Innovative and distinctive offer

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

2. Simplified customer and agent experience

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

3. More effective physical distribution

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

4. Excellence of the business operating mechanism

Internal organisation, processes and technology are key factors of the Plan. More specifically, important changes are envisaged for claims settlement processes, with the support of online data, as well as rendering the recruitment process more efficient and automating sales processes.
In terms of *information technology*, investments of around €150m are envisaged over the three-year period, with a view to improving service quality and cutting costs, while training programmes for employees and agents will be the

focus of UNICA - Unipol Corporate Academy, the single training centre for the entire Group, operational since March 2016.

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

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

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.

Merger by incorporation of Dialogo in liquidazione into UnipolSai

On 28 December 2016 the deed of merger by incorporation of Dialogo in liquidazione into UnipolSai Assicurazioni was signed, with legal effects from 31 December 2016 and accounting and tax effects from 1 January 2016.

Start of Alfaevolution Technology

On 1 March 2016, Alfaevolution Technology, established on 28 December 2015, started operating. This company manages ITC services ("black boxes") connected to insurance policies. Through this company the Group intends to achieve the following strategic objectives:

- providing analysis in support of the calculation of tariffs and ensure greater effectiveness in the claims settlement processes for the MV TPL classes;
- monitoring changes in the technological standard of the devices, steering the selection of suppliers and models, with the concurrent improvement of cost efficiency;
- improving the quality of customer service.

The Company operates in the main sectors of insurance telematics (MV, Home, Health) and collaborates with the different companies of the Group to provide customers with advanced services, in accordance with the Business Plan. In the MV segment, only 10 months after its inception Alfaevolution exceeded 3 million customers equipped with telematic box and in the Non-MV segment it started marketing the UniboxL@voro insurance product, it launched the LinearBox product, and by mid-2017 it will expand its commercial offering with telematic insurance products for the Home (UniboxC@sa), Motorcycles and Pets.

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

On 29 December 2016, the subsidiary Atahotels and the affiliated UnipolSai Investimenti SGR (the latter on behalf of the Real Estate Investment Fund Athens R.E. Fund) began execution of the agreements on 25 May 2015 with Una Hotels SpA ("Una") regarding the acquisition, with two separate transactions, respectively of the hotel management unit of Una, for a provisional price of €29m, and of the corresponding property portfolio held for hotel purposes, for a price of €259m.
The execution of the two transactions began after obtaining the necessary approval from the competent authorities and after endorsement of Una's debt rescheduling agreement.

Through the aforementioned acquisition, Atahotels became the **new national leader in the Italian hotel sector**, with 43 facilities (both business and leisure), 5,500 rooms and with an aggregate turnover of approximately €120m.

Support plan for communities hit by the earthquake

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

Establishment of Leithà

On 22 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.

Velasca progetto design idee sotto la torre (Velasca ideas under the tower design project): the winner is BRUTA, the project of Scuola Politecnica di Design

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 within the *Urban Up* project, in collaboration with Lissoni Architettura SpA. The goal was to showcase and promote young designers' creativity, in line with all the values represented by Torre Velasca, which has been a symbol of innovation for over 50 years.
For the Unipol Group, owner of the property since 2012, returning Torre Velasca to its central status is an important part of its strategy of showcasing this unique architectural landmark in the Milan skyline. This process started with Opening Velasca at the time of the Expo and its objective from the start has been to return Torre Velasca to the centre of the cultural debate, restoring its status as one of the most prominent landmarks in Milan but also in Italy and internationally. With the Velasca Progetto Design - Idee sotto la Torre Contest, the Unipol Group continues in the direction of showcasing and promoting this important building.
Torre Velasca is included in the Unipol Group's project dedicated to the requalification of the Group's properties and directed at showcasing some of the most important buildings in the Italian architectural landscape.

UnipolSai Assicurazioni main sponsor of the Italia Olympic Team for the 2016 Olympics

UnipolSai Assicurazioni was a **main sponsor of the Italia Olympic Team** for the 2016 Olympics in Rio, the most prestigious sporting event in the world; for this occasion, a communication campaign was launched to stress the company's closeness to people and sport. The 2016 Rio Olympic Games were the most important moment of the three-year agreement between UnipolSai and CONI (Italian National Olympic Committee) started in January 2015.

Operating performance

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

More precisely, in the **Non-Life sector**, actions meant to reinvigorate the product lines supported a recovery in premiums in the Non-MV classes and 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, 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 Technology 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 €7,218m (€7,334m at 31/12/2015, -1.6%). More precisely, MV TPL premiums stood at €3,464m, down 5.2% compared to 2015. A slight recovery was reported in the Land Vehicle Hulls class, with premiums equal to €618m (+2.7%), while the Non-MV segment recorded premiums of €3,135m, up 1.8%.
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, merged since 1 January 2016), of which €4,042m in the MV classes (-3.8%) and €2,919m in the Non-MV classes (+1.2%).
Of the subsidiary companies in the Non-Life business, SIAT, which specialises in the Sea Vehicles segment, recorded €115m in premiums, up by 13.7%. In the last quarter, production of the subsidiary Incontra (a joint venture with Unicredit) accelerated to €69m, +8.6%, while the Serbian company DDOR grew by 5.0%, with premiums reaching €72m.

As regards Non-Life claims, the positive trend seen in the Non-MV classes, which were marginally impacted by the serious earthquake events that took place in Central Italy in the second half-year, 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.
At 31 December 2016, the loss ratio for direct business (including the balance of other technical items) was 67.0% versus 65.4% at 31 December 2015.
The expense ratio of direct business was substantially in line with the same period of the previous year (28.7% versus 28.5%); the decline in the overhead component limited the effects of the drop in premiums and of the increases 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 (direct business) was 95.7%, versus 93.9% 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 €5,279m, down 20.6% on 2015. With reference to the bancassurance channel, the Popolare Vita Group, which reported premiums of €2,130m, recorded a decrease of 30%, while BIM Vita, which recorded premiums of €99m, recorded a fall of 37.4%. UnipolSai achieved direct premiums of €3,042m (-11.6% considering the premiums of Liguria Vita, merged since 1/1/2016, in the data at 31/12/2015).

New business in terms of APE, net of non-controlling interests, amounted to €547m (€568m at 31/12/2015, -3.6%), of which €164m contributed by bancassurance companies and €384m 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 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 3.7% of invested assets, of which 3.6% relating to the coupons and dividends component. It should be remembered that the returns recorded in 2015 (5.0%) were significantly influenced by capital gains, partly resulting from the forward sale of several securities.

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 on the basis of the revised independent valuation reports, mostly relating to certain assets undergoing disposal or awaiting short/medium-term enhancement.

As regards the results of companies in other areas of the Group's operations, the commercial development continues of the **diversified companies** in accordance with strategies outlined in the respective business plans. Of note, in particular, is the positive conclusion of the acquisition of the hotel management business and of the property of Una SpA, already commented among the main events of the year and also illustrated below in segment reporting.
On the other hand, it is worth mentioning the liquidation in 2016 of Centro Oncologico Fiorentino, given the impossibility of making the company's operations economically sustainable.

Salient aspects of business operations

The Consolidated Financial Statements of the UnipolSai Group at 31 December 2016 ended with a net **profit equal to €527m**, (€738m at 31/12/2015, which included significant financial gains, not repeated in the current year), net of taxation for the 2016 period for €153m.

The **solvency situation of UnipolSai SpA** at 31 December 2016, calculated according to Solvency II Partial Internal Model provisions, presented a ratio between available capital and required capital equal to 2.43[2]. UnipolSai, though being an insurance holding company of other insurance and reinsurance companies, is not required to calculate the solvency of the Group pursuant to IVASS Regulation no. 22 of 1 June 2016. In turn UnipolSai is a subsidiary of Unipol, which qualifies, pursuant to the transitional provisions set forth in the mentioned IVASS Regulation no. 22, as the "Ultimate Italian holding company" to which the provisions regarding the Group supervision apply pursuant to Art. 210 and subsequent articles of the Private Insurance Code.

The **Insurance sector** contributed €559m to consolidated net profit (€815m at 31/12/2015), of which €310m related to Non-Life business (€578m at 31/12/2015), and €250m related to Life business (€237m at 31/12/2015).
The results of the other sectors in which the Group carries out business are as follows:
- the **Other Businesses sector** recorded a -€14m loss (-€9m at 31/12/2015);
- the **Real Estate sector** recorded a -€18m loss (-€69m at 31/12/2015).

Among the other important factors that marked the performance of the Group, we note the following:

- **direct insurance premiums**, gross of reinsurance, totalled €12,497m (€13,982m in 2015, -10.6%). Non-Life direct premiums amounted to €7,218m (€7,334m in 2015, -1.6%) and Life direct premiums €5,279m (€6,648m in 2015, -20.6%), €585m of which related to Life investment products (€584m in 2015);

- **premiums earned**, net of reinsurance, were €11,558m (€13,095m in 2015), of which €6,871m from the Non-Life business (€7,040m in 2015) and €4,686m from the Life business (€6,055m in 2015);

- **net charges relating to claims**, net of reinsurance, were €9,850m (€11,419m in 2015), of which €4,558m in the Non-Life business (€4,579m in 2015) and €5,291m in the Life business (€6,840m in 2015), including €125m of net gains on financial assets and liabilities at fair value (€166m in 2015);

- the **loss ratio** of the direct Non-Life business was 67.0% (65.4% in 2015);

- **operating expenses** were €2,359m (€2,422m in 2015). In the Non-Life business they amounted to €2,039m (€2,049m in 2015), in the Life business €270m (€331m in 2015), in the Other Businesses sector €54m (€50m in 2015) and in the Real Estate sector €12m (€13m in 2015);

- the **combined ratio** of direct Non-Life business was 95.7%, (93.9% in 2015);

- **net gains on investments and financial income** from financial assets and liabilities (excluding net gains on financial assets and liabilities at fair value related to the Life business) were €1,580m (€2,048m in 2015);

- the **gross profit** came to €681m (€1,044m in 2015), after write-downs of property, loans and receivables and available-for-sale assets amounting to €147m (€160m in 2015), and amortisation of intangible assets amounting to €70m (€89m in 2015);

- **taxes** for the year represented a net expense of €153m (€306m in 2015). The tax rate for 2016 was 22.5% (29.3% in 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;

[2] Value determined on the basis of the information available as of today. For more information on the Company's solvency situation reference is made to chapter "Disclosure on Solvency II prudential supervision" included in the Management Report accompanying the 2016 Financial Statements of UnipolSai Assicurazioni SpA

- net of the €30m profit attributable to non-controlling interests, the **profit attributable to the owners of the Parent** at 31 December 2016 **was €497m** (€711m in 2015);

- **gross profit** just for the fourth quarter of 2016 was €76m (profit of €186m in the fourth quarter of 2015);

- the **comprehensive income** amounted to €325m (€488m in 2015), despite the decrease in the reserve for gains or losses on available-for-sale financial assets for €153m (decrease for €268m in 2015);

- **investments and cash and cash equivalents** amounted to €63,261m (€63,291m at 31/12/2015), after having reclassified €208m under assets held for disposal, pursuant to IFRS 5 (€17m at 31/12/2015) relating to properties for which the owner Companies started disposal activities or for which the related preliminary sales contracts have already been executed;

- **technical provisions** and **financial liabilities** amounted to €60,497m (€59,992m in 2015).

A summary of the Consolidated Income Statement at 31 December 2016 is illustrated below, broken down by business segment: Insurance (Non-Life and Life), Other Businesses and Real Estate, compared with the figures at 31/12/2015.

Condensed Consolidated Operating Income Statement broken down by business segment

Amounts in €m	NON-LIFE BUSINESS			LIFE BUSINESS			INSURANCE SECTOR		
	31/12/16	31/12/15	% var.	31/12/16	31/12/15	% var.	31/12/16	31/12/15	% var.
Net premiums	6,871	7,040	*(2.4)*	4,686	6,055	*(22.6)*	11,558	13,095	*(11.7)*
Net commission income				18	1	*n.s.*	17	1	*n.s.*
Financial income/expenses (**)	358	633	*(43.4)*	1,254	1,491	*(15.9)*	1,612	2,124	*(24.1)*
Net interest income	*373*	*346*		*1,075*	*1,060*		*1,448*	*1,406*	
Other income and charges	*82*	*86*		*62*	*66*		*144*	*152*	
Realised gains and losses	*45*	*343*		*176*	*323*		*221*	*667*	
Unrealised gains and losses	*(141)*	*(142)*		*(59)*	*41*		*(200)*	*(101)*	
Net charges relating to claims	(4,558)	(4,579)	*(0.4)*	(5,291)	(6,840)	*(22.6)*	(9,850)	(11,419)	*(13.7)*
Operating expenses	(2,039)	(2,049)	*(0.5)*	(270)	(331)	*(18.2)*	(2,309)	(2,380)	*(3.0)*
Commissions and other acquisition expenses	*(1,596)*	*(1,627)*	*(1.9)*	*(135)*	*(175)*	*(23.0)*	*(1,732)*	*(1,803)*	*(3.9)*
Other expenses	*(442)*	*(422)*	*4.9*	*(135)*	*(155)*	*(12.9)*	*(577)*	*(577)*	*0.1*
Other income/charges	(268)	(233)	*(14.9)*	(39)	(32)	*(21.7)*	(307)	(265)	*(15.8)*
Pre-tax profit (loss)	**365**	**813**	*(55.1)*	**357**	**344**	*3.8*	**722**	**1,157**	*(37.6)*
Income taxes	(55)	(235)	*(76.6)*	(108)	(107)	*0.5*	(163)	(342)	*(52.5)*
Profit (loss) from discontinued operations									
Consolidated profit (loss)	**310**	**578**	*(46.4)*	**250**	**237**	*5.2*	**559**	**815**	*(31.4)*
Profit (loss) attributable to the Group									
Profit (loss) attributable to non-controlling interests									

(*) The Real Estate sector only includes real estate companies controlled by UnipolSai.

(**) Excluding assets and liabilities at fair value relating to insurance contracts issued by insurance companies where the investment risk is borne by policyholders and arising from pension fund management

OTHER BUSINESSES SECTOR			REAL ESTATE SECTOR (*)			INTER-SEGMENT ELIMINATIONS		TOTAL CONSOLIDATED		
31/12/16	31/12/15	% var.	31/12/16	31/12/15	% var.	31/12/16	31/12/15	31/12/16	31/12/15	% var.
								11,558	13,095	(11.7)
								17	1	n.s.
(7)	(3)	n.s.	3	(48)	n.s.	(28)	(27)	1,580	2,048	(22.8)
	1		(3)	(2)				1,445	1,405	
			20	26		(28)	(27)	136	152	
			(2)	(1)				219	665	
(8)	(4)		(12)	(71)				(220)	(175)	
								(9,850)	(11,419)	(13.7)
(54)	(50)	9.1	(12)	(13)	(8.9)	16	21	(2,359)	(2,422)	(2.6)
								(1,732)	(1,803)	(3.9)
(54)	(50)	9.1	(12)	(13)	(8.9)	16	21	(628)	(619)	1.4
43	35	24.8	(14)	(35)	60.9	12	6	(265)	(259)	(2.3)
(19)	(18)	(4.8)	(22)	(96)	76.6			681	1,044	(34.8)
5	9	(43.0)	4	27	(84.9)			(153)	(306)	(49.9)
(14)	(9)	(53.8)	(18)	(69)	73.4			527	738	(28.5)
								497	711	
								30	26	

Insurance Sector

The Group's insurance business closed the period with a **profit of €559m** (€815m at 31/12/2015), of which €310m relating to the Non-Life sector (€578m at 31/12/2015) and €250m relating to the Life sector (€237m at 31/12/2015).

At 31 December 2016, Investments and cash and cash equivalents of the Insurance sector, including properties for own use, totalled €61,919m (€62,183m at 31/12/2015), €16,386m of which was from Non-Life business (€17,673m at 31/12/2015) and €45,534m from Life business (€44,510m at 31/12/2015).

Financial liabilities amounted to €4,392m (€3,777m at 31/12/2015), of which €1,664m in the Non-Life business (€1,542m at 31/12/2015) and €2,727m in the Life business (€2,235m 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 (€1,716m at 31 December 2016 versus €1,289m at 31/12/2015).

Total premiums (direct and indirect premiums and investment products) at 31 December 2016 amounted to €12,545m (€14,022m at 31/12/2015, -10.5%).
Life premiums amounted to €4,695m (€6,649m at 31/12/2015, -22.6%) and Non-Life premiums totalled €7,265m (€7,373m at 31/12/2015, -1.5%).

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 €585m, related to Class III (Unit- and Index-Linked policies) and Class VI (pension funds).

Total premiums

Amounts in €m	31/12/2016	*% comp.*	31/12/2015	*% comp.*	*% var.*
Non-Life direct premiums	7,218		7,334		*(1.6)*
Non-Life indirect premiums	47		39		*21.1*
Total Non-Life premiums	7,265	*57.9*	7,373	*52.6*	*(1.5)*
Life direct premiums	4,694		6,064		*(22.6)*
Life indirect premiums	1		1		*(57.6)*
Total Life premiums	4,695	*37.4*	6,065	*43.3*	*(22.6)*
Total Life investment products	585	*4.7*	584	*4.2*	*0.1*
Total Life business	5,279	*42.1*	6,649	*47.4*	*(20.6)*
Overall total	12,545	*100.0*	14,022	*100.0*	*(10.5)*

Premiums in the fourth quarter of 2016 alone amounted to €3,464m (€3,827m in the fourth quarter of 2015).

Direct premiums amounted to €12,497m (€13,982m at 31/12/2015, -10.6%), of which Non-Life premiums totalled €7,218m and Life premiums €5,279m.

Amounts in €m	31/12/2016	*% comp.*	31/12/2015	*% comp.*	*% var.*
Non-Life direct premiums	7,218	*57.8*	7,334	*52.5*	*(1.6)*
Life direct premiums	5,279	*42.2*	6,648	*47.5*	*(20.6)*
Total direct premiums	**12,497**	***100.0***	**13,982**	***100.0***	***(10.6)***

Indirect Non-Life and Life **premiums** at 31 December 2016 were overall €48m (€40m in 2015), of which €47m (€39m in 2015) for the Non-Life business and €1m (€1m at 31/12/2015) for the Life business.

Amounts in €m	31/12/2016	*% comp.*	31/12/2015	*% comp.*	*% var.*
Non-Life premiums	47	*98.9*	39	*96.9*	*21.1*
Life premiums	1	*1.1*	1	*3.1*	*(57.6)*
Total indirect premiums	**48**	***100.0***	**40**	***100.0***	*18.7*

Premiums ceded by the Group totalled €439m (€454m in 2015), of which €431m in the Non-Life business (€444m in 2015) and €8m in the Life business (€10m at 31/12/2015).

Amounts in €m	31/12/2016	*% comp.*	31/12/2015	*% comp.*	*% var.*
Non-Life premiums	431	*98.1*	444	*97.9*	*(3.0)*
Retention ratio - Non-Life business (%)	*94.1%*		*94.0%*		
Life premiums	8	*1.9*	10	*2.1*	*(13.4)*
Retention ratio - Life business (%)	*99.8%*		*99.8%*		
Total premiums ceded	**439**	***100.0***	**454**	***100.0***	***(3.2)***
Overall retention ratio (%)	*96.3%*		*96.6%*		

The retention ratio is the ratio of premiums retained (total direct and indirect premiums net of premiums ceded) to total direct and indirect premiums. In calculating the ratio, investment products are not considered.

At 31 December 2016, the technical result of Non-Life premiums ceded was positive for reinsurers, while the technical result of Life premiums ceded was basically break-even.

Non-Life business

Total Non-Life premiums (direct and indirect) at 31 December 2016 were €7,265m (€7,373m at 31/12/2015).

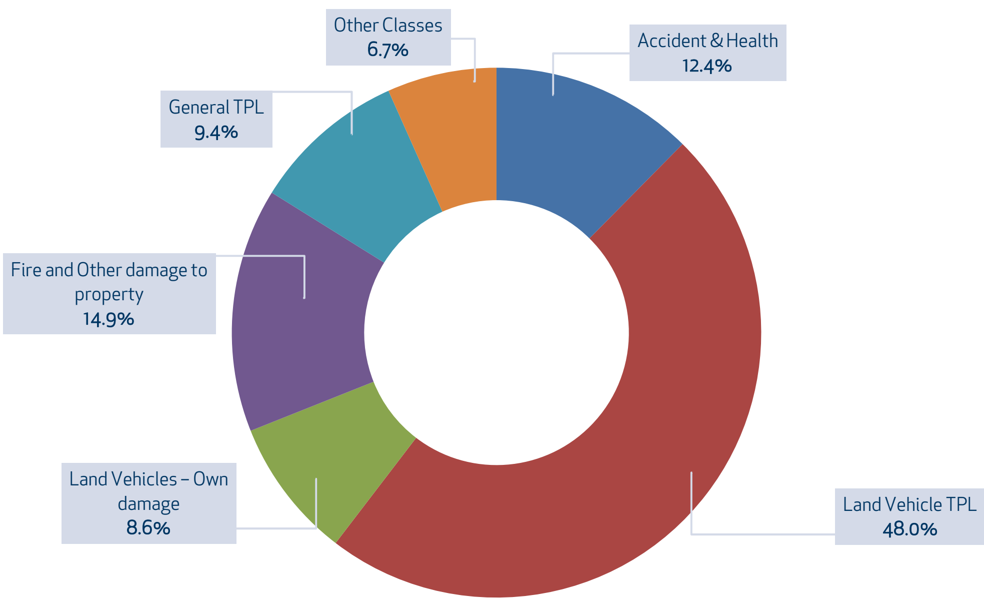
Direct business premiums alone amounted to €7,218m (€7,334m at 31/12/2015). **Indirect business** premiums were €47m (€39m at 31/12/2015).

The breakdown of direct business for the main classes and the changes with respect to 31/12/2015 are shown in the following table:

Non-Life business direct premiums

Amounts in €m	31/12/2016	*% comp.*	31/12/2015	*% comp.*	*% var.*
Motor vehicles - TPL and sea, lake and river (classes 10 and 12)	3,464		3,653		*(5.2)*
Land Vehicle Hulls (Class 3)	618		602		*2.7*
Total premiums - Motor vehicles	**4,083**	***56.6***	**4,254**	***58.0***	***(4.0)***
Accident & Health (Classes 1 and 2)	895		877		*2.1*
Fire and Other damage to property (Classes 8 and 9)	1,075		1,043		*3.1*
General TPL (Class 13)	682		680		*0.2*
Other classes	483		480		*0.7*
Total premiums - Non-Motor vehicles	**3,135**	***43.4***	**3,080**	***42.0***	***1.8***
Total Non-Life direct premiums	**7,218**	***100.0***	**7,334**	***100.0***	***(1.6)***

% breakdown of Non-Life direct business premiums



In 2016, the direct premiums of the UnipolSai Group amounted to €7,218m (-1.6%). Premiums in the MV TPL business were €3,464m, down by 5.2% on 2015. An increase was also reported in the Land Vehicle Hulls business with premiums equal to €618m, +2.7%. The Non-MV segment also performed well, with premiums of €3,135m, up by 1.8%.

Non-Life claims

As mentioned, the positive trend seen in the Non-MV classes, which were marginally impacted by the serious earthquake events that took place in Central Italy in the second half-year, 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 incorporated 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.

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

Amounts in €m	Net breakdown at 31/12/2016	Net breakdown at 31/12/2015
MV TPL	71	54
Land Vehicle Hulls	6	9
General TPL	38	16
Other Classes	172	124
Total	**286**	**203**

The **loss ratio** (for Non-Life direct business alone), including the OTI ratio, was equal to 67.0% (65.4% at 31/12/2015).

The number of claims reported, without considering the MV TPL class, grew by 6.8%: the table with the changes per class is provided below.

Number of claims reported (excluding MV TPL)

	31/12/2016	31/12/2015	*% var.*
Land Vehicle Hulls (Class 3)	281,802	275,861	*2.2*
Accident (Class 1)	134,089	136,980	*(2.1)*
Health (Class 2)	527,060	510,445	*3.3*
Fire and Other damage to Property (Classes 8 and 9)	292,831	296,819	*(1.3)*
General TPL (Class 13)	93,090	100,373	*(7.3)*
Other classes	473,555	366,421	*29.2*
Total	**1,802,427**	**1,686,899**	***6.8***

As regards the MV TPL class, where the CARD[3] agreement is applied, in 2016 cases relating to "fault" claims (Non-Card, Debtor Card or Natural Card) reported totalled 639,024, down 0.7% compared to the 2015 figure.

[3] - 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").

Claims reported that present at least a Debtor Card claim numbered 368,524, down 0.2% compared to the previous year.
Handler Card claims totalled 478,079 (including 118,010 Natural Card claims, claims between policyholders at the same company), up by 3.4%. The settlement rate in 2016 was 82.0% versus 80.4% recorded last 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 84.7% (84.4% in 2015).
The average cost for claims reported "with result" (amount paid plus amount reserved) declined in 2016 by 1.2% with respect to the previous year (-2.2% in 2015), while the average cost of the amount paid out remained unchanged (-3.3% in 2015).

The **expense ratio** of Non-Life direct business was 28.7% (28.5% at 31/12/2015): the decline in the overhead component limited the effects of the drop in premiums and of the increases in commissions paid following the standardisation of pay and incentive schemes for the various agency networks that are part of UnipolSai.

The **combined ratio**, based on direct business, was 95.7% at 31 December 2016 (93.9% at 31/12/2015).

Information about the main insurance companies in the Group - Non-Life business

The performance of the main Group companies at 31 December 2016 is summarised in the following table:

Amounts in €m	Premiums written	*% Variation*	Investments	Gross Technical Provisions
NON-LIFE INSURANCE SECTOR				
UNIPOLSAI ASSICURAZIONI SpA	6,968	*(2.2)*	16,468	14,548
DDOR NOVI SAD ADO	72	*5.0*	56	66
INCONTRA ASSICURAZIONI SpA	69	*8.6*	144	161
PRONTO ASSISTANCE SpA	125	*69.0*	29	1
SIAT SpA	133	*9.0*	126	241

The direct premiums of only **UnipolSai**, the Group's main company, which, with accounting and tax effects from 31 January 2016, absorbed the company Liguria Assicurazioni, stood at €6,960m (€7,084m at 31/12/2015, -1.7% on a like-to-like basis), of which €4,042m in the MV classes (€4,200m at 31/12/2015, -3.8% on a like-to-like basis) and €2,919m in the Non-MV classes (€2,883m at 31/12/2015, +1.2% on a like-to-like basis). Also considering indirect business, premiums acquired during the year amounted to €6,968m (-2.2%).

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 continuous 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.
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, already recorded in the first half of 2016, was confirmed. 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.
With reference to the Fire class, the year ended with a total increase in premiums in all segments. In the second part of the year, the Personal sector confirmed the results of the first half-year and signs of recovery were recorded both in the Corporate sector and in the Small and Medium Enterprises sector.
With reference to the Health class, the declining trend of the premiums, already observed in recent years, persisted. The new production did not offset the loss of policies, in particular those that expired without tacit renewal.

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.

Claims that present at least one Debtor Card claims handling were 368,524, down by 0.2% with respect to the same period of the previous year. Handler Card claims were 478,079 (including 118,010 Natural Card claims, claims between policyholders at the same company), up by 3.4%. The settlement rate in 2016 was 82.0% versus 80.7% 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 came to 84.8% (84.4% in 2015).
The average cost (amount paid plus amount reserved) for claims reported declined by 1.2% in 2016 with respect to the previous year (-2.3% in 2015). The average cost of the amount paid out remained substantially unchanged at 0.1% (-3.3% in 2015).

DDOR Novi Sad recorded a €1.9m profit at 31 December 2016 (an improvement compared to €0.5m at 31/12/2015) with rising total gross premiums (Non-Life and Life segments), from €74.9m at the end of 2015 (of which €68.6m in the Non-Life segment) to €80.4m at 31 December 2016 (of which €72m in the Non-Life segment). As was the case in 2015, although in 2016 the Serbian macroeconomic situation was still uncertain, the estimated growth in gross domestic product was 2.7% (+0.8% at 31/12/2015), with a low inflation rate of 1.6% and a substantially stable local currency, in line with the previous year. Based on the most recent available national data, the Serbian insurance market also benefited from it, with total estimated growth of approximately 10% and peaks above 19% on the Life Business: this enabled the company to position itself among the leaders in the sector, with approximately 13% growth in the retail segment and a market share of approximately 57%, improving its own technical profitability. On the front of the loss ratio of the MV TPL business, there was both a decline of approximately 5% in the number of claims, and a combined ratio that dropped to 99.7% (101.0% at 31/12/2015), in addition to decline in the expense ratio of the Non-Life sector, from 40.9% in 2015 to 39.2% in 2016.

Incontra Assicurazioni recorded a €14.1m profit at 31 December 2016 (a sharp improvement compared to €2.6m at 31/12/2015), with increasing premiums compared to the previous year, i.e. from €63.8m in 2015 to €69.4m at the end of 2016, mainly concentrated in the Health and Pecuniary Losses classes. At 31 December 2016, the volume of total investments reached €144m (€129m at 31/12/2015), almost entirely concentrated in available-for-sale financial assets, while gross technical provisions reached €161m (€141m at 31/12/2015): the ratio between gross technical provisions and written premiums is 231.4%.

Pronto Assistance, active in placing assistance services insurance policies in the home, health, MV and business segments, personalisable to meet the customer's needs, closed 2016 with a profit of €4.8m (profit of €3.7m recorded in 2015). The year 2016 posted total premiums amounting to €124.7m (€73.8m at 31/12/2015), with an increase of approximately 69% mainly referred to the indirect business taken by Group companies.

SIAT recorded a €6.6m profit in 2016 (€5.5m at 31/12/2015) with total gross premiums (direct and indirect) at €132.9m (€121.9m in 2015).
The increase in premiums refers to the "Vessels" sector, which benefitted from some time mismatches in the renewal of the policies of some important fleets, with terms exceeding twelve months. New and important constructions in the "work sites" segment becoming subject to risk also contributed to this increase. In addition, the improvement of the rating (to "A-", assigned in May 2016 by the primary international agency AM Best, specialised in the insurance context) also enabled the acquisition of some foreign business of intermediate size, which contributed to the growth in production in 2016 compared to the previous year.
On the other hand, the production regarding the "Goods" segment recorded a small decrease, being negatively affected by the persistently unfavourable economic environment (in particular with regard to the domestic component). It should be noted that 2016 production benefited from the modest appreciation (approximately 3.2%) of the US dollar (currency in which a considerable portion of business in the Transport market is denominated, particularly for the "Vessels" segment) relative to the Euro.

New products

In 2016, some initiatives were carried out both to homogenise the offering of the different Divisions, and to increase the loyalty of existing customers but also to acquire new customers.

Concerning the MV sector, the following is noted:

- 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.
- During the year, significant investments continued to be made to support our range of products and services, in particular the Interest-Free Loan and the installation of "black boxes", a segment in which the Group has confirmed its position as market leader with more than 3m devices installed and circulating.

Concerning the Non-MV sector, starting in May 2016, the PreventivatoRE tool was implemented; it stems from the need to provide the sales network with a tool to produce quotes for Non-MV risks quickly and effectively, to promote the growth of new business. To produce the quotes, a partial collection of the customer's identifying data is sufficient, and generalist models with pre-set guarantee combinations can be used (or even new, specific models can be created).

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 of persisting inclement weather during the summer season;
- last, but hugely important, the offer of Unibox-L@voro, an electronic device equipped with a serious of sensors that allow to protect public sites in an extremely innovative way, automatically activating the assistance services.

Activities to impede and prevent insurance fraud relating to civil liability deriving from motor vehicle traffic (MVTPL).

Preventing and impeding insurance fraud are consolidated activities and an integral aspect of the company's core business. The results of these activities not only make positive impacts directly on the financial statements of the Group companies, but also generate deterrent effects on the proliferation of these offences, with consequent benefits for the customers as well.
Decree Law 1/2012 envisages that insurance companies are required to provide an estimate of the reduced charges for claims arising from verification of fraud in their Management Report or in the Notes to the Financial Statements annexed to the annual financial statements and to publish it on their websites or using another appropriate form of disclosure.
Pursuant to and in accordance with Art. 30, paragraph 2 of Decree Law 1/2012, the estimate of the reduction of charges for claims arising from this activity totals approximately €63m.
This estimate consists of the sum of provisions/forecasts of expense for claims to be investigated for antifraud purposes that were settled without follow-up in 2016, regardless of the year when they are generated.

Life business

Life premiums (direct and indirect) amounted to €5,279m (€6,649m at 31/12/2015), with a contribution deriving from bancassurance companies that totalled €2,229m (-30.4%). 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.

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	*% comp.*	31/12/2015	*% comp.*	*% var.*
Total premiums					
I – Whole and term Life insurance	3,366	*63.8*	3,958	*59.5*	*(15.0)*
III - Unit-linked/index-linked policies	1,067	*20.2*	1,563	*23.5*	*(31.7)*
IV - Health	2	*0.0*	1	*0.0*	*23.7*
V - Capitalisation insurance	332	*6.3*	645	*9.7*	*(48.4)*
VI - Pension funds	511	*9.7*	480	*7.2*	*6.5*
Total Life business direct premiums	**5,279**	***100.0***	**6,648**	***100.0***	***(20.6)***
of which Premiums (IFRS 4)					
I – Whole and term Life insurance	3,366	*71.7*	3,958	*65.3*	*(15.0)*
III - Unit-linked/index-linked policies	516	*11.0*	1,025	*16.9*	*(49.6)*
IV - Health	2	*0.0*	1	*0.0*	*23.7*
V - Capitalisation insurance	332	*7.1*	645	*10.6*	*(48.4)*
VI - Pension Funds	478	*10.2*	435	*7.2*	*9.9*
Total Life business premiums	**4,694**	***100.0***	**6,064**	***100.0***	*(22.6)*
of which Investment products (IAS 39)					
III - Unit-linked/index-linked policies	551	*94.3*	539	*92.3*	*2.3*
VI - Pension funds	33	*5.7*	45	*7.7*	*(26.1)*
Total Life investment products	**585**	***100.0***	**584**	***100.0***	***0.1***

New business in terms of APE, net of non-controlling interests, amounted to €547m at 31 December 2016 (€568m at 31/12/2015).

Pension Funds

The UnipolSai Group retained its leading position in the supplementary pension market, despite a difficult competitive context.

UnipolSai Assicurazioni managed a total of 23 **Occupational Pension Fund** mandates at 31 December 2016 (16 of them for accounts "with guaranteed capital and/or minimum return"). On the same date resources under management totalled €4,340m (€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).

As regards **Open Pension Funds**, at 31 December 2016 the UnipolSai Group managed 3 Open Pension Funds (UnipolSai Previdenza FPA, Fondo Pensione Aperto Popolare Vita, Fondo Pensione Aperto BIM Vita) that at the same date amounted to a total of 45,133 members for total assets of €881m. At 31/12/2015, there were 8 Open Pension Funds with total assets of €845m and a total of 45,568 members.

Information about the main insurance companies in the Group - Life business

The performance of the main Group companies at 31 December 2016 is summarised in the following table:

Amounts in €m	Premiums written	*% Variation*	Investments	Gross Technical Provisions
LIFE INSURANCE SECTOR				
UNIPOLSAI ASSICURAZIONI SpA	2,952	*(12.9)*	33,778	30,381
BIM VITA SpA	78	*(48.5)*	739	666
POPOLARE VITA SpA	1,388	*(33.0)*	9,152	8,123
THE LAWRENCE LIFE DAC	269	*(40.0)*	2,089	1,590

UnipolSai collected a total of direct premiums amounting to €2,952m (€3,387m at 31/12/2015, -12.9%) to which financial products amounting to €90m (€54m at 31/12/2015, +66.7%). The individual policy segment contracted by 15.9%, due mainly to the decline in premiums from traditional products in Class I (-8.9%) and in Class V (-58.4%). First year premiums grew (+31.3%), confirming a good performance of products with annual and recurring premiums.

The significant increase, in percentage terms, of Class III premiums (which nearly tripled relative to 2015), although volumes are still small, is a consequence of the progressive shift of the Company's Life offering from traditional products to Class III. In particular, increased sales of the single Premium Multisegment product, complemented in 2016 by the product with recurring single premium, confirms the opportunities offered by a rapidly expanding market segment, able to combine the typical security of insurance products with the capital appreciation tied to internal equity funds. Class III premiums also take into account the production of the new single premium Unit Linked product sold since April, which broadens the investment solutions offered by the Company.
Premiums on collective policies decreased slightly relative to 31 December 2015 (-1.5%).

Popolare Vita recorded a profit of €46.5m at the end of 2016 (€54.1m at 31/12/2015), of which €2.6m came from the valuation of the subsidiary Lawrence Life (€9.2m at 31/12/2015). Gross premiums written amounted to €1,387.6m (€2,071.3m at 31/12/2015). The volume of total investments (Non-Life and Life sectors) reached the amount of €9,156m, (€8,669m at 31/12/2015), of which €74.0m referred to the value of the interest in Lawrence Life (€79.8m at 31/12/2015).
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.

Lawrence Life recorded a profit of €2.6m at the end of 2016 (€9.2m at 31/12/2015). Gross premiums written amounted to €268.8m (€448.0m at 31/12/2015), almost entirely referring to insurance contracts. The volume of total investments reached the amount of €2,089m (€2,385m at 31/12/2015).

BIM Vita recorded a profit of €3.0m at the end of 2016 (€3.2m at 31/12/2015). Gross premiums written amounted to €77.5m (€150.6m at 31/12/2015). The volume of total investments reached the amount of €739.4m (€816.4m at 31/12/2015).

New products

Starting from 11 April 2016, UnipolSai Investimento Energy became available; it is a new single premium unit linked product with the possibility of additional payments, which expands the range of investment solutions, completing the single premium price list with a Class III financial-insurance product. The product was conceived as an opportunity container and it will develop in multiple phases.

In May 2016, the merger of the Open Pension Funds was completed; the new UnipolSai Previdenza FPA product enables to diversify the investment between 7 segments, and it is open both to individual subscriptions and to collective subscriptions.

In June 2016, UnipolSai Risparmio GestiMix was launched; it is the version with single recurring premiums of the single premium product UnipolSai Investimento GestiMix marketed since October 2015, with the goal of also completing the offering with annual and periodic premiums with a Multisegment product.

Reinsurance

UnipolSai 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 and new "multi-risk" policies underwritten in the Hail class.

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.
The latest covers for the LTC (long-term care) and Weighted Risks guarantees were also assigned.

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.

Real Estate Sector

The end of 2016 marked the completion of the acquisition, by the Real Estate Investment Fund Athens R.E. Fund managed by UnipolSai Investimenti SGR SpA, 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, 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.

The Group is also 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 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)	*n.s.*
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	(37)	(95)	*(61.4)*
Operating expenses	(12)	(13)	*(8.9)*
Other costs	(21)	(42)	*(50.3)*
Total costs and expenses	**(70)**	**(150)**	***(53.4)***
Pre-tax profit (loss) for the year	**(22)**	**(96)**	***76.6***

The pre-tax result at 31 December 2016 was a loss of €22m (-€96m at 31/12/2015), after having effected property write-downs of €5m (€73m at 31/12/2015) and depreciation of investment property and tangible assets of €17m (€25m at 31/12/2015).

Investments and cash and cash equivalents of the Real Estate sector (including instrumental properties for own use) totalled €1,234m at 31 December 2016 (€923m at 31/12/2015), consisting mainly of Investment property and Properties for own use amounting to €1,152m (€825m at 31/12/2015): the increase is due to the purchase, by the Athens R.E. Fund, of the property portfolio held for hotel purposes of Una SpA for €259m and to the transfer, to the aforesaid fund, of the hotel properties used by Atahotels previously owned by UnipolSai, for €106m.

Financial liabilities were, at 31 December 2016, €358m (€203m at 31/12/2015): the change is mainly due to the loan obtained by the Athens R.E. Fund for the aforesaid purchase of the property portfolio of Una SpA.

Other property transactions

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 built 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.

With reference to the realisation of the investment in the real estate project of the area called "Porta Nuova", information on which was provided in last year's financial statements, in 2016 UnipolSai collected another €20.8m for the loans disbursed as Profit Participating Bonds, €10.6m of which as remuneration of the invested capital recognised in the Income Statement. It is estimated that the outstanding receivables, expected to be collected in two further tranches, in July 2023 and April 2025, are such as to guarantee the recovery of the residual investment, totalling €6.3m at 31 December 2016, plus additional proceeds whose quantity is still uncertain in relation to the outcome of the guarantees issued by the purchaser.

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.

Other Businesses Sector

The key income statement figures regarding the Other Businesses sector are provided below:

Income Statement - Other Businesses Sector

Amounts in €m	31/12/2016	31/12/2015	*% var.*
Gains on other financial instruments and investment property	1	2	*(60.1)*
Other revenue	143	247	*(42.2)*
Total revenues and income	**144**	**249**	***(42.2)***
Losses on other financial instruments and investment property	(8)	(5)	*78.7*
Operating expenses	(54)	(50)	*9.1*
Other costs	(99)	(212)	*(53.1)*
Total costs and expenses	**(163)**	**(267)**	***(39.0)***
Pre-tax profit (loss) for the year	**(19)**	**(18)**	***(4.8)***

The pre-tax result at 31 December 2016 was a loss of €19m (-€18m at 31/12/2015).

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, Investments and cash and cash equivalents of the Other Businesses sector (including properties for own use of €121m) totalled €221m (€234m at 31/12/2015).

Financial liabilities amounted to €45m (€14m at 31/12/2015). The change is due to the disbursement, by UnipolSai Finance SpA, active in the Non-Life segment, of a loan to Atahotels for the purchase of hotel business unit of Una SpA: this intercompany loan was eliminated in the inter-sector transactions.

In 2016, the activity of the diversified company developed further, both from a commercial viewpoint and through the completion of specific acquisitions.
In this regard, it should be recalled that on 29 December 2016, the subsidiary Atahotels and the affiliate 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 of Una 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 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, 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 (-€1.8m in 2015) as a result of the write-down of properties, amounting to €7.6m, it improved significantly in terms of business profitability.

Asset and financial management

Investments and cash and cash equivalents

Transactions carried out in 2016

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.
In 2016, the exposure to government bonds fell by approximately €2,180m, mainly due to the Non-Life sector.
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 type government bonds, which allow the protection of minimum guaranteed returns and of the "coupon reinvestment risk" in a macroeconomic scenario marked by particularly low interest rates.
In the Non-Life sector, government bond transactions were characterised by a sharp reduction in exposure. Sales involved both fixed rate and floating rate securities, while repurchases mainly focused on securities index-linked to inflation. In the Non-Life portfolio, positions in derivatives were increased marginally to mitigate the risk of a rise in interest rates.

The non-government component of bonds saw an increase in overall exposure by approximately €2,500m during the year. Approximately 85% of the increased exposure regarded financial issuers, while the remaining 15% regarded industrial issuers.

Asset portfolio simplification activities continued during 2016. The exposure to Level 2 and 3 structured bonds saw a reduction of €129m.

The following table shows the Group's exposure to structured securities:

	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	70	69	(1)	73	72	(1)	(4)	(3)
Structured securities - Level 2	890	845	(45)	991	994	4	(101)	(150)
Structured securities - Level 3	333	298	(35)	362	340	(22)	(28)	(41)
Total structured securities	**1,293**	**1,212**	**(81)**	**1,426**	**1,406**	**(19)**	**(133)**	**(194)**

During the year 2016, within the framework of the adjustment of the Investment Policy to the provisions of IVASS Regulation no. 24 of 6 June 2016, the definition of Structured Financial Instruments (hereafter Structured instruments) was reviewed and is now in line with the definitions in the Execution Regulation (EU) 2015/2450 (Annex VI – Definition of the CIC Table) regarding the information to be communicated to the Supervisory Authorities in relation to Solvency II.
The definition of Structured instruments was previously consistent with the instructions given by IVASS for the purposes of the periodical communication according to Art. 35, paragraph 5, of Regulation 36/2011, now repealed, and included a higher number of cases.
For a comparison based on homogenous criteria, the total value of the structured instruments at 31 December 2015 (stated in the 2015 Consolidated Financial Statements for €6,561m) was thus re-determined to €1,426m, in compliance with the new classification criteria. The decrease in the balance of structured securities compared to the

previous classification is mainly attributable to the different qualification attributed to "Callable" securities, no longer considered as structured according to the new criteria.

Share exposure decreased, in 2016, by over €230m; the put options on the Eurostoxx50 index are still active on the equity portfolio, and were revalued during the year to mitigate volatility and preserve the value of the portfolio. 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**, a category that includes Private Equity Funds, Hedge Funds and investments in Real Assets, amounted to €616m, an increase by approximately €243m relative to 31/12/2015. Among the increases in the period, of note are the investments made in the Atlante Fund, amounting to approximately €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).
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. UnipolSai also undertook to participate in Fondo Atlante 2 (a closed-end private investment fund, the objective of which is to intervene in any transactions regarding NPL - Non-Performing Loans of the banking sector), with a total investment of €100m, of which €0.7m paid at 31 December 2016.

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

The overall duration stood at 5.36 years for the Group, a modest contraction compared to the end of 2015 (5.45 years). The Non-Life duration in the Group insurance portfolio was 3.52 years (3.43 years at the end of 2015); in Life business, duration was 6.03 years (6.24 years at the end of 2015). The fixed rate and floating rate components of the bond portfolio amounted respectively to 84.6% and 15.4%. The government component accounted for approximately 69.5% of the bond portfolio whilst the corporate component accounted for the remaining 30.5%, split into 23.6% financial and 6.9% industrial credit.

87.9% of the bond portfolio is invested in securities rated above BBB-, 1.6% of the total is positioned in classes AAA to AA-, while 5.0% of securities had an A rating. The exposure to securities in the BBB rating class was 81.3%. Italian government bonds accounted for 61.8% of the total bond portfolio.

At 31 December 2016 the balance of the **Investments and the Cash and cash equivalents** of the Group was €63,261m (€63,291m 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	61,919	*97.9*	62,183	*98.3*	*(0.4)*
Other Businesses sector	221	*0.3*	234	*0.4*	*(5.4)*
Real Estate sector	1,234	*2.0*	923	*1.5*	*33.8*
Inter-segment eliminations	(113)	*(0.2)*	(49)	*(0.1)*	*131.9*
Total Investments and cash and cash equivalents (*)	**63,261**	***100.0***	**63,291**	***100.0***	***(0.0)***

(*) including properties for own use

The breakdown by investment category is as follows:

Amounts in €m	31/12/2016	% comp.	31/12/2015	% comp.	% var.
Property (*)	3,774	6.0	3,859	6.1	(2.2)
Investments in subsidiaries, associates and interests in joint ventures	527	0.8	528	0.8	(0.1)
Held-to-maturity investments	892	1.4	1,100	1.7	(18.9)
Loans and receivables	5,050	8.0	5,251	8.3	(3.8)
Debt securities	4,172	6.6	4,324	6.8	(3.5)
Deposits with ceding companies	21	0.0	24	0.0	(13.9)
Other loans and receivables	857	1.4	903	1.4	(5.1)
Available-for-sale financial assets	43,172	68.2	42,804	67.6	0.9
Financial assets at fair value through profit or loss	9,186	14.5	8,791	13.9	4.5
held for trading	306	0.5	372	0.6	(17.7)
at fair value through profit or loss	8,880	14.0	8,420	13.3	5.5
Cash and cash equivalents	661	1.0	957	1.5	(31.0)
Total Investments and cash and cash equivalents	63,261	100.0	63,291	100.0	(0.0)

(*) including properties for own uses

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 €m	31/12/2016	*% comp.*	31/12/2015	*% comp.*	*% var.*
Investment property	(53)	*(3.2)*	(70)	*(3.3)*	*24.6*
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	14	*0.9*	18	*0.8*	*(20.2)*
Net gains on held-to-maturity investments	44	*2.7*	53	*2.5*	*(17.6)*
Net gains on loans and receivables	200	*12.1*	179	*8.3*	*11.8*
Net gains on available-for-sale financial assets	1,528	*92.5*	1,733	*80.9*	*(11.8)*
Net gains on held-for-trading financial assets held for trading and at fair value through profit or loss (*)	(82)	*(5.0)*	227	*10.6*	*n.s.*
Balance of cash and cash equivalents	1	*0.1*	2	*0.1*	*(56.3)*
Total net gains on financial assets, cash and cash equivalents	**1,652**	***100.0***	**2,141**	***100.0***	***(22.9)***
Net losses on held-for-trading financial liabilities and at fair value through profit or loss (*)	2		1		*n.s.*
Net losses on other financial liabilities	(74)		(95)		*(22.1)*
Total net losses on financial liabilities	**(71)**		**(94)**		***(23.8)***
Total net gains (*)	**1,580**		**2,048**		***(22.8)***
Net gains on financial assets at fair value (**)	159		188		
Net losses on financial liabilities at fair value (**)	(34)		(22)		
Total net gains on financial instruments at fair value (**)	**125**		**166**		
Total net gains on investments and net financial income	**1,705**		**2,213**		***(23.0)***

(*) 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 with investment risk borne by customers (index-and unit-linked) and arising from pension fund management.

At 31 December 2016, write-downs due to impairment on financial instruments classified in the Available-for-sale asset category of €53m were recognised in the income statement (€43m at 31/12/2015) along with write-downs on investment property amounting to €60m (€97m at 31/12/2015).

Shareholders' equity

Shareholders' equity, excluding non-controlling interests, breaks down as follows:

Amounts in €m	31/12/2016	31/12/2015	*var. in amount*
Share capital	2,031	2,031	
Capital reserves	347	347	
Income-related and other equity reserves	2,593	2,297	*296*
(Treasury shares)	(52)	(50)	*(3)*
Reserve for foreign currency translation differences	3	4	*(1)*
Gains/losses on available-for-sale financial assets	752	903	*(151)*
Other gains and losses recognised directly in equity	(15)	34	*(49)*
Profit (loss) for the period	497	711	*(214)*
Total shareholders' equity attributable to the owners of the Parent	**6,156**	**6,278**	***(122)***

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 in the year in the Group's shareholders' equity were as follows:
- a decrease due to dividend distribution for €416m;
- a decrease as a result of the fall in the reserve for gains and losses on available-for-sale financial assets €151m, net of both the related tax liabilities and the part attributable to the policyholders and charged to insurance liabilities;
- an increase of €497m for Group profit for the period.

Shareholders' Equity attributable to non-controlling interests was €379m (€337m at 31/12/2015).

Treasury shares and shares of the holding company

At 31 December 2016, UnipolSai held a total of 55,349,685 ordinary treasury shares, of which 7,005,640 directly and 48,344,045 indirectly through the subsidiaries UnipolSai Finance (38,454,775), UnipolSai Nederland (9,443,258), Pronto Assistance (344,312) and Popolare Vita (101,700).
During the year, UnipolSai purchased 1,800,000 treasury shares to implement the programme for the purchase of treasury shares, in the service of compensation plans based on financial instruments (performance share type), intended for the managers of the Company.

At 31 December 2016, UnipolSai held a total of 3,565,504 shares issued by the holding company Unipol Gruppo Finanziario SpA.
During the year, 1,900,000 ordinary shares were purchased to implement the programme for the purchase of shares of the holding company, in the service of compensation plans based on financial instruments (performance share type), intended for the managers of the Company, who were also assigned 1,403,356 shares as part of the above-mentioned financial instrument-based compensation plan and 40,000 shares were sold on the market.

The companies of the UnipolSai Group held no shares issued by the indirect holding company Finsoe SpA at year-end.

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	5,070	458	5,528
IAS/IFRS adjustments to the Parent's financial statements	711	34	745
Differences between net carrying amount and shareholders'equity and profit (loss) for the year of consolidated investments, of which:	271	70	342
- Translation reserve	*3*		*3*
- Gains or losses on available-for-sale financial assets	*785*		*785*
- Other gains or losses recognised directly in equity	*(15)*		*(15)*
Companies measured using the equity method	25	4	29
Intercompany elimination of dividends	48	(48)	
Other adjustments (reversals of impairment losses, gains adjustments etc.)	(119)	10	(109)
Consolidated Shareholders' equity	6,007	527	6,535
Non-controlling interests	349	30	379
Shareholders' equity attributable to the owners of the Parent	5,658	497	6,156

Technical provisions and financial liabilities

At 31 December 2016, technical provisions amounted to €55,816m (€56,095m at 31/12/2015) and Financial liabilities amounted to €4,681m (€3,897m at 31/12/2015).

Technical provisions and financial liabilities

Amounts in €m	31/12/2016	31/12/2015	*% var.*
Non-Life technical provisions	15,036	15,748	*(4.5)*
Life technical provisions	40,780	40,347	*1.1*
Total technical provisions	55,816	56,095	*(0.5)*
Financial liabilities at fair value	2,140	1,543	*38.7*
Investment contracts - insurance companies	1,716	1,289	*33.1*
Other	424	254	*67.0*
Other financial liabilities	2,541	2,354	*7.9*
Subordinated liabilities	2,027	2,027	*0.0*
Other	513	327	*56.9*
Total financial liabilities	4,681	3,897	*20.1*
Total	60,497	59,992	*0.8*

UnipolSai 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.

The situation is summarised in the following table, which shows an increase in debt of approximately €171m.

Amounts in €m	31/12/2016	31/12/2015	*variation in amount*
Subordinated liabilities	2,027	2,027	*1*
Payables to banks and other lenders	292	121	*171*
Total debt	2,319	2,148	*171*

The **Subordinated liabilities** issued by the companies of the Group, existing at 31 December 2016, amounted to €2,027m, unchanged compared to 31 December 2015, and they refer to nominal €2,050m issued by UnipolSai Assicurazioni SpA, of which nominal €38m held by the company itself.

With reference to **Payables to banks and other lenders**, totalling €292m (€121m at 31/12/2015), the change is mainly due to the new loan obtained by the Closed Real Estate Fund Athens R.E. Fund for a nominal value of €170m disbursed, through the company Loan Agency Service Srl, from a pool of 13 banks including Unipol Banca (the latter for a nominal value of €10m): the loan was issued for the purchase of properties and improvement works.
The residual value at 31 December 2016 consists mainly of the €111m loan stipulated by the Closed Real Estate Fund Tikal R.E. with Mediobanca as agent bank entirely replaced by Unipol Banca at the maturity date of 4 January 2017.

Other information

Human Resources

The total number of employees in the Group at 31 December 2016 was 10,280 (+329 compared with 2015).

	31/12/2016	31/12/2015	Variation
Total number of UnipolSai Group employees	10,280	9,951	*329*
of which on a fixed-term contract	462	418	*44*
Full Time Equivalent - FTE	9,833	9,535	*298*

This includes 144 seasonal staff of Atahotels at 31 December 2016 (147 at 31/12/2015), and foreign company employees (1,396) include 548 agents.

The increase by 329 employees relative to 31/12/2015 is due, in particular, to 390 new hires as a result of the absorption of Una Hotels in Atahotels, with 168 new employees hired permanently, 167 hired on fixed-term contracts or for seasonal work during the year and counted among the workforce at 31 December 2016, as well as 82 employees for mobility between companies in the Group. A total number of 478 employees left as a result of resignation, retirement and other termination causes.

The approach to human resources management based on corporate social responsibility focuses on individuals, paying particular attention not only to them as employees but also to the various requirements of their entire professional lives, by developing, among other things, supplementary welfare benefits able to adequately meet the new requirements both for products and services.
Group company employees, holding managerial and non-managerial functions, can become members of both a Pension Fund and a Welfare Fund. Different pension and welfare funds are offered, according to the sector and company of origin.
This commitment is enriched with a constant and continuous activity of offering services for a better work-life balance, "Noi Unipol", to support management of the time and resources of those working in the Group.

Social and environmental responsibility

Sustainability is managed in UnipolSai through an operating structure made up of the staff reporting to the Chairman to guarantee conformity with the values and completeness of vision on the activities carried out, while the policy function is carried out by the Sustainability Committee of the Parent Unipol, which examined and evaluated the path taken throughout the entire year, and issued its judgments on the process adopted and on the main sustainability decisions taken by the Group. Following renewal of the Board of Directors, the Committee also renewed its membership during the year. In accordance with the Code of Ethics approved in 2015, these no longer perform duties as Ethics Committee in order to make control activities more transparent with respect to guidance activities.

UnipolSai's attention to social responsibility starts with the Charter of Values and the Code of Ethics of the Unipol Group, based on the Vision and Mission, redefined in the 2016-2018 Business Plan, which for the first time incorporates Sustainability objectives and action.

Convinced of the importance of integrating sustainability in business process to develop long-term competitiveness, the Unipol Group decided to integrate it with the economic and financial aspects both at planning stage and reporting stage. For this reason a single Three-Year Plan was drawn up and an Integrated Report was published at Group level.

Of particular note among the projects included in the Plan are:
- the commitment to increase the resilience of SMEs to climate change-related risks through the ***DERRIS*** project, funded through the European Life Fund, to define a model of public-private partnership to improve the resilience of industrial areas with a high concentration of SMEs against natural catastrophes. In 2016 a

pilot project was developed in the Municipality of Turin and the IT tool to define individual resilience plans based on future risk was developed;
- the attention to financial inclusion for the weaker brackets, starting with young self-employed workers, in order to develop products that facilitate their access to private welfare systems;
- third sector needs analysis to better prepare a worthy proposal, in insurance and banking terms;
- further development of the **PerGiocoNonPerAzzardo** campaign to raise awareness among the public of the risk of indiscriminate and addictive gambling. Different approaches (exhibitions, competitions, shows) were used, which were publicised through the social networks and particularly involved young people. The Young Millennials and Gambling Observatory was also developed in partnership with Nomisma and the University of Bologna;
- more engagement in the activities of Eos - Conoscere l'Assicurazione programme targeting schools, involving over 1,000 children during the year in a sensitisation and information course.

With regard to reporting and with a view to better responding to the expectations of stakeholders, particularly investors and the rating agencies dedicated to SRI (Sustainable and Responsible Investing) finance, the Sustainability Report of the UnipolSai Group was prepared.

During the year, constant updates were provided on the activities that contribute to develop sustainability, using twitter and dedicated facebook pages. The Sustainability Report was also presented in some Italian cities with the goal of sharing the main results and further delve into some aspects of the Plan.

Group sales network

At 31 December 2016, 3,058 agencies were in operation, of which 2,909 of UnipolSai (at 31/12/2015, the agencies were 3,484, of which 3,140 of UnipolSai), with 4,665 agents (5,326 at 31/12/2015). The reduction in the number of agencies is due mainly to actions for the reorganisation of the distribution network, aimed at encouraging a growth in the size of the agencies involved and optimising the presence in the territory.

UnipolSai also places Life products through the branches of Unipol Banca and through the networks of financial advisors of Credit Suisse Italy.
The leading bancassurance companies of the Group placed their products through the following sales networks:
- Popolare Vita and The Lawrence Life through the sales network of Banco BPM SpA (formerly Banco Popolare Società Cooperativa) and Banca Aletti;
- Bim Vita through the branches of Banca Intermobiliare and of Banca Consulia (formerly Banca Ipibi) and solely with regard to post-sale activities, of Cassa di Risparmio di Fermo;
- Incontra Assicurazioni through Unicredit Group.

IT services

In 2016 the Group IT Services completed activities for the 2013-2015 Business Plan and began action on the 2016-2018 Plan.
The activities carried out during the year can be grouped according to **four main directions of action**, of which the first three are based, in particular, on the **introduction of new technologies**:

- <u>Telematics, New products/Services and Evolution of infrastructures of specialist companies</u>

  - In March, production started of the new **IT system of Alfaevolution Technology**, based on the **Group's new Big Data Hub**, both realised by the IT Services Divisions in 2015-2016, which allowed Alfaevolution to start its activities in accordance with Business Plan forecasts and, from March to December, handle the data of approximately 3 million vehicle black boxes.
  - **New products** such as KM&Servizi and Commercio&Servizi were realised, **with new online services based on the introduction of new devices, new functions and strong integration between the IT systems and services made available to UnipolSai by Alfaevolution and by other companies of the Group.**
  - With this perspective, **the systems of the specialist companies** were **evolved and enhanced** to manage the increase of the activities related to the new services.

- Testing of the online monitoring of chronic patients with Unisalute was started.

- Digitalisation of agency and mobility processes

  - A **new mobility infrastructure** was **built**, which allows agents to use UnipolSai applications on their own mobile devices of different types (PCs, tablets, smartphones) according to the concept "**Bring Your Own Device**". In this respect, a **new mobile digital signing method** was created, integrated with the previous method, but without the use of biometric signature pads, and a **new integrated payments system with the business platform based on the use of fixed and mobile POS.** During the year, **digital receipts** were extended to all agencies along with use of the new **"Liquido" claims system** for the management of new claims (approximately 3.4 million claims managed by Liquido in 2016).

- Consolidation of infrastructures and Web and APP customer services

  - During the year, development work was completed on new solutions, leading to the release, in early 2017, of the **new simplified interface for issuing MV policy**, of the **extension of the hours of availability of agency services until midnight** and of the new functionality of **claims progress tracking in the APP for customers**.
  - At the end of the year the **new Group web site**, created using new technologies, was also released and the **client App** was enhanced with new online services.

- Completion of migrations, new functionalities and simplification of price estimation and assistance

  - The migration of the Unipol network to the new Flotte application was completed and the pilot project was launched on the former Fondiaria-SAI network.
  - The migrations of UnipolSai individual and collective Life policies to the target platform were completed.
  - Start-up of the new claims system on the former Fondiaria-SAI network was completed and the related migration of claims from the previous system began.
  - The new portal for claims adjusters, also usable via mobile, was created and the related start-up for all General Class adjusters was completed.
  - New fast quote calculators were also created for MV and Non-MV products and creation of the new sales support tool began.

With regard to Specialist and diversified companies, the following main projects were completed in 2016:
SIAT: the activities were focused on the automation of the policy issuance and claims management processes through the use of WEB applications made available to the intermediaries network and on the realisation of new functionalities of the Company system, together with the management of the integration with the Group's new reinsurance systems.
Pronto Assistance Servizi: the initiatives in preparation of the internalisation of the management of assistance insurance coverage Class code 18 were completed, the new Supplier Portal was completed and launched, and the IT infrastructure of the systems to management the increase of the activities related to its new services was strengthened (e.g. 2014-2016 volumes: +111%).
Auto Presto & Bene and MyGlass: consistently with the realisation of the new online MV product KM&Servizi, activities were completed for the integration with the systems of the network partner for the management of the new breakdown guarantee of the new Km&Servizi product and the channeling of the Arca claim on the MyGlass systems was completed.
Popolare Vita, BIM Vita and Incontra: respectively, 6 new individual products were developed for Popolare Vita, one for BIM Vita, while for Incontra the new product Denaro Protetto Gold was developed, together with the complete revision of the product catalogue.
Atahotels: several initiatives were carried out in connection with the disposal of the ENPAM structures and with the improvement of the wi-fi services of the various structures, and the project for the integration of the IT systems deriving from the acquisition of Una Hotels was started.
Marina di Loano: initiatives were completed for the enhancement of the telecommunication services and of the harbour's Wi-Fi network, and the Website was renewed.
DDOR: During the year, the feasibility of the project for the renewal and consolidation of the data centre and of the SAP Treasury project for treasury management was completed.

UnipolRe: in 2016, the SAP-FS RI system (for reinsurance management) was introduced to replace the legacy systems for the new business.

Transactions with related parties

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

The transactions of minor relevance performed during 2016, resolved in the previous year, include:
- 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%.

The "Procedure for the performance of related party transactions" is published on UnipolSai's website (www.unipolsai.com) in the Corporate Governance section.

As regards the disclosure required by IAS 24, please refer to paragraph 5.6 - Transactions with related parties in the Notes to the financial statements.

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/Annual Report on Corporate Governance" Section on the Company's website (www.unipolsai.com).

Statement pursuant to Art. 2.6.2, paragraph 9 of the Regulation governing markets organised and managed by Borsa Italiana SpA

Pursuant to the requirements set forth in Art. 2.6.2, paragraph 9 of the Regulation governing markets organised and managed by Borsa Italiana SpA with reference to subsidiaries subject to the management and coordination of another company, it is hereby stated that the conditions set forth in Art. 37 of Consob Regulation no. 16191/2007 exist for UnipolSai SpA.

Significant events after the reporting period

UnipolSai Assicurazioni included in FTSE4Good – A recognition for the environmental, social and governance practices

On 30 January 2017 FTSE Russell (a brand owned by FTSE International Limited and Frank Russell Company) confirmed that UnipolSai Assicurazioni meets the requirements set to be re-included among the members of the FTSE4Good Index Series.
This index measures the performance of the companies that adopt strict environmental, social and governance practices (ESG) and thus their conduct in areas such as the fight against climate change, governance, the respect for human rights and the fight against corruption.
The UnipolSai security reached the absolute score of 3.4 out of 5. This goal was attained also by constantly monitoring all the activities and the sustainability results, which represent an important element in terms of credibility and transparency in the communication with our stakeholders.
The presence of a company in the sustainability indexes is generating growing interest for the valuation by investors, who more and more often also consider non financial parameters in their portfolio choices, considering sustainable companies to be 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 as the official sponsor of Ducati Corse for the MotoGP world championship 2017 starting on 26 March at the Losail circuit in Qatar.
The partnership with the Borgo Panigale team (Bologna) will see the UnipolSai brand featured on the tail of the Desmosedici GP of the Spanish many times world champion Jorge Lorenzo and the Italian Andrea Dovizioso, on the pilot racing suits, on the helmet and on other different Ducati Corse materials required inside the paddock for each of the 18 races scheduled and for the official tests.

Authorisation to the use of the Partial Internal Model in determining the Solvency Capital Requirement for UnipolSai

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

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 if 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.

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

CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2016

TABLES OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position
Assets

	Amounts in €m	31/12/2016	31/12/2015
1	INTANGIBLE ASSETS	703.2	750.6
1.1	Goodwill	316.6	306.7
1.2	Other intangible assets	386.6	443.8
2	PROPERTY, PLANT AND EQUIPMENT	1,595.9	1,432.6
2.1	Property	1,385.8	1,323.4
2.2	Other tangible assets	210.2	109.2
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	848.8	868.9
4	INVESTMENTS	61,214.9	61,010.1
4.1	Investment property	2,387.8	2,535.3
4.2	Investments in subsidiaries, associates and interests in joint ventures	527.3	528.1
4.3	Held-to-maturity investments	892.3	1,100.0
4.4	Loans and receivables	5,049.6	5,250.7
4.5	Available-for-sale financial assets	43,171.7	42,804.5
4.6	Financial assets at fair value through profit or loss	9,186.1	8,791.5
5	SUNDRY RECEIVABLES	3,114.4	2,958.0
5.1	Receivables relating to direct insurance business	1,418.7	1,518.6
5.2	Receivables relating to reinsurance business	95.1	75.7
5.3	Other receivables	1,600.6	1,363.8
6	OTHER ASSETS	1,110.5	746.5
6.1	Non-current assets or assets of a disposal group held for sale	207.8	16.5
6.2	Deferred acquisition costs	90.4	86.8
6.3	Deferred tax assets	259.8	186.6
6.4	Current tax assets	31.3	44.6
6.5	Other assets	521.2	411.9
7	CASH AND CASH EQUIVALENTS	660.6	957.4
	TOTAL ASSETS	69,248.4	68,724.0

Statement of Financial Position
Shareholders' Equity and Liabilities

	Amounts in €m	31/12/2016	31/12/2015
1	SHAREHOLDERS' EQUITY	6,534.7	6,614.5
1.1	**attributable to the owners of the Parent**	**6,155.6**	**6,277.6**
1.1.1	Share capital	2,031.5	2,031.4
1.1.2	Other equity instruments		
1.1.3	Capital reserves	346.8	346.8
1.1.4	Income-related and other equity reserves	2,593.1	2,297.1
1.1.5	(Treasury shares)	(52.3)	(49.5)
1.1.6	Reserve for foreign currency translation differences	3.1	3.9
1.1.7	Gains or losses on available-for-sale financial assets	751.5	902.9
1.1.8	Other gains or losses recognised directly in equity	(15.5)	33.8
1.1.9	Profit (loss) for the year attributable to the owners of the Parent	497.4	711.3
1.2	**attributable to non-controlling interests**	**379.1**	**336.9**
1.2.1	Share capital and reserves attributable to non-controlling interests	317.6	277.8
1.2.2	Gains or losses recorded directly in equity	31.3	32.8
1.2.3	Profit (loss) for the year attributable to non-controlling interests	30.1	26.3
2	PROVISIONS	442.4	518.6
3	TECHNICAL PROVISIONS	55,816.4	56,095.2
4	FINANCIAL LIABILITIES	4,680.7	3,896.9
4.1	Financial liabilities at fair value through profit or loss	2,140.1	1,543.2
4.2	Other financial liabilities	2,540.6	2,353.7
5	PAYABLES	864.9	806.9
5.1	Payables arising from direct insurance business	107.4	114.8
5.2	Payables arising from reinsurance business	92.3	96.6
5.3	Other payables	665.2	595.4
6	OTHER LIABILITIES	909.2	792.0
6.1	Liabilities associated with disposal groups		
6.2	Deferred tax liabilities	26.0	40.6
6.3	Current tax liabilities	45.1	34.8
6.4	Other liabilities	838.2	716.7
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	69,248.4	68,724.0

Income Statement

	Amounts in €m	31/12/2016	31/12/2015
1.1	Net premiums	11,557.7	13,095.1
1.1.1	Gross premiums earned	11,998.8	13,557.8
1.1.2	Earned premiums ceded to reinsurers	(441.0)	(462.8)
1.2	Commission income	32.2	9.3
1.3	Gains and losses on financial instruments at fair value through profit or loss	44.7	393.1
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	17.3	25.8
1.5	Gains on other financial instruments and investment property	2,178.5	2,430.7
1.5.1	Interest income	1,521.5	1,489.8
1.5.2	Other income	166.0	185.3
1.5.3	Realised gains	452.0	722.3
1.5.4	Unrealised gains	38.9	33.3
1.6	Other revenue	426.3	505.4
1	TOTAL REVENUE AND INCOME	14,256.6	16,459.4
2.1	Net charges relating to claims	(9,974.5)	(11,584.7)
2.1.1	Amounts paid and changes in technical provisions	(10,191.3)	(11,804.0)
2.1.2	Reinsurers' share	216.8	219.4
2.2	Commission expenses	(15.0)	(8.3)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(3.0)	(8.0)
2.4	Losses on other financial instruments and investment property	(532.4)	(628.4)
2.4.1	Interest expense	(80.6)	(90.6)
2.4.2	Other charges	(46.4)	(48.0)
2.4.3	Realised losses	(249.8)	(247.5)
2.4.4	Unrealised losses	(155.6)	(242.2)
2.5	Operating expenses	(2,359.4)	(2,421.7)
2.5.1	Commissions and other acquisition costs	(1,731.6)	(1,802.7)
2.5.2	Investment management expenses	(132.0)	(119.8)
2.5.3	Other administrative expenses	(495.8)	(499.2)
2.6	Other costs	(691.6)	(764.7)
2	TOTAL COSTS AND EXPENSES	(13,575.8)	(15,415.7)
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	680.8	1,043.7
3	Income tax	(153.3)	(306.1)
	PROFIT (LOSS) FOR THE PERIOD AFTER TAXES	527.5	737.6
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		
	CONSOLIDATED PROFIT (LOSS)	527.5	737.6
	of which attributable to the owners of the Parent	497.4	711.3
	of which attributable to non-controlling interests	30.1	26.3

Comprehensive Income Statement

Amounts in €m	31/12/2016	31/12/2015
CONSOLIDATED PROFIT (LOSS)	527.5	737.6
Other income items net of taxes not reclassified to profit or loss	(10.5)	17.6
Change in the shareholders' equity of the investees	(4.9)	8.7
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	(5.6)	8.9
Other items		0.0
Other income items net of taxes reclassified to profit or loss	(192.3)	(266.9)
Change in the reserve for foreign currency translation differences	(0.8)	0.1
Gains or losses on available-for-sale financial assets	(152.6)	(268.1)
Gains or losses on cash flow hedges	(38.9)	1.1
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)	(202.8)	(249.4)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (EXPENSE)	324.6	488.2
of which attributable to the owners of the Parent	296.0	463.5
of which attributable to non-controlling interests	28.6	24.8

Statement of Changes in Shareholders' Equity

	Amounts in €m	Balance at 31/12/2014	Changes to closing balances	Amounts allocated	Adjustments from reclassif. to profit or loss	Transfers	Changes in investments	Balance at 31/12/2015
Shareholders' Equity attributable to the owners of the Parent	Share capital	1,996.1		35.3				2,031.4
	Other equity instruments	110.1		(101.4)		(8.6)		
	Capital reserves	247.8		99.0				346.8
	Income-related and other equity reserves	2,062.8		234.5			(0.2)	2,297.1
	(Treasury shares)	(49.5)		0.0				(49.5)
	Profit (loss) for the year	739.5		446.0		(474.3)		711.3
	Other comprehensive income/(expense)	1,188.4		153.2	(401.0)			940.6
	Total attributable to the owners of the Parent	**6,295.2**		**866.5**	**(401.0)**	**(482.9)**	**(0.2)**	**6,277.6**
Shareholders' Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	261.5		15.6			0.7	277.8
	Profit (loss) for the year	43.8		10.8		(28.3)		26.3
	Other comprehensive income/(expense)	34.4		9.8	(11.4)			32.8
	Total attributable to non-controlling interests	**339.7**		**36.1**	**(11.4)**	**(28.3)**	**0.7**	**336.9**
Total		6,634.9		902.7	(412.4)	(511.1)	0.5	6,614.5

		Balance at 31/12/2015	Changes to closing balances	Amounts allocated	Adjustments from reclassif. to profit or loss	Transfers	Changes in investments	Balance at 31/12/2016
Shareholders' Equity attributable to the owners of the Parent	Share capital	2,031.4		0.0				2,031.5
	Other equity instruments							
	Capital reserves	346.8						346.8
	Income-related and other equity reserves	2,297.1	0.0	296.0			(0.0)	2,593.1
	(Treasury shares)	(49.5)		(2.7)				(52.3)
	Profit (loss) for the year	711.3		202.5		(416.4)		497.4
	Other comprehensive income/(expense)	940.6	0.0	132.0	(333.4)		0.0	739.2
	Total attributable to the owners of the Parent	**6,277.6**	**0.0**	**627.8**	**(333.4)**	**(416.4)**	**0.0**	**6,155.6**
Shareholders' Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	277.8		1.3			38.5	317.6
	Profit (loss) for the year	26.3		28.0		(24.2)		30.1
	Other comprehensive income/(expense)	32.8		4.2	(5.6)		(0.0)	31.3
	Total attributable to non-controlling interests	**336.9**		**33.5**	**(5.6)**	**(24.2)**	**38.5**	**379.1**
Total		6,614.5	0.0	661.3	(339.0)	(440.7)	38.5	6,534.7

Statement of Cash Flows (indirect method)

Amounts in €m	31/12/2016	31/12/2015
Pre-tax profit (loss) for the year	680.8	1,043.7
Change in non-monetary items	(180.6)	(1,157.9)
Change in Non-Life premium provision	(48.2)	(113.2)
Change in claims provision and other Non-Life technical provisions	(657.8)	(935.6)
Change in mathematical provisions and other Life technical provisions	740.4	808.3
Change in deferred acquisition costs	(3.6)	(11.3)
Change in provisions	(76.2)	(101.3)
Non-monetary gains and losses on financial instruments, investment property and investments	(298.2)	(139.5)
Other changes	163.0	(665.4)
Change in receivables and payables generated by operating activities	(71.2)	238.5
Change in receivables and payables relating to direct insurance and reinsurance	(39.9)	119.7
Change in other receivables and payables	(31.3)	118.9
Paid taxes	(54.0)	(319.3)
Net cash flows generated by/used for monetary items from investing and financing activities	172.0	580.9
Liabilities from financial contracts issued by insurance companies	426.8	493.8
Payables to bank and interbank customers		
Loans and receivables from banks and interbank customers	(0.0)	0.0
Other financial instruments at fair value through profit or loss	(254.7)	87.2
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	547.0	385.9
Net cash flow generated by/used for investment property	(25.9)	(31.8)
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures	(4.4)	229.0
Net cash flow generated by/used for loans and receivables	(87.6)	266.8
Net cash flow generated by/used for held-to-maturity investments	204.4	323.3
Net cash flow generated by/used for available-for-sale financial assets	(309.7)	(231.0)
Net cash flow generated by/used for property, plant and equipment and intangible assets	(323.9)	(327.5)
Other net cash flows generated by/used for investing activities	13.8	179.5
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	(533.4)	408.3
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	(2.7)	
Dividends distributed attributable to the owners of the Parent	(416.4)	(482.9)
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	(24.2)	(28.3)
Net cash flow generated by/used for subordinated liabilities and equity instruments		
Net cash flow generated by/used for other financial liabilities	133.2	(10.5)
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	(310.2)	(521.6)
Effect of exchange rate gains/losses on cash and cash equivalents	(0.3)	(0.1)
CASH AND CASH EQUIVALENTS AT 1 JANUARY (*)	957.4	684.9
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(296.9)	272.5
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	660.6	957.4

(*) Cash and cash equivalents at the beginning of the year 2015 include €0.9m of non-current assets or those of a disposal group held for sale.

NOTES
TO THE FINANCIAL STATEMENTS

1. Basis of presentation

The UnipolSai Group, consisting of UnipolSai Assicurazioni ("UnipolSai") 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 to a lesser extent, hotel, agricultural and healthcare activities. UnipolSai is a joint-stock company, has its registered office in Bologna (Italy) and is listed on the Milan Stock Exchange.
UnipolSai'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 UnipolSai 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 UnipolSai Assicurazioni SpA are subject to an audit by independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2013/2021 period.

Consolidation scope

The UnipolSai Group's consolidated financial statements at 31 December 2016 were drawn up by combining the figures of UnipolSai and those for the 35 direct and indirect subsidiaries (IFRS 10). At 31 December 2015 a total of 43 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 (23 companies), in which the investment percentage ranges between 20% and 50%, and subsidiaries considered immaterial (5 companies), are measured using the equity method (IAS 28) or maintained at the carrying amount. At 31 December 2015, a total of 32 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 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 31 December 2016 the merger by incorporation of Dialogo SpA in liquidazione into UnipolSai Assicurazioni took effect, with accounting and tax effects from 1 January 2016. After the merger had become effective, 1,931 new UnipolSai ordinary shares, with the same characteristics of outstanding ordinary shares, were issued to Dialogo shareholders other than the merging company UnipolSai.
The share capital of UnipolSai therefore went from €2,031,454,951.73, consisting of 2,829,715,441 ordinary shares, to €2,031,456,338.00, consisting of 2,829,717,372 ordinary shares.

During the year, the following transactions led to changes to the consolidation scope:
- on 5 October 2016, the sale of the company Progetto Bicocca La Piazza Srl in liquidazione was completed;
- on 22 December 2016, the company Leithà Srl with single shareholder (UnipolSai), with its registered office in Bologna, was established. 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 an interest comprising 125 shares of the company Golf Club Poggio dei Medici SpA Società Dilettantistica Sportiva, representing 40.32% of the share capital;

and the following transactions, which did not lead to changes to the consolidation scope:
- on 9 September 2016, UnipolSai Assicurazioni bought, from IGD-Immobiliare Grande Distribuzione SIIQ SpA, 782,718 shares in UnipolSai Investimenti SGR SpA (representing 20% of the share capital), thus directly holding an interest of 49%;
- on 2 December 2016, UnipolSai Assicurazioni sold to the associate Arca Vita SpA 0.20% of the share capital of the subsidiary UnipolSai Servizi Consortili Scrl.

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).

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 are:

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 purchased and of the liabilities assumed are still provisional and may be re-determined within 12 months from the acquisition, in accordance with 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 UnipolSai closed. All the consolidated companies closed their financial statements at 31 December with the exception of the associates 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, and of the associate Fin.Priv Srl, which closed its latest financial statements on 30 November.
With the exception of the subsidiary 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 the IAS/IFRS, as applied by UnipolSai and approved by the Boards of Directors of the companies concerned.

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.

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;
- Real estate business;
- 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 - Annual Improvements to IFRS Standards 2012–2014 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 the 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 IRFS 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 (hereafter ED) 2015/11 "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 2014-2016 annual Improvements to IFRS. 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 set out 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 developing and implementing IT systems, including personalisation of the relative software, amortised over five or ten years according to their 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 subsequent 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 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.

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.

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 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 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, credit positions in derivative contracts 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 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 repurchase 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, 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 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 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.

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 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 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 Gruppo Finanziario that has replaced the previous tax consolidation agreements set up by Finsoe, UnipolSai.

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 equity 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:
  a. above 10% the contract is an insurance contract;
  b. under 5% the contract is a financial contract;
  c. between 5% and 10% specific product analyses 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 provisions

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 make an addition 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, expiry of contracts, 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 relating 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 relating to 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, despite being prior year items, the deferred taxes recalculated in accordance with the new rates are recognised under Income tax in the income statement or under 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 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 Costs 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

Starting from the 2015 tax year and for the 2015-2017 three-year period, UnipolSai has opted for the Group tax regime regulated by Art. 117 et seq. of Italian Presidential Decree 917/86, under the tax consolidating company Unipol Gruppo Finanziario, together with its own subsidiaries that meet the regulatory requirements.
An agreement was signed between the consolidating company and the respective consolidated companies, regulating the financial and procedural aspects governing the option in question.

Tax for the year is calculated according to current tax regulations and recognised among costs for the year. It 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.
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.

Earnings per share - IAS 33

Basic earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in the UnipolSai 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 UnipolSai 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.

		Mark to Market	Mark to Model and other
Financial Instruments	Bonds	CBBT contributor - Bloomberg Other contributor - Bloomberg	Mark to Model Counterparty valuation
	Listed shares and investments, ETFs	Reference market	
	Unlisted shares and investments		DCF DDM Multiples
	Listed derivatives	Reference market	
	OTC derivatives		Mark to Model
	UCITS	Net Asset Value	
Receivables			Trade receivables (Mark to Model) Other receivables (carrying amount)
Property			Appraisal value

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:
- the regulated market in which the instrument subject to measurement is traded and regularly listed;

- the multilateral trading system (MTF) in which the instrument subject to measurement is traded or regularly listed;
- 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:
- the primary source is the CBBT price provided by data provider Bloomberg;
- 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 UnipolSai 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 UnipolSai 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 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 able to ensure that these prices can be applied to 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

Consistent 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).

In application of IFRS 5, assets and liabilities held for disposal are shown respectively under items 6.1 in Assets and 6.1 under Liabilities. As regards Non-current assets or assets of a disposal group held for sale, please refer to Chapter 5 Other information, paragraph 5.5, for more information on their composition and measurement criteria.

ASSETS

1. Intangible assets

Amounts in €m	31/12/2016	31/12/2015	*var. in amount*
Goodwill	316.6	306.7	*9.9*
resulting from business combinations	316.6	306.7	*9.9*
Other intangible assets	386.6	443.8	*(57.3)*
portfolios acquired under business combinations	228.8	295.9	*(67.0)*
software and licenses	155.7	133.7	*22.1*
other intangible assets	2.0	14.3	*(12.3)*
Total intangible assets	703.2	750.6	*(47.4)*

1.1 Goodwill

The item, which amounted to €316.6m, consists (€306.7m) of the goodwill recognised following the Unipol Assicurazioni, Milano Assicurazioni, Premafin Finanziaria in Fondiaria-SAI (now UnipolSai) integration transaction, in continuity with the values that Unipol Assicurazioni contributed to the consolidated financial statements of the holding company UGF at the date of the business combination under common control. It refers to €177.0m for the Non-Life segment and to €129.7m for the Life segment.
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 UnipolSai's Board of Directors. For information on the criteria used for the tests, please refer to paragraph 5.11 of Chapter 5 of this document, Other information.

1.2 Other intangible assets

The item, totalling €386.6m (€443.8m in 2015), is composed primarily of the residual value of the Life and Non-Life portfolios acquired, equal to €228.8m (€295.9m in 2015), whose change is due to the amortisation of the period and costs incurred for purchasing software, licences, consultancy and the customisation of software programs for €155.7m (€133.7m in 2015).

2. Property, plant and equipment

At 31 December 2016 Property, plant and equipment, net of accumulated depreciation, amounted to €1,595.9m (€1,432.6m in 2015), €1,385.8m of which was property for own use (€1,323.4m in 2015) and €210.2m was Other tangible assets (€109.2m in 2015).

Properties for own use

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2015	1,495.2	(171.8)	1,323.4
Increases	297.9		297.9
Decreases	(224.3)		(224.3)
Depreciation for the year		(32.2)	(32.2)
Other changes in provisions		21.0	21.0
Balance at 31/12/2016	1,568.7	(183.0)	1,385.8

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.
The decreases refer mainly to class transfers (Investment property and/or Assets held for disposal).
The current value of properties for own use amounted to €1,476.6m.

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	261.4	5.0	155.7	422.1
Increases	25.3	0.0	113.2	138.6
Decreases	(1.7)	(0.8)	(12.3)	(14.8)
Balance at 31/12/2016	285.1	4.2	256.6	545.9
Accumulated depreciation at 31/12/2015	195.9	3.8	113.2	312.9
Increases	21.1	0.0	12.1	33.2
Decreases	(0.2)	(0.7)	(9.6)	(10.5)
Accumulated depreciation at 31/12/2016	216.8	3.2	115.7	335.7
Net amount at 31/12/2015	65.6	1.2	42.5	109.2
Net amount at 31/12/2016	68.3	1.0	140.9	210.2

3. Technical provisions - Reinsurers' share

The balance of this item was €848.8m, an increase of €20.0m compared with 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 €61,214.9m (€61,010.1m in 2015).

Amounts in €m	31/12/2016	*% comp.*	31/12/2015	*% comp.*	*% var.*
Investment property	2,387.8	*3.9*	2,535.3	*4.2*	*(5.8)*
Investments in subsidiaries, associates and interests in joint ventures	527.3	*0.9*	528.1	*0.9*	*(0.1)*
Financial assets (excluding those at fair value through profit or loss)	49,419.7	*80.7*	49,527.2	*81.2*	*(0.2)*
Held-to-maturity investments	*892.3*	*1.5*	*1,100.0*	*1.8*	*(18.9)*
Loans and receivables	*5,049.6*	*8.2*	*5,250.7*	*8.6*	*(3.8)*
Available-for-sale financial assets	*43,171.7*	*70.5*	*42,804.5*	*70.2*	*0.9*
Held-for-trading financial assets	*306.1*	*0.5*	*371.9*	*0.6*	*(17.7)*
Financial assets at fair value through profit or loss	8,880.0	*14.5*	8,419.5	*13.8*	*5.5*
Total Investments	61,214.9	*100.0*	61,010.1	*100.0*	*0.3*

4.1 Investment property

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2015	2,738.2	(202.9)	2,535.3
Increases	147.1		147.1
Decreases	(253.7)		(253.7)
Depreciation for the year		(41.6)	(41.6)
Other changes in provisions		0.7	0.7
Balance at 31/12/2016	2,631.6	(243.8)	2,387.8

The increases refer to purchases and incremental expenses of €48.3m; the residual amount is mainly referred to the transfer from the "Properties for own use" item of the property located in Milan, via Senigallia.
The decreases refer to sales of €30.2m and to write-downs of €60.1m; the residual is mainly referred to transfers to Non-current assets.
The current value of Investment property, €2,478.2m, 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 €527.3m (€528.1m 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	**892.3**	***1.8***	**1,100.0**	***2.2***	***(18.9)***
Listed debt securities	748.3		843.4		*(11.3)*
Unlisted debt securities	144.0		256.6		*(43.9)*
Loans and receivables	**5,049.6**	***10.2***	**5,250.7**	***10.6***	***(3.8)***
Unlisted debt securities	4,172.3		4,323.8		*(3.5)*
Deposits with ceding companies	20.6		24.0		*(13.9)*
Other loans and receivables	856.7		903.0		*(5.1)*
Available-for-sale financial assets	**43,171.7**	***87.4***	**42,804.5**	***86.4***	***0.9***
Equity instruments at cost	38.2		38.2		
Listed equity instruments at fair value	436.7		496.5		*(12.1)*
Unlisted equity instruments at fair value	168.3		178.4		*(5.7)*
Listed debt securities	40,536.4		40,021.9		*1.3*
Unlisted debt securities	573.3		636.8		*(10.0)*
UCITS units	1,418.8		1,432.6		*(1.0)*
Held-for-trading financial assets	**306.1**	***0.6***	**371.9**	***0.8***	***(17.7)***
Listed equity instruments at fair value	12.7		14.4		*(11.8)*
Listed debt securities	90.1		66.6		*35.3*
Unlisted debt securities	47.8		80.8		*(40.9)*
UCITS units	28.3		31.2		*(9.3)*
Derivatives	127.2		178.9		*(28.9)*
Total financial assets	**49,419.7**	***100.0***	**49,527.2**	***100.0***	***(0.2)***

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	**8,880.0**	***100.0***	**8,419.5**	***100.0***	***5.5***
Listed equity instruments at fair value	226.0	*2.5*	175.0	*2.1*	*29.1*
Listed debt securities	4,395.0	*49.5*	3,669.1	*43.6*	*19.8*
Unlisted debt securities	130.2	*1.5*	673.3	*8.0*	*(80.7)*
UCITS units	3,596.8	*40.5*	3,658.2	*43.4*	*(1.7)*
Other financial assets	532.0	*6.0*	243.8	*2.9*	*118.2*

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	% comp.	31/12/2015	% comp.	% var.
Receivables relating to direct insurance business	1,418.7	45.6	1,518.6	51.3	(6.6)
Receivables relating to reinsurance business	95.1	3.1	75.7	2.6	25.6
Other receivables	1,600.6	51.4	1,363.8	46.1	17.4
Total sundry receivables	**3,114.4**	**100.0**	**2,958.0**	**100.0**	**5.3**

The item Other receivables included:
- €445.4m related to tax receivables (€566.8m at 31/12/2015);
- payments made as cash collateral to safeguard derivatives totalling €352.6m (€119.7m at 31/12/2015);
- substitute tax receivables on the mathematical provisions totalling €258.1m (€156.5m at 31/12/2015);
- €187.7m related to trade receivables (€169.5m at 31/12/2015).

6. Other assets

Amounts in €m	31/12/2016	% comp.	31/12/2015	% comp.	% var.
Non-current assets or assets of a disposal group held for sale	207.8	18.7	16.5	2.2	n.s.
Deferred acquisition costs	90.4	8.1	86.8	11.6	4.2
Deferred tax assets	259.8	23.4	186.6	25.0	39.3
Current tax assets	31.3	2.8	44.6	6.0	(30.0)
Other assets	521.2	46.9	411.9	55.2	26.5
Total other assets	**1,110.5**	**100.0**	**746.5**	**100.0**	**48.8**

Non-current assets or assets of a disposal group held for sale consist of certain properties owned by Group companies. For details please refer to paragraph 5.5 of these Notes to the financial statements.

The item 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, as described in Chapter 2 Main accounting standards.

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 €660.6m (€957.4m 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	var. in amount
Share capital	2,031.5	2,031.4	0.0
Capital reserves	346.8	346.8	
Income-related and other equity reserves	2,593.1	2,297.1	296.0
(Treasury shares)	(52.3)	(49.5)	(2.7)
Reserve for foreign currency translation differences	3.1	3.9	(0.8)
Gains/losses on available-for-sale financial assets	751.5	902.9	(151.3)
Other gains and losses recognised directly in equity	(15.5)	33.8	(49.3)
Profit (loss) for the period	497.4	711.3	(213.9)
Total shareholders' equity attributable to the owners of the Parent	**6,155.6**	**6,277.6**	**(122.0)**

At 31 December 2016, UnipolSai's share capital was €2,031.5m, fully paid-up, and consisted of 2,829,717,372 ordinary shares without nominal value (2,829,702,916 ordinary shares at 31/12/2015).
The change is due to the share capital increase carried out in service of the merger by incorporation into UnipolSai of:

ii) Liguria – Società di Assicurazioni SpA "Liguria" and of Liguria Vita SpA, with the consequent issue of 12,525 new UnipolSai ordinary shares in favour of Liguria shareholders, other than the Merging company;

iii) Dialogo SpA in Liquidazione "Dialogo", with the consequent issue of 1,931 new UnipolSai ordinary shares in favour of Dialogo shareholders, other than the Merging company.

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 in the year in the Group's shareholders' equity were as follows:

- decrease due to dividend distribution for €416.4m;
- a decrease as a result of the decrease in the reserve for gains and losses on available-for-sale financial assets, net of both the related tax liabilities and the part attributable to the policyholders and charged to insurance liabilities for €151.3m;
- an increase by €497.4m in Group profit for the period.

Shareholders' Equity attributable to non-controlling interests was €379.1m (€336.9m at 31/12/2015).

Treasury shares or quotas

At 31 December 2016, UnipolSai held a total of 55,349,685 ordinary treasury shares, of which 7,005,640 directly and 48,344,045 indirectly through the subsidiaries UnipolSai Finance (38,454,775), UnipolSai Nederland (9,443,258), Pronto Assistance (344,312) and Popolare Vita (101,700).
During the year, UnipolSai purchased 1,800,000 ordinary treasury shares to implement the programme for the purchase of treasury shares, in the service of compensation plans based on financial instruments (performance share type), intended for the managers of the Company.

2. Provisions and potential liabilities

The item "Provisions" totalled €442.4m at 31 December 2016 (€518.6m 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

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.

Tenute del Cerro
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.

Other tax disputes
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.

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.

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	% comp.	31/12/2015	% comp.	% var.
Non-Life premium provisions	2,708.5	18.0	2,753.2	17.5	
Non-Life claims provisions	12,310.1	81.9	12,978.9	82.4	
Other Non-Life technical provisions	17.6	0.1	15.7	0.1	
Total Non-Life provisions	**15,036.2**	**100.0**	**15,747.8**	**100.0**	**(4.5)**
Life mathematical provisions	30,622.5	75.1	29,482.0	73.1	
Provisions for amounts payable (Life business)	379.3	0.9	775.6	1.9	
Technical provisions where investment risk is borne by policyholders and arising from pension fund management	7,167.9	17.6	7,131.2	17.7	
Other Life technical provisions	2,610.6	6.4	2,958.6	7.3	
Total Life provisions	**40,780.3**	**100.0**	**40,347.4**	**100.0**	**1.1**
Total technical provisions	**55,816.4**		**56,095.2**		**(0.5)**

4. Financial liabilities

Financial liabilities amounted to €4,680.7m (€3,896.9m at 31/12/2015).

4.1 Financial liabilities at fair value through profit or loss

The item, which amounted to €2,140.1m (€1,543.2m at 31/12/2015), is broken down as follows:

- Held-for-trading financial liabilities totalled €411.3m (€241.8m at 31/12/2015);
- Financial liabilities designated at fair value through profit or loss totalled €1,728.8m (€1,301.4m at 31/12/2015). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders and the insurance risk borne by the Group did not exceed 10% (some types of Class III, Class V and Class VI contracts).

4.2 Other financial liabilities

Amounts in €m	31/12/2016	% comp.	31/12/2015	% comp.	% var.
Subordinated liabilities	2,027.3	79.8	2,026.5	86.1	0.0
Deposits received from reinsurers	220.7	8.7	203.8	8.7	8.3
Other loans obtained	287.8	11.3	118.8	5.0	142.2
Sundry financial liabilities	4.8	0.2	4.5	0.2	7.8
Total other financial liabilities	**2,540.6**	**100.0**	**2,353.7**	**100.0**	**7.9**

Details of Subordinated liabilities are shown in the table below:

Issuer	Nominal amount outstanding	Subordination level	Year of maturity	Call	Rate	L/NL
UnipolSai	€300.0m	tier II	2021	every 3 months	3M Euribor + 250 b.p.	L
UnipolSai	€261.7m	tier II	2023	every 3 months	3M Euribor + 250 b.p.	L
UnipolSai	€400.0m	tier I	2023	every 6 months	6M Euribor + 180 b.p. (**)	NL
UnipolSai	€100.0m	tier II	2025	every 6 months	6M Euribor + 180 b.p. (**)	NL
UnipolSai	€150.0m	tier II	2026	every 6 months	6M Euribor + 180 b.p. (**)	NL
UnipolSai	€50.0m	tier II	2026	every 6 months	6M Euribor + 180 b.p. (**)	NL
UnipolSai	€750.0m	tier I	in perpetuity	every 3 months from 18/06/2024	fixed rate 5.75% (*)	L

(*) 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.

5. Payables

Amounts in €m	31/12/2016	*% comp.*	31/12/2015	*% comp.*	*% var.*
Payables arising from direct insurance business	107.4	*12.4*	114.8	*14.2*	*(6.5)*
Payables arising from reinsurance business	92.3	*10.7*	96.6	*12.0*	*(4.4)*
Other payables	665.2	*76.9*	595.4	*73.8*	*11.7*
Policyholders' tax due	161.2	*18.6*	170.0	*21.1*	*(5.2)*
Sundry tax payables	41.3	*4.8*	32.4	*4.0*	*27.5*
Trade payables	189.5	*21.9*	171.6	*21.3*	*10.4*
Post-employment benefits	64.5	*7.5*	64.7	*8.0*	*(0.3)*
Social security charges payable	35.0	*4.0*	33.8	*4.2*	*3.4*
Sundry payables	173.7	*20.1*	122.9	*15.2*	*41.4*
Total payables	864.9	*100.0*	806.9	*100.0*	*7.2*

6. Other liabilities

Amounts in €m	31/12/2016	*% comp.*	31/12/2015	*% comp.*	*% var.*
Current tax liabilities	45.1	*5.0*	34.8	*4.4*	*29.5*
Deferred tax liabilities	26.0	*2.9*	40.6	*5.1*	*(36.0)*
Commissions on premiums under collection	99.7	*11.0*	96.9	*12.2*	*2.9*
Deferred commission income	23.2	*2.6*	16.7	*2.1*	*38.8*
Accrued expenses and deferred income	45.4	*5.0*	13.1	*1.7*	*n.s.*
Other liabilities	669.9	*73.7*	589.9	*74.5*	*13.6*
Total other liabilities	909.2	*100.0*	792.0	*100.0*	*14.8*

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, as described in Chapter 2 Main accounting standards.

4. Notes to the Income Statement

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	7,304.2	7,493.0	*(2.5)*
Non-Life written premiums	7,265.3	7,373.0	*(1.5)*
Changes in Non-Life premium provision	38.8	120.0	*(67.6)*
Life written premiums	4,694.6	6,064.8	*(22.6)*
Non-Life and Life gross earned premiums	11,998.8	13,557.8	*(11.5)*
Non-Life earned premiums ceded to reinsurers	(432.7)	(453.1)	*(4.5)*
Non-Life premiums ceded to reinsurers	(431.0)	(444.5)	*(3.0)*
Changes in Non-Life premium provision - reinsurers' share	(1.7)	(8.7)	*(80.8)*
Life premiums ceded to reinsurers	(8.3)	(9.6)	*(13.4)*
Non-Life and Life earned premiums ceded to reinsurers	(441.0)	(462.8)	*(4.7)*
Total net premiums	11,557.7	13,095.1	*(11.7)*

1.2 Commission income

Amounts in €m	31/12/2016	31/12/2015	*% var.*
Commission income from investment contracts	20.9	0.2	*n.s.*
Other commission income	11.3	9.1	*24.8*
Total commission income	32.2	9.3	*n.s.*

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

Amounts in €m	31/12/2016	31/12/2015	*% var.*
on held-for trading financial assets	(82.2)	226.6	
on held-for trading financial liabilities	2.2	0.8	
on financial assets/liabilities at fair value through profit or loss	124.7	165.7	
Total net gains/losses	44.7	393.1	*(88.6)*

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

These amounted to €17.3m (€25.8m in 2015).

1.5 Gains on other financial instruments and investment property

Amounts in €m	31/12/2016	31/12/2015	*% var.*
Interest	1,521.5	1,489.8	*2.1*
on held-to-maturity investments	43.8	53.2	*(17.6)*
on loans and receivables	157.5	169.3	*(7.0)*
on available-for-sale financial assets	1,316.7	1,262.0	*4.3*
on sundry receivables	2.5	3.0	*(17.0)*
on cash and cash equivalents	1.0	2.3	*(56.3)*
Other income	166.0	185.3	*(10.4)*
from investment property	90.5	108.4	*(16.5)*
from available-for-sale financial assets	75.5	76.9	*(1.8)*
Realised gains	452.0	722.3	*(37.4)*
on investment property	3.4	4.0	*(14.3)*
on loans and receivables	14.9	10.8	*37.2*
on available-for-sale financial assets	433.7	707.5	*(38.7)*
Unrealised gains and reversals of impairment losses	38.9	33.3	*16.8*
on available-for-sale financial assets	0.0	31.8	*(100.0)*
on other financial assets and liabilities	38.9	1.5	*n.s.*
Total item 1.5	2,178.5	2,430.7	*(10.4)*

1.6 Other revenue

Amounts in €m	31/12/2016	31/12/2015	var.%
Income from non-current assets held for sale	0.0	0.1	*(99.2)*
Sundry technical income	122.0	93.0	*31.2*
Exchange rate differences	4.4	5.2	*(16.3)*
Extraordinary gains	22.4	42.9	*(47.7)*
Other income	277.5	364.3	*(24.6)*
Total other revenue	**426.3**	**505.4**	***(15.6)***

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	**10,191.3**	**11,804.0**	***(13.7)***
Non-Life business	**4,770.0**	**4,797.6**	***(0.6)***
Non-Life amounts paid	5,551.1	5,913.2	
changes in Non-Life claims provision	(665.8)	(989.3)	
changes in Non-Life recoveries	(114.1)	(125.1)	
changes in other Non-Life technical provisions	(1.2)	(1.1)	
Life business	**5,421.3**	**7,006.4**	***(22.6)***
Life amounts paid	4,991.0	6,201.0	
changes in Life amounts payable	(397.1)	405.2	
changes in mathematical provisions	1,166.4	929.1	
changes in other Life technical provisions	29.3	200.4	
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	**(216.8)**	**(219.4)**	***(1.2)***
Non-Life business	**(211.5)**	**(219.1)**	***(3.5)***
Non-Life amounts paid	(223.1)	(272.4)	
changes in Non-Life claims provision	4.2	52.5	
changes in Non-Life recoveries	7.4	0.8	
Life business	**(5.3)**	**(0.2)**	***n.s.***
Life amounts paid	(19.7)	(19.2)	
changes in Life amounts payable	3.1	1.6	
changes in mathematical provisions	11.2	17.4	
Total net charges relating to claims	**9,974.5**	**11,584.7**	***(13.9)***

2.2 Commission expense

Amounts in €m	31/12/2016	31/12/2015	% var.
Commission expense from investment contracts	7.4	1.2	*n.s.*
Other commission expense	7.5	7.1	*6.9*
Total commission expense	**15.0**	**8.3**	***81.3***

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

These amounted to €3.0m (€8.0m in 2015).

2.4 Losses on other financial instruments and investment property

Amounts in €m	31/12/2016	31/12/2015	% var.
Interest:	**80.6**	**90.6**	***(11.1)***
on other financial liabilities	78.8	89.3	*(11.7)*
on payables	1.8	1.4	*31.1*
Other charges:	**46.4**	**48.0**	***(3.4)***
from investment property	43.0	42.0	*2.4*
from available-for-sale financial assets	2.1	4.6	*(53.9)*
from cash and cash equivalents	0.1	0.3	*(56.3)*
from other financial liabilities	1.0	1.1	*(10.8)*
from sundry payables	0.1		
Realised losses:	**249.8**	**247.5**	***0.9***
on investment property	1.9	0.3	*n.s.*
on loans and receivables	4.8	4.4	*7.7*
on available-for-sale financial assets	243.1	242.7	*0.2*
Unrealised losses and impairment losses:	**155.6**	**242.2**	***(35.8)***
on investment property	101.7	140.0	*(27.3)*
on available-for-sale financial assets	52.8	98.1	*(46.1)*
on other financial liabilities	1.0	4.2	*(75.6)*
Total item 2.4	**532.4**	**628.4**	***(15.3)***

The Unrealised losses and impairment losses relating to investment property included amortisation that totalled €41.6m (€42.9m at 31/12/2015) and write-downs amounting to €60.1m (€97.1m at 31/12/2015), carried out on the basis of updated valuations performed by independent experts.

2.5 Operating expenses

Amounts in €m	31/12/2016	31/12/2015	*% var.*
Insurance Sector	2,309.1	2,379.6	*(3.0)*
Other Businesses Sector	54.4	49.8	*9.1*
Real Estate Sector	12.0	13.2	*(8.9)*
Intersegment eliminations	(16.0)	(20.9)	*(23.4)*
Total operating expenses	**2,359.4**	**2,421.7**	***(2.6)***

Below are details of Operating expenses in the Insurance sector:

	Non-Life			Life			Total		
Amounts in €m	31/12/2016	31/12/2015	*% var.*	31/12/2016	31/12/2015	*% var.*	31/12/2016	31/12/2015	*% var.*
Acquisition commissions	1,247.5	1,198.5	*4.1*	91.4	126.0	*(27.5)*	1,338.9	1,324.5	*1.1*
Other acquisition costs	312.7	396.9	*(21.2)*	43.7	43.1	*1.4*	356.4	440.0	*(19.0)*
Change in deferred acquisition costs	4.2	(9.6)	*n.s.*	(7.6)	(1.7)	*n.s.*	(3.4)	(11.3)	*(69.8)*
Collection commissions	158.0	160.1	*(1.3)*	8.2	9.5	*(14.5)*	166.2	169.6	*(2.0)*
Profit sharing and other commissions from reinsurers	(126.1)	(118.7)	*6.3*	(0.4)	(1.5)	*(70.6)*	(126.6)	(120.1)	*5.4*
Investment management expenses	81.9	64.6	*26.7*	44.3	41.9	*5.8*	126.2	106.5	*18.5*
Other administrative expenses	360.5	357.3	*0.9*	90.8	113.1	*(19.8)*	451.3	470.4	*(4.1)*
Total operating expenses	**2,038.8**	**2,049.1**	***(0.5)***	**270.3**	**330.5**	***(18.2)***	**2,309.1**	**2,379.6**	***(3.0)***

2.6 Other costs

Amounts in €m	31/12/2016	31/12/2015	*% var.*
Other technical charges	256.4	189.1	*35.6*
Impairment losses on receivables	34.2	12.3	*n.s.*
Other charges	401.0	563.3	*(28.8)*
Total other costs	**691.6**	**764.7**	***(9.6)***

3. Income tax

In accordance with the provisions of IAS 12 the following table shows, at consolidated level, the deferred taxes utilised and accrued.

	31/12/2016			31/12/2015		
Amounts in €m	Ires	Irap	Total	Ires	Irap	Total
Current taxes	**(140.1)**	**(6.6)**	**(146.6)**	**(183.3)**	**(29.6)**	**(213.0)**
Deferred assets and liabilities:	**0.1**	**(6.8)**	**(6.7)**	**(95.8)**	**2.7**	**(93.1)**
Use of deferred tax assets	(114.7)	(11.4)	(126.1)	(259.9)	(5.7)	(265.6)
Use of deferred tax liabilities	57.5	2.7	60.2	51.4	2.5	53.8
Provisions for deferred tax assets	117.5	17.3	134.8	331.8	49.9	381.7
Provisions for deferred tax liabilities	(60.2)	(15.3)	(75.6)	(219.1)	(44.0)	(263.1)
Total	**(140.0)**	**(13.3)**	**(153.3)**	**(279.2)**	**(26.9)**	**(306.1)**

Against pre-tax profit of €680.8m, taxes pertaining to the year of €153.3m were recorded, corresponding to a tax rate of 22.5% (29.3% 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 following the compensation transaction, showing the major differences for taxation purposes:

Amounts in €m	31/12/2016	31/12/2015
DEFERRED TAX ASSETS		
Intangible assets and property, plant and equipment	57.6	38.7
Technical provisions – Reinsurers' share	167.4	171.2
Investment property	179.6	103.7
Financial instruments	(413.2)	(401.6)
Sundry receivables and other assets	125.2	110.4
Provisions	177.0	193.6
Technical provisions	146.0	165.7
Financial liabilities	(22.3)	(20.6)
Payables and other liabilities	(3.2)	(3.6)
Other deferred tax assets	(154.2)	(170.9)
Total deferred tax assets	**259.8**	**186.6**
DEFERRED TAX LIABILITIES		
Intangible assets and property, plant and equipment	(115.7)	(85.5)
Technical provisions – Reinsurers' share	(13.8)	(11.3)
Investment property	4.2	(19.1)
Financial instruments	1,047.3	1,198.3
Sundry receivables and other assets	(2.7)	(11.3)
Provisions	(2.3)	(10.6)
Technical provisions	(777.8)	(866.7)
Financial liabilities	2.4	4.3
Payables and other liabilities	1.3	1.0
Other deferred tax liabilities	(116.9)	(158.5)
Total deferred tax liabilities	**26.0**	**40.6**

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 hedges

Fair value hedging concerns bonds linked to European inflation, for which the actual interest rate risk was hedged through Inflation Swap IRS (Interest Rate Swaps).

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 €250.0m to hedge bond assets recorded in Loans and Receivables, with a hedged synthetic notional value equal to €130.4m.
At 31 December 2016, 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 on financial assets from a floating rate to a fixed rate, stabilising the cash flows.

UnipolSai Assicurazioni: on 14 July 2016, the last two IRS expired, with a notional value of €200.0m hedging subordinated loans (notional of €200.0m at 31/12/2015).

UnipolSai Assicurazioni: cash flow hedges on bond securities recorded in the Available-for-sale asset portfolio through the sale of IRSs for a notional value of €1,053.8m (€1,075.8m at 31/12/2015).
The cumulative negative effect on Shareholders' Equity in the Hedging reserve for gains or losses on cash flow hedges was €8.9m (€22.7m at 31/12/2015): net of tax, the impact was -€6.2m (€15.7m, positive effect at 31/12/2015).

UnipolSai Assicurazioni: cash flow hedges on bond securities recorded in the Loans and Receivables portfolio through IRSs for a notional value of €250.0m (€250.0m at 31/12/2015).
The cumulative negative effect on Shareholders' Equity in the Hedging reserve for gains or losses on cash flow hedges was €3.1m (€4.4m at 31/12/2015): net of tax, the impact was -€2.2m (€3.0m, positive effect at 31/12/2015).

Tikal - on 30 December 2016, the IRS for a notional €55m expired; it pertained to the cash flow hedges on debt exposures to banks.

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 UnipolSai 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.
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.

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		Net total (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits received as guarantees (E)	
Derivative transactions (1)	415.8		415.8	388.5	3.4	23.9
Repurchase agreements (2)						
Securities lending						
Other						
Total	**415.8**		**415.8**	**388.5**	**3.4**	**23.9**

(1) The amounts indicated include the fair value in the financial statements of the derivatives involved in the netting agreements and any cash deposits given or received as guarantee.

(2) The amounts indicated include the financial assets/liabilities relating to the repurchase agreement and the amount of the financial transaction object of the forward purchase

Financial liabilities

(Amounts in €m)

Type	Gross amount (A)	Total financial assets offset in the financial statements (B)	Net total financial liabilities recognised in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements		Net total (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits given as guarantees (E)	
Derivative transactions (1)	395.5		395.5	59.0	332.9	3.6
Repurchase agreements (2)						
Securities lending						
Other						
Total	**395.5**		**395.5**	**59.0**	**332.9**	**3.6**

(1) The amounts indicated include the fair value in the financial statements of the derivatives involved in the netting agreements and any cash deposits given or received as guarantee.

(2) The amounts indicated include the financial assets/liabilities relating to the repurchase agreement and the amount of the financial transaction object of the forward purchase

5.3 Earnings (loss) per share

Ordinary shares - basic and diluted

	31/12/2016	31/12/2015
Profit/loss allocated to ordinary shares (€m)	497.4	711.3
Weighted average of ordinary shares outstanding during the year (no./m)	2,775.4	2,478.0
Basic and diluted earnings (loss) per share (€ per share)	**0.18**	**0.29**

5.4 Dividends

In view of the profit for the year made by the Company at 31 December 2015 (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of UnipolSai SpA held on 27 April 2016, resolved on the distribution of dividends corresponding to €0.15 per ordinary share. The total amount set aside for dividends, including treasury shares held by UnipolSai, amounted to €423.7m.
The Shareholders' Meeting also set the dividend payment date for 25 May 2016 (ex-dividend date 23 May 2016 and record date 24 May 2016).

The financial statements at 31 December 2016 of UnipolSai, drawn up in accordance with Italian GAAP, posted a profit of €458.5m.
UnipolSai's Board of Directors proposes that the Ordinary Shareholders' Meeting allocate as dividends €0.125 per Ordinary Share.
The total amount set aside for dividends, including treasury shares, came to €353m.

5.5 Non-current assets or assets of a disposal group held for sale

Reclassifications made in application of IFRS 5, for €207.8m (€16.5m at 31/12/2015) pertain exclusively to properties for which the related preliminary sales contracts have already been signed or advanced negotiations are in progress. Included in particular are 200 property units located across the country for which the acceptance of a purchase offer was resolved at the end of 2016.

5.6 Transactions with related parties

Since 2014, most of the service contracts have been centralised at UnipolSai Assicurazioni, which provides services in 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.

SIAT performed the following services for UnipolSai in 2016:
- 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.

Pronto Assistance Servizi provides the following services for the consortium member companies:
- organisation, provision and 24/7 management of services provided by the assistance insurance coverage, by taking the action requested and managing relations with professionals and independent suppliers to which the material execution of the action is assigned, also including settlement of the related remuneration. As part of the Tourism claims management, in addition to the provision of normal Assistance services, Pronto Assistance Servizi, at the request of an individual consortium member can advance medical expense payments on behalf of that member;
- perform contact centre activities for the clients, specialists and agencies of the Group, whose services consist of:
  - front office services to existing or potential clients at all stages of relations with the consortium members and their respective sales networks, or to any intermediaries acting on their behalf (brokers, banks);
  - after-sales services on policy statuses or on any transactions that can be made on existing policies;
  - customer;
  - support services to the agency network in relations with clients and consortium members;
  - contact centre dedicated to opening claims and related information requests.

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

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

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.

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, Auto Presto & Bene, UnipolSai Investimenti SGR and UnipolRe involve fixed prices.

Unipol Gruppo Finanziario, UnipolSai and Unipol Banca second staff to the Group companies in order to optimise synergies within the Group.

Financial and commercial transactions between the companies in the Unipol Banca Group and the other companies in the Group were the usual types of transaction carried out by 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.

Starting from 2015, and for the 2015-2017 three-year period, the holding company Unipol Gruppo Finanziario set out the tax consolidation as consolidating company.

The following table shows transactions with related parties (holding company, associates, affiliates 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	Indirect holding company	Associates	Affiliates	Total	*% inc. (1)*	*% inc. (2)*
Loans and receivables	267.8		17.3	0.0	285.1	*0.4*	*52.1*
Sundry receivables	30.0	0.0	87.0	14.2	131.3	*0.2*	*24.0*
Other assets		0.1	51.0	0.5	51.7	*0.1*	*9.4*
Cash and cash equivalents			429.5		429.5	*0.6*	*78.5*
Total Assets	**297.9**	**0.2**	**584.8**	**14.8**	**897.7**	***1.3***	***164.1***
Technical provisions			4.1	10.7	14.8	*0.0*	*2.7*
Other financial liabilities			17.4		17.4	*0.0*	*3.2*
Sundry payables	6.7	0.1	10.0	28.9	45.7	*0.1*	*8.4*
Other liabilities	0.0	0.2	0.4	0.1	0.6	*0.0*	*0.1*
Total Liabilities	**6.7**	**0.2**	**31.8**	**39.7**	**78.5**	***0.1***	***14.3***
Net premiums			0.2	(66.4)	(66.2)	*(9.7)*	*(12.1)*
Commission income			6.2		6.2	*0.9*	*1.1*
Gains on other financial instruments and investment property	2.1	0.1	8.3	6.2	16.7	*2.5*	*3.1*
Other revenues	5.0	0.0	5.3	18.1	28.4	*4.2*	*5.2*
Total Revenues and Income	**7.1**	**0.1**	**20.0**	**(42.1)**	**(14.9)**	***(2.2)***	***(2.7)***
Net charges relating to claims				(28.4)	(28.4)	*(4.2)*	*(5.2)*
Losses on other financial instruments and investment property	0.0		3.3		3.3	*0.5*	*0.6*
Operating expenses	11.7	0.8	178.5	(11.7)	179.3	*26.3*	*32.8*
Other costs	0.1	0.0	0.6	0.7	1.3	*0.2*	*0.2*
Total Costs and Expenses	**11.8**	**0.8**	**182.4**	**(39.4)**	**155.6**	***22.9***	***28.4***

(1) Percentage based on total assets in the consolidated statement of financial position recognised under Shareholders' Equity and on the pre-tax profit (loss) for income statement items.

(2) The percentage on total net cash flow from operating activities mentioned in the statement of cash flows.

Loans and receivables due from the holding company relate to two loan agreements between the former Unipol Assicurazioni and the holding company Unipol Gruppo Finanziario executed during 2009 after Unipol Assicurazioni's takeover of the role of issuer for the UGF 7% and UGF 5.66% subordinated bond loans issued by UGF.
Loans and receivables from associates comprise €7.0m of time deposits above 15 days held by the companies of the Group with Unipol Banca, €2.1m of bonds issued by Unipol Banca and subscribed by UnipolSai and €8.2m of interest-free loans disbursed by UnipolSai to the associates Borsetto (€6.3m), Penta Domus (€1.8m) and Butterfly Am (€0.1m).
Sundry receivables from the holding company comprised amounts related to the tax consolidation.
The item Sundry receivables from associates included €50.7m in receivables due from insurance brokerage agencies for commissions and €30.7m in receivables due from Finitalia for premiums it had advanced for the service concerning the split payment of policies.

The item Sundry receivables from affiliates included receivables for seconded staff and services supplied by UnipolSai.
Other assets related to current accounts, temporarily unavailable, that UnipolSai has opened with Unipol Banca.
Cash and cash equivalents included the balances of current accounts opened by Group companies at the associate Unipol Banca.
Technical provisions regard the reinsurance business of UnipolSai with Unipol Gruppo Finanziario subsidiaries.
Other financial liabilities due to associates referred to mortgages provided by Unipol Banca to Group companies.
Sundry payables included:

- as for relations with the holding company, the payable for IRES on the income for the year of the companies participating in the tax consolidation and the payable for Unipol Gruppo Finanziario staff seconded to Group companies;
- as for relations with associates, the payable due for interest to Finitalia for the split payment of policies;
- as for relations with the affiliates, the payables for reinsurance and coinsurance transactions.

The items Net premiums and Net charges for claims regard the reinsurance business of UnipolSai at Unipol Gruppo Finanziario subsidiaries.
Commission income refers to the bank relations between the Group companies and the associate Unipol Banca.
Gains on other financial instruments and investment property include:

- as for relations with the holding company, the interest income on loans provided by UnipolSai to Unipol Gruppo Finanziario;
- as for relations with associates, the interest income on bank deposits held by the Group companies at Unipol Banca and rents paid to UnipolSai for use of the properties where their business is conducted.

The item Other revenue due from the holding company and from the affiliates mainly included income for staff secondment; other revenue due from associates relate mainly to relations of the Group companies with Unipol Banca and Finitalia for banking services and policy premium instalments.
Operating expenses comprise:

iv) with regard to associates, costs on commissions paid to insurance brokerage agencies (€86.0m), bank account operating costs (€37.7m) and costs to Finitalia for instalments of policies issued by the Group companies (€45.6m);
v) as for transactions with affiliates, the revenues for commissions deriving from reinsurance.

The item Other costs primarily relates to staff secondment.

Remuneration payable for 2016 to the UnipolSai Directors, Statutory Auditors, General Managers and Key Managers for carrying out their duties within the Company and in other consolidated companies amounted to €12.7m, details of which are as follows (in €m):

-	Directors and General Manager	3.2
-	Statutory auditors	0.2
-	Other key managers	9.3(*)

The remuneration of the General Manager and the 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.

During 2016, the companies in the Group paid UGF and UnipolSai the sum of €484k as remuneration for the posts held in them by the General Manager and by the Key Managers.

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 UnipolSai Group.

Fair value measurement on a recurring and non-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	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		41,891.7	41,538.8	495.1	553.9	784.9	711.8	43,171.7	42,804.5
Financial assets at fair value through profit or loss	Held for trading financial assets	125.4	120.0	147.9	160.0	32.8	91.9	306.1	371.9
	Financial assets at fair value through profit or loss	8,735.7	7,697.4	10.2	24.0	134.2	698.2	8,880.0	8,419.5
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		*50,752.8*	*49,356.2*	*653.2*	*737.9*	*951.9*	*1,501.8*	*52,357.9*	*51,595.9*
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	6.3	44.6	312.6	192.7	92.4	4.4	411.3	241.8
	Financial liabilities at fair value through profit or loss					1,728.8	1,301.4	1,728.8	1,301.4
Total liabilities measured at fair value on a recurring basis		*6.3*	*44.6*	*312.6*	*192.7*	*1,821.3*	*1,305.8*	*2,140.1*	*1,543.2*
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									

The amount of financial assets classified in Level 3 at 31 December 2016 stood at 951.9m.

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 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	711.8	91.9	698.2				4.4	1,301.4
Acquisitions/Issues	113.9							
Sales/Repurchases	(25.8)		(40.9)					
Repayments	(0.5)	(0.2)	(519.9)					
Gains or losses recognised through profit or loss		(0.4)	(4.4)				91.3	
- of which unrealised gains/losses		(0.4)	(4.4)				91.3	
Gains or losses recognised in the statement of other comprehensive income	(11.3)							
Transfers to level 3	0.0							
Transfers to other levels	(3.7)	(58.5)						
Other changes	0.5	(0.1)	1.2				(3.3)	427.4
Closing balance	784.9	32.8	134.2				92.4	1,728.8

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 €195.8m 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			
Fair value				
Shock	+10 bps	-10 bps	+50 bps	-50 bps
Fair Value delta	(0.95)	0.95	(4.69)	4.73
Fair Value delta %	*(0.49)*	*0.49*	*(2.39)*	*2.41*

Fair value measurements in compliance with the disclosure requirements of other standards

IFRS 13 also governs the fair value measurement of assets and liabilities not measured at fair value in the statement of financial position, but for which a fair value disclosure is required in the notes to the financial statements in compliance with other international accounting standards.
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

	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	892.3	1,100.0	876.2	1,020.4	148.1	245.0			1,024.3	1,265.4
Loans and receivables	5,049.6	5,250.7		4.8	3,934.6	4,127.0	1,254.1	1,376.1	5,188.6	5,507.9
Investments in subsidiaries, associates and interests in joint ventures	527.3	528.1					527.3	528.1	527.3	528.1
Investment property	2,387.8	2,535.3					2,478.2	2,665.2	2,478.2	2,665.2
Property, plant and equipment	1,595.9	1,432.6					1,686.8	1,506.8	1,686.8	1,506.8
Total assets	10,453.0	10,846.7	876.2	1,025.2	4,082.6	4,372.0	5,946.4	6,076.2	10,905.2	11,473.5
Liabilities										
Other financial liabilities	2,540.6	2,353.7	1,268.4	1,286.7			1,159.5	1,041.1	2,427.9	2,327.8

5.8 Information on personnel

Share-based compensation plans

The UnipolSai Group pays additional benefits (long-term incentives) to senior executives under closed 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.

On 29 April 2013, the Shareholders' Meeting of the former Fondiaria-SAI (now UnipolSai) approved the "2013-2015 compensation plan based on financial instruments (performance share type)", intended for the members of the senior management and Company executives, later amended by the Shareholders' Meeting of 29 April 2014. Similar resolutions were adopted in 2013 by the Company Bodies of the main Group companies.

The compensation plan based on financial instruments (Unipol shares) for the period 2013-2015 ended on 31 December 2015. The first tranche, comprising 1,474,940 shares, was paid to those entitled on 1 July 2016 and the second and third tranches will be paid on 1 July 2017 and 1 July 2018, respectively.

On 27 April 2016, the Shareholders' Meeting of UnipolSai approved the new 2016-2018 compensation plan based on financial instruments (performance share type), which envisages the assignment of UnipolSai and Unipol shares over three years with effect from the end of April 2019.
The Information Document, 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, is 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.

Trade union relations

INSURANCE BUSINESS

In 2016, the activity of the Industrial Relations function was characterised mainly by the negotiation for the definition of a single Supplemental Corporate Agreement ("CIA") for approximately 9,000 employees of the insurance companies of the Group (of which approximately 5,400 former Unipol employees and 3,600 former Fondiaria-SAI employees). The related trade union agreement was signed on 13 May 2016.
Overall, the new Group CIA has allowed to unify the regulatory, economic and welfare conditions for all employees of the insurance business of the Group, e.g.: work schedule, leave, company productivity bonus (PAP), variable corporate bonus (PAV), meal coupons, expense reimbursements, loans and mortgages, supplementary pensions, healthcare and other insurance coverage.
On 13 September 2016, the 2016-2018 Business Plan of the Group was presented to the Trade Unions, illustrating the strategies and objectives with which the Group intends to rise to the challenge of a rapidly evolving market scenario.
After the end of the year - on 22 February 2017 - the draft agreement for the renewal of the CCNL (National Labour Contract) for non-managerial staff was signed by Ania and the Trade Unions. The previous CCNL had expired on 30 June 2013 and the negotiation for the renewal had started in May 2015.
The salient points of the draft agreement of the new CCNL, due to expire on 31 December 2019, are as follows:
1.- SALARY INCREASES (referred to a 4th pay level - 7th seniority class)
Once fully implemented, the salary increase shall be equal to 4.8%, corresponding to a gross base pay raise of €103 for each month.
Moreover, the gross amount of the summation of "one-off" and "back pay through 31 March 2017" will total €1,110.
2.- WORK SCHEDULE (including Friday afternoon)
Without prejudice to the current work schedule rules, each company is given the possibility of determining, after trade union negotiation, that the work schedule shall include Friday afternoons. If no agreement is reached, the company may decide: a) to distribute the 37 weekly work hours equally from Monday to Friday afternoon, or b) to let work be performed on Friday afternoons by personnel returning to the office, with compensatory time off to be provided in the following months.
3.- INTERCHANGEABILITY OF MANAGERS
The related contractual framework was entirely revised, eliminating the 'hierarchical grades' and providing for a single level comprising two professional classifications (business manager and senior manager), fully interchangeable with each other.
4.- CONTACT CENTRE
Full operational flexibility was definitively achieved within the contact centre, through the complete interchangeability of duties and activities of the assigned employees.
5.- SUNDRY
Other specific provisions were also defined on various matters, including those concerning: the reduction of union leave; temporary employment measures in 'support' of former employees of the companies in compulsory winding-up; application of the CCNL for outsourced contact centre activities.
6.- APPROVAL
The draft agreement signed by the Parties will be submitted in the next few days to the approval of both the Advisory Boards of the ANIA, and of workers' meetings.

The Unipol Group, following its withdrawal from the trade association, did not participate in the negotiations, but constantly followed its development.
Therefore, since there are no association-related constraints, the application of the new CCNL to its own employees will have to be preceded by an adequacy evaluation by the competent corporate bodies.

DIVERSIFIED COMPANIES

In 2016, the mobility procedure was initiated (under Law 223/1991) for 110 employees as a result of placing in liquidation Centro Oncologico Fiorentino with the related termination of the employment of all the company's personnel. The involved personnel were mainly re-employed by the Local Health Authority or by other private healthcare facilities of the Tuscan Region, while complementarily a series of incentives to resignation were agreed along with some mobility paths within Villa Donatello.
In the hotel sector, the activity of 2016 was characterised by the mobility procedure (under Law 223/1991) involving 135 employees, as a result of the cessation of activities at the structures owned by ENPAM, returned by effect of the expiration of the lease agreements. The rationalisation of the workforce took place mainly through mutually agreed solutions and partly through internal redeployments.
Lastly, in November 2016, the union procedure was started for the transfer of a business unit from Una SpA to Atahotels SpA for the exercise of hotel activities referred to: 19 hotels, 4 hotel management agreements, 7 hotel franchising agreements, which involves 314 employees on permanent contracts. The union procedure ended, on 14 December 2016, with a statement of agreement signed by the three confederated Trade Unions.
As expected, the business unit transfer was completed by the month of December 2016.

Training

During 2016, Unica - Unipol Corporate Academy was set up; this structure of excellence is a centre for innovation and cultural integration based at Villa Boncompagni in San Lazzaro (Bologna).
Unipol Corporate Academy, responsible for the training products for all the Unipol Group, has the aim of producing excellent courses that target the development of knowledge and expertise in every professional sphere for personnel and for the entire sales network.

Unica's learning products were prepared to this end, composed of a catalogue of over 200 courses, developed using different methods based on the level of depth.
The product mix is also enhanced by the in-house Trainers Register, which aids the creation of a strong identity as well as developing a sense of belonging to the Unipol Group. At 31 December 2016 the Trainers Register listed 116 in-house trainers that had completed the "Train the Trainer" course during the year.

At 31 December 2016 the training activities for UnipolSai Group companies recorded a total number of 102,274.42 hours, of which 97,195 in the classroom and 5,079.42 distance learning by using the Group e-learning Unipol Web Academy platform: the training activity involved mainly UnipolSai Assicurazioni with 81,129.08 hours.

Main Training Projects for Unipol Group employees

The training activities that mostly concerned the employees were those of a managerial, regulatory and technical-insurance nature. During the year, the activities focused primarily on the commitment to ongoing training on technical and mandatory knowledge needed for carry out daily operations. Among these were the hours provided in compliance with IVASS Regulation no. 6/2014, aimed at spreading knowledge on insurance products and revised industry regulations.
Some of the main projects were:

- the Advanced Course in Management and Subordinate Development, dedicated to the development of the competencies of the structure Managers of the different companies of the Group, which started in July 2016 and will continue throughout the 2016-2018 Business Plan. The Course will involve over 1,800 professionals and provides two paths:
  (i) Advanced Path, intended for resource managers;
  (ii) Master Path, intended for the managers who in turn coordinate resource managers;
- the MEU - Master Executive Unipol, intended for 20 managers, with in-depth studies of insurance and managerial matters. The training curriculum, designed in collaboration with LUISS Business School, consists of 15 modules of

3 days each (for a total number of 45 days) and 4 distance modules; it started in November 2016 and it will go on for 18 months;
- the managerial curriculum, dedicated to the 256 Branch Managers of the banking business;
- the curriculum dedicated to the dissemination of the Organisational and Management Model (OMM) adopted by the Group with the goal of enhancing knowledge and awareness of its provisions;
- The training programme connected to the extension of the new claims system ("Liquido") to the entire Claims Department, completed in the first half of the year.

Some activities were carried out within the scope of the plan financed by the Bank Insurance Fund.

Main Training Projects for the Sales Network

The training intended for the sales network referred to building courses useful to further increasing the skills of the entire sales network, also in compliance with training obligations envisaged in the IVASS Regulation.
To the usual training offering tied to regulatory updates and new products (Km&Servizi and Commercio&Servizi) was added the training offering intended for specific business segments:
- the Master IMA - Branch Manager Innovation, with the goal of providing the involved Agents with the tools to be lead players in a competitive market and bring the stimuli and winning practices and actions they shared in the classroom back to the branch. The training curriculum develops innovation, management, commercial development and operating matters;
- the Master in SME Risk Management, dedicated to the development of professionals in support of business development in the world of Small and Medium Enterprises through a two-year curriculum with both technical and commercial training;
- The curricula intended for Branch Life Managers tied to Digital Receipts, and specifically to Sellers and Coordinators and to the Family Welfare Life Managers of the branches.

Lastly, of note were the training initiatives tied to Digital Receipts and to the extension of the new "Liquido" claims system.

5.9 Non-recurring significant transactions and events

The non-recurring significant transactions carried out during the period, all extensively illustrated in the Management Report, to which reference should be made, 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)

In accordance with IAS 36.10, the impairment test was carried out on the goodwill recognised in the Consolidated Financial Statements of UnipolSai Assicurazioni.

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
- Life CGU UnipolSai Assicurazioni - Life

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 for the Non-Life and Life segments, with benchmark updating arranged at the end of 2016.

The impairment testing of the Non-Life CGUs was performed as follows: with regard to UnipolSai Assicurazioni - Non-Life the recoverable value of goodwill was determined by using an excess capital version of the Dividend Discount Model (DDM): note in particular that, taking into account the actual 2016 data, for the years 2017-2021 economic-financial projections, functional to the definition of the profit forecasts for these years, were considered, prepared by the Company and approved by its Board 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 CGUs was performed as follows: in relation to UnipolSai Assicurazioni - Life, the recoverable amount of goodwill was calculated using the “Appraisal Value” method, by considering the Embedded Value and 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 companies carried out by a leading financial and actuarial advisor, who issued an appraisal document.

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 coefficient: 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 the above, a g factor of 2% was deemed appropriate, 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.

Below are the results of the impairment tests along with the relevant sensitivity analyses:

Amounts in €m	Allocation of goodwill	Recoverable amount (a)	Excess
Non-Life CGU	177	3,921	3,744
Life CGU	130	1,088	958
Total	**307**	**5,009**	**4,702**

(a) Recoverable value obtained as the difference between CGU Value and Adjusted Shareholders' Equity (net of goodwill therein included)

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	Amount	g	ke	Amount	g	ke
UnipolSai - Non-Life	3,744	3,035	1.5%	6.87%	4,842	2.5%	5.87%

	Amounts in €m	Sensitivity Recoverable Amount - Goodwill Delta	
CGU	Recoverable Amount - Goodwill Delta	Min	Max
UnipolSai - Life	958	868	1,036

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 appears to be 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 companies in the UnipolSai Group that operate in the Non-Life market are: UnipolSai, Siat, Incontra, Pronto Assistance, Ddor, Ddor Re and Popolare Vita. The scope considered in this document refers to the provisions for claims of the direct business (excluding the Assistance class) of the companies UnipolSai and Siat. Excluded from the analysis are the provisions for claims of the companies Incontra, Pronto Assistance, Ddor, Ddor Re and Popolare Vita, whose incidence on the amount of total provisions of the Group stands at 0.5%.

Trend in claims

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 light of available information. 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	7,900	8,113	8,757	8,142	7,389	6,798	6,065	5,776	4,805	4,855	**68,600**
one year later	7,829	8,342	8,747	8,089	7,240	6,618	5,982	5,754	4,767		
two years later	7,972	8,569	9,073	8,355	7,299	6,613	5,942	5,696			
three years later	8,098	8,802	9,236	8,402	7,323	6,601	5,906				
four years later	8,252	8,944	9,314	8,435	7,309	6,566					
five years later	8,390	9,000	9,314	8,450	7,291						
six years later	8,437	9,016	9,328	8,436							
seven years later	8,446	9,015	9,320								
eight years later	8,438	9,029									
nine years later	8,435										
Estimate of claims accumulated	8,435	9,029	9,320	8,436	7,291	6,566	5,906	5,696	4,767	4,855	**70,300**
Accumulated payments	8,105	8,567	8,772	7,762	6,578	5,705	4,818	4,300	3,175	1,839	**59,621**
Change compared to assessment at year 1	534	915	563	294	(98)	(233)	(158)	(80)	(38)		
Outstanding at 31/12/2016	329	462	549	673	714	860	1,088	1,396	1,592	3,016	**10,679**
Discounting effects											
Carrying amount	329	462	549	673	714	860	1,088	1,396	1,592	3,016	**10,679**

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 the paradoxical situation whereby the higher the strengthening the greater the insufficiency which may be inaccurately forecast by these methods.

The breakdown of the IBNR estimated at 31 December 2015 showed an overall sufficiency in 2016 of €21.6m or 2.3% of the estimate.

Change in the assumptions made and sensitivity analysis of the model

The estimated cost for 2007-2015 at 31 December 2016 was €65,445m, a decrease from the valuation carried out at 31 December 2015 for the same years (€65,644m).
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 2,338 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 22.5%. A 10% increase in the number of major claims would have led to a rise in provisions of €203.1m.
The incidence on total provisions of claims handled by others was 2.9%. 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 98.2% of the total of the UnipolSai 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[4] for the Chain Ladder Paid method. For General TPL, reference was made to the provision corresponding to the tenth percentile[4].
- 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[4] for the Chain Ladder Paid method. For General TPL, reference was made to the provision corresponding to the ninetieth percentile[4].

The sensitivity analysis also include the pre-2005 generations.

The following table shows the LAT's numbers.

Amounts in €m	Pre 2005	2005-2016	Total	*Delta %*
Provision requirements	863	10,645	11,507	
Unfavourable LAT assumption	901	11,086	11,987	*4.17*
Favourable LAT assumption	825	10,218	11,044	*(4.03)*

In assessing the results of these variations, it should be taken into account that these analyses are of the deterministic type and no account is taken of any correlations.
Overall, the verified provisions (€12,061m 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.

[4] 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 direct Life premiums generated €5,278.8m in 2016 (insurance and investment products).
The Life direct premiums of the Group came from both the traditional channel and bancassurance companies (Popolare Vita Group and BIM Vita).
The Life direct premiums of the UnipolSai Group at 31 December 2016 are broken down as follows:

Consolidated Life direct premium income

Amounts in €m	UnipolSai Assicurazioni	Bim Vita	Ddor Novi Sad	Popolare Vita	The Lawrence Life	Total
Insurance premiums (IFRS4)	2,951.8	77.5	8.4	1,387.6	268.8	4,694.1
var. %	*(12.3)*	*(48.5)*	*31.7*	*(33.0)*	*(40.0)*	*(22.6)*
Investment Products (IAS39)	89.9	21.0		105.9	367.9	584.8
var. %	*66.7*	*n.s.*		*(76.2)*	*n.s.*	*0.1*
Total Life business premium income	3,041.7	98.6	8.4	1,493.5	636.6	5,278.8
var. %	*(11.0)*	*(37.4)*	*31.7*	*(40.7)*	*21.1*	*(20.6)*
Breakdown:						
Insurance premiums (IFRS4)	*97.0%*	*78.6%*	*100.0%*	*92.9%*	*42.2%*	*88.9%*
Investment Products (IAS39)	*3.0%*	*21.4%*	*0.0%*	*7.1%*	*57.8%*	*11.1%*

Group Life direct premiums at 31 December 2016 amounted to €5,278.8m (insurance products and investment products), a decrease of -20.6% compared to the previous year, of which €3,050.1m originated from traditional companies, -11.5% compared to the 2015 figure, and €2,228.7m from bancassurance companies, -30.4%.
Direct premiums recorded by the company UnipolSai Assicurazioni amounted to €3,041.7m (57.6% of the Total) whilst direct premiums achieved by the Popolare Group amounted to €2,130.2m (40.4% of the Total).
Insurance premiums totalling €4,694.1m accounted for 88.9% of total premiums, in decline compared to the previous year (91.2%), whilst non insurance premiums, amounting to €584.8m, were substantially stable compared to the previous year and are tied both to the sale of financial products (unit linked) and of some lines of open pension funds.

Direct insurance premiums: income type

Amounts in €m	UnipolSai Assicurazioni	Bim Vita	Ddor Novi Sad	Popolare Vita	The Lawrence Life	Total
Traditional premiums	2,473.4	29.5	8.4	1,189.0		3,700.3
Financial premiums	0.6	48.0		198.6	268.8	516.0
Pension funds	477.8					477.8
Insurance premiums (IFRS4)	2,951.8	77.5	8.4	1,387.6	268.8	4,694.1
of which investments with DPF	1,822.4	29.5		1,153.8		3,005.7
% investment with DPF	*61.7%*	*38.0%*	*0.0%*	*83.1%*	*0.0%*	*64.0%*

The insurance premiums of the UnipolSai Group were composed primarily of traditional policies, which account for 78.8% of total consolidated premiums, compared to 11.0% represented by financial premiums and, finally, 10.2% by pension funds marketed mainly by UnipolSai.

5.14 Risk Report

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 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 regard, following the application for authorisation submitted by UnipolSai Assicurazioni SpA, on 7 February 2017, the Supervisory Authority authorised the Company 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 and the UnipolSai Group's Risk Management structure and process are part of the wider internal control and risk management system which operates on several levels:

- line controls (so-called "first-level controls"), aimed at ensuring transactions are carried out correctly. These 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; as far as possible, they are incorporated in IT procedure. The operating structures are the primary bodies responsible for the risk management process and must ensure compliance with the adopted procedures and compliance with the established risk tolerance level;
- risk and compliance controls (so-called "second-level controls"), which 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.

The departments responsible for these controls are separate from the operating functions; they help define the risk governance policies and the risk management policy;

- internal review (so-called "third-level controls") 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.

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

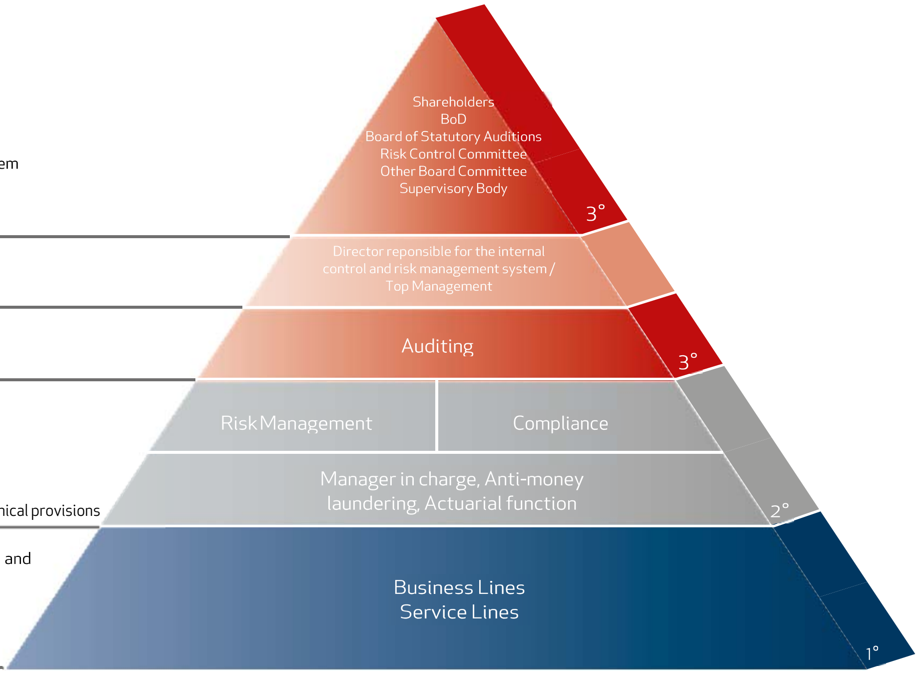
Governance
Legal responsibility of directors (law compliance)
Social responsibility, Ethics principies
Responsibility for the internal Control and Risk Managment System
Supervision of OMM implementation

Implementation and monitoring of the Internal Control and Risk Management System

Verification of efficiency and effectiveness of the Internal Control and Risk Management System

Monitoring and control of quantifiable risks (Solvency 2 - Basel 2 - Basel 3)
Management of non-compliance risk
Control of accounting data and financial communication
Management of money laundering risk
Coordination between offices for the calculation of Solvency 2 Technical provisions

Acquisition of information from business lines and the Group, and logical reorganisation for governance requirements
Operating controls on individual transactions



Within UnipolSai:

- The **Board of Directors**, in observance of and consistent with the policies and guidelines of the Parent and based on prior judgment of the Control and Risk Committee, defines the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Company and its subsidiaries are correctly identified, and adequately measured, managed and monitored. The Board performs an assessment, at least annually, of the adequacy of the current and forward-looking Internal Control and Risk Management System with respect to the characteristics of the Company and its subsidiaries and to the defined risk appetite, as well as its efficiency and capacity to adapt to evolving corporate risks and the interaction between them.
- The **Risk Control Committee** plays a propositional, advisory, investigative and support role to the Board of Directors in relation to the Board's assessments and decisions mainly concerning the Internal Control and Risk Management System.
- The **Director Responsible** for the internal control and risk management system, handles the identification of the main company risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, periodically subjecting them to review by the Board of Directors;
- **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 Administrative Body and with the guidelines provided by the Parent.
- **Corporate Control Functions**: consistent with the organisational structure of the Group, UnipolSai's organisational structure requires that the Governance Control Functions (Audit, Risk Management and Compliance) report directly to the Board of Directors and operate under the coordination of the Director responsible for the internal control and risk management system.
  Since 15 January 2014, the "Risk Management" and "Compliance and Anti-money laundering" functions report hierarchically to the "Chief Risk Officer" (who reports to the Board of Directors), whose task is to guarantee that the risks are fully monitored.
- The **Risk Management Department** supports the Board of Directors, the Director responsible for the internal control and risk management system and Top Management in the evaluation of the structure and effectiveness of the Risk Management System and reports its conclusions to said bodies, highlighting any deficiencies and suggesting ways of resolving them. The Risk Management Department carries out this work as part of the process of "Own Risk and Solvency Assessment" (ORSA), ensuring that the work carried out by the various company departments dealing with risk management is coordinated. This does not exempt the individual operating departments from their specific responsibilities for managing the risks relating to their own work since the departments themselves must have the necessary tools and expertise.

Within the risk management system, the Risk Management Department is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at individual and aggregated level which the Company is or may be exposed to and the relevant interdependencies.
In this respect, Risk Management also contributes to the dissemination of a risk culture extended to the entire Group.

Monitoring Procedures: Company committees

Special company Committees have been set up at UnipolSai so that the various positions and roles have the possibility to communicate and debate with each other under the internal control and risk management system.

Risk Management System

The Internal Control and Risk Management System (hereafter, the "System") is defined in the relevant Directives ("SCI Directives") adopted by the UnipolSai Board of Directors and subject to periodic updates, the latest of which was approved in December 2016.
During 2016, corporate policies referring to this System were reviewed and updated according to the new regulatory provisions promulgated by the Supervisory Authority. 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 and Credit Policy), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.
A risk management process is defined within the Risk management system to allow for risk identification, measurement, monitoring and mitigation.
The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and any insurgence of new risks or changes in existing risks.
These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of additional supervision and their mutual interdependencies.

Risk Appetite and Risk Appetite Framework

The Risk Management System 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, 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, which indicates the risks that the Company intends to assume or avoid, sets their 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 Own Risk and Solvency Assessment (ORSA) process, 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 process

Under its own risk management systems, the Company uses the ORSA process to assess the effectiveness of the risk management system.
The internal ORSA assessment process allows the analysis of the current and prospective risk profile analysis of the Company, based on strategy, the market context and business development; in addition, the ORSA is an assessment element to support operational and strategic decisions.

The risk management process

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 Group and of the Company, 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 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.
Current assessment of risks
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.
Forward-looking assessment of risks
The Own Risk Solvency Assessment (ORSA) is used to support strategic business decisions.

Stress test analysis

The Insurance Group and the Company 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 Company 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 Company 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)[5];
- 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.

[5] In reference to the Parent, at consolidated level and at individual company level.

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:

- 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;
- 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;
- 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[6]. *If the Internal Model for measuring risks includes mitigation techniques, their compatibility and constant updating in line with performance must be guaranteed;*
- 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);
- 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;
- 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.

Internal Model

As mentioned, on 7 February 2017 the IVASS, following the application for authorisation submitted by UnipolSai Assicurazioni SpA, authorised the Company 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;
- Aggregation of risks.

The modules currently included in the framework of the Partial Internal Model were defined on the basis of the following criteria:

- Relevance of the module, in consideration of the specific characteristics of the Companies;

[6] The CSA requires the delivery of a collateral asset when the value of the contract exceeds the set threshold.

- Level of progress reached in the development of the methodologies for measuring the individual risk modules.

A plan is in place to extend the Partial Internal Model, include all the measurable risk modules and obtain a configuration of the Full Internal Model type.

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), using Group specific parameters (relating to the tariff-setting and provisions risks in the segments of Non-Life 1, 4 and 5 insurance and reinsurance segments) and Formula Standard components.

The **Life underwriting and provisions risk** of the class C portfolio is measured using the Partial Internal Model based on an ALM-type stochastic approach in line with new standards laid down in Solvency II, 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 D class portfolio and the Life catastrophe risk are measured using the Standard Market Wide Formula.

Market risk of the class C portfolio is measured using the 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. The market risk of the class D portfolio and the concentration risk are measured using the Standard Market Wide Formula.
The table in the following paragraph analyses the main sensitivities to market risk factors.

With reference to **credit risk**, the Partial Internal Model that uses the CreditRisk+ methodology is used for the measurement. 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.

With reference to **risk aggregation,** the Partial Internal Model is used for the measurement. The risk aggregation process defined by the Group implies a bottom-up approach and can be broken down in two phases:

- aggregation of the risk sub-modules that make up the Market risks, the Non-Life and Health Technical Insurance risks, the Life Technical Insurance risks and the Credit risks so to obtain the Probability Distribution Forecast ("PDF") of each risk module;
- aggregation of the modules of the Market risks, the Non-Life and Health Technical Insurance risks, the Life Technical Insurance risks and the Credit risks in order to calculate the Basic SCR.

The aggregation of the sub-modules includes three separate approaches:

- joint sampling of the risk factors
- aggregation with the Var-Covar method (determining the PDF afterwards)
- aggregation of more marginal distribution through copula 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 SpA 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.

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.

Reported below for each risk is further information regarding the measurement methods and the main results 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.
Therefore, 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.

Within the framework of 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 duration mismatches at 31 December 2016 relating to the UnipolSai Group are shown below. The assets falling under the calculation of the duration mismatch include securities, property funds and investments, 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.
For the UnipolSai Group, at 31 December 2016 the duration mismatch for Life business stood at -0.84, 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 UnipolSai 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 for the purpose of monitoring and managing the liquidity risk and of the objectively difficult quantification of the default risk of the government securities issued by the Member States of the European Union, the spread risk on government securities was excluded from the measurement of the market SCR made using the Partial Internal Model. The reasons for this exclusion are due to:

- the nature of the business of insurance companies, which is characterised by long-term investment strategies mainly of the buy and hold type and by constraints of the matching of liabilities expressed in terms of ALM;
- the objectively difficult quantification of the probability of default and loss given default of the Developed countries that represent the reference investment area for the government securities in order to measure the risk;

The assessment of the spread risk on government securities falls within the risks under Pillar II and is measured according to the Stress Test type approach.

The level of sensitivity of the UnipolSai Group's portfolios of financial assets to the main market risk factors is shown below.
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.

31/12/2016	INSURANCE BUSINESS		REAL ESTATE AND OTHER BUSINESSES		TOTAL	
Amounts in €m	Impact on Income Statement	Impact on Statement of financial position	Impact on Income Statement	Impact on Statement of financial position	Impact on Income Statement	Impact on Statement of financial position
UnipolSai Group						
Interest rate sensitivity (+10 bps)	19.64	(255.52)		(0.01)	19.64	(255.53)
Credit spread sensitivity (+10 bps)	(0.96)	(278.00)		(0.01)	(0.96)	(278.00)
Equity sensitivity (-20%)	0.43	(369.74)		(6.03)	0.43	(375.77)

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 UnipolSai 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 in 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

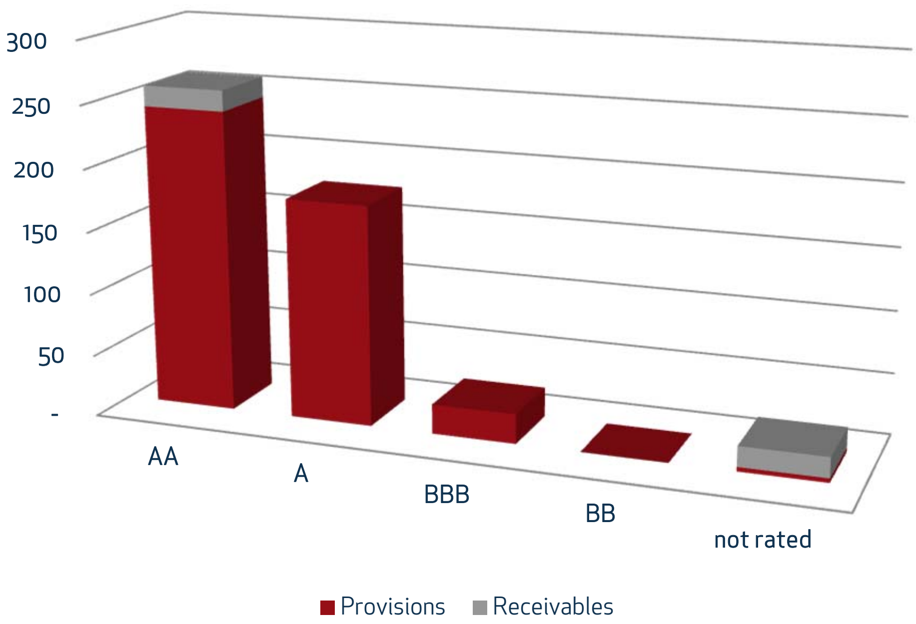
In general terms, credit risk is the risk that a debtor or a guarantor under an enforcement order may wholly or partially fail to honour its accrued monetary commitment to the Parent or one of the Group companies (Counterparty Risk).
Credit risk therefore reflects the potential losses from an unexpected 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 Body, Top Management and the operating structures on developments in this risk.

Within the scope of the UnipolSai Group, the credit risk is mainly in the exposures to banks, in the insurance and outwards reinsurance areas.

Bond classes of the insurance companies in the Group
This risk is calculated within the technical insurance risks (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 UnipolSai 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).
€m

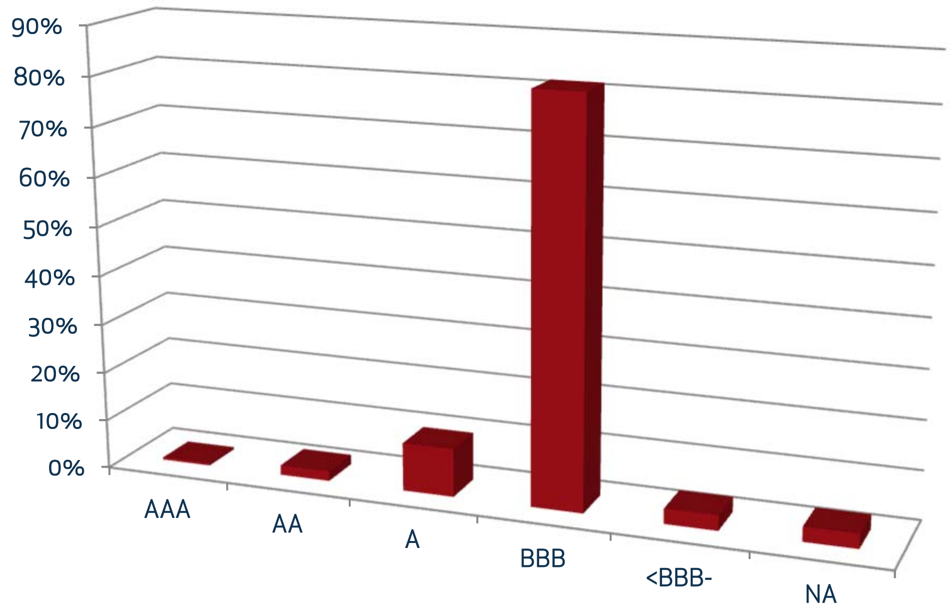


Debt security Issuer Risk

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 UnipolSai Group's bonds portfolio, Insurance business and Real Estate and Other Businesses, 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 referred to in Consob Communication DEM/11070007 of 5 August 2011

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 UnipolSai Group at 31 December 2016, broken down by type of portfolio, nominal value, carrying amount and fair value.

Amounts in €m	Balance at 31 December 2016		
	Nominal value	Carrying amount	Market value
Italy	**28,375.0**	**29,649.0**	**29,903.5**
Available-for-sale financial assets	24,711.5	26,168.1	26,168.1
Financial assets at fair value through profit or loss	168.9	75.6	75.6
Held-to-maturity investments	716.9	708.9	834.7
Loans and receivables	2,777.8	2,696.4	2,825.1
Spain	**2,206.3**	**2,192.0**	**2,186.7**
Available-for-sale financial assets	2,125.5	2,119.4	2,119.4
Held-to-maturity investments	31.0	31.3	33.7
Loans and receivables	49.8	41.2	33.6
Portugal	**327.0**	**326.5**	**330.4**
Available-for-sale financial assets	274.0	272.7	272.7
Held-to-maturity investments	53.0	53.8	57.7
France	**214.6**	**192.8**	**192.8**
Available-for-sale financial assets	214.6	192.8	192.8
Ireland	**95.0**	**108.6**	**108.6**
Available-for-sale financial assets	95.0	108.6	108.6
Slovenia	**88.0**	**94.8**	**94.8**
Available-for-sale financial assets	88.0	94.8	94.8
Germany	**84.9**	**93.2**	**93.2**
Available-for-sale financial assets	84.9	93.2	93.2
Cyprus	**67.2**	**71.8**	**71.8**
Available-for-sale financial assets	67.2	71.8	71.8
Serbia	**64.1**	**66.3**	**67.2**
Held-to-maturity investments	64.1	66.3	67.2
Belgium	**45.0**	**47.2**	**47.2**
Available-for-sale financial assets	45.0	47.2	47.2
Canada	**32.8**	**36.0**	**36.0**
Available-for-sale financial assets	32.8	36.0	36.0
Latvia	**25.5**	**29.6**	**29.6**
Available-for-sale financial assets	25.5	29.6	29.6
China	**18.9**	**19.2**	**19.2**
Available-for-sale financial assets	18.9	19.2	19.2
USA	**18.1**	**17.9**	**17.9**
Available-for-sale financial assets	18.1	17.9	17.9
Austria	**15.5**	**16.7**	**16.7**
Available-for-sale financial assets	15.5	16.7	16.7
Slovakia	**15.3**	**16.2**	**16.2**
Available-for-sale financial assets	15.3	16.2	16.2
Mexico	**15.0**	**15.8**	**15.8**
Available-for-sale financial assets	15.0	15.8	15.8
Chile	**14.1**	**15.1**	**15.1**
Available-for-sale financial assets	14.1	15.1	15.1

	Balance at 31 December 2016		
Amounts in €m	Nominal value	Carrying amount	Market value
Poland	6.5	6.8	6.8
Available-for-sale financial assets	6.5	6.8	6.8
Lithuania	5.0	5.2	5.2
Available-for-sale financial assets	5.0	5.2	5.2
Netherlands	5.0	5.8	5.8
Available-for-sale financial assets	5.0	5.8	5.8
Finland	4.7	4.9	4.9
Available-for-sale financial assets	4.7	4.9	4.9
Singapore	4.0	4.1	4.1
Available-for-sale financial assets	4.0	4.1	4.1
Switzerland	3.7	4.2	4.2
Available-for-sale financial assets	3.7	4.2	4.2
Sweden	2.0	2.1	2.1
Available-for-sale financial assets	2.0	2.1	2.1
Great Britain	1.2	1.7	1.7
Available-for-sale financial assets	1.2	1.7	1.7
TOTAL	31,754.5	33,043.4	33,297.4

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2016 totalled €33,043.4m, 90% of which is concentrated on securities issued by the Italian State.

Technical-insurance risks

Risks relating to Life portfolios

The guidelines of the underwriting and provisions activities of the Life business are defined in the "Underwriting Policy - Life Business" and in the "Provisions Policy - Life Business", the latest update of which was approved by the UnipolSai 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 UnipolSai 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 UnipolSai 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 measured using the Partial Internal Model based on a stochastic approach of the ALM type which measures all assets and liabilities at fair value by considering the risks and correlation between these. This model is consistent with the new 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 portfolios 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 the year 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 often provided 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 UnipolSai 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 UnipolSai Group insurance companies based in Italy and operating in the Non-Life business, in compliance with national and international accounting standards and the new 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

The Framework of Operational Risk Management

In order to ensure a complete analysis of company risks, the UnipolSai 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 that 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 SpA 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 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 risks, emerging risks 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.

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 UnipolSai in October 2016. The Policy outlines the capital management strategies and objectives of the Group and of the Company.
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 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.

Bologna, 23 March 2017

The Board of Directors

TABLES APPENDED
TO THE NOTES TO THE FINANCIAL STATEMENTS

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Operating office	Method(1)	Assets (2)
UnipolSai Assicurazioni Spa	086	Italy	Bologna			G	1
Pronto Assistance Spa	086	Italy	Turin			G	1
Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni	086	Italy	Genoa			G	1
BIM VITA Spa	086	Italy	Turin			G	1
Finsai International Sa	092	Luxembourg	Luxembourg			G	11
Tenute del Cerro Spa - Societa' Agricola	086	Italy	Bologna			G	11
Consorzio Castello	086	Italy	Florence			G	10
UnipolSai Nederland Bv	050	Netherlands	Amsterdam (NL)			G	11
UnipolSai Servizi Previdenziali Srl	086	Italy	Florence			G	11
Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	086	Italy	Florence			G	10
UnipolRe Dac	040	Ireland	Dublin (Ireland)			G	5
The Lawrence Life Assurance Company Dac	040	Ireland	Dublin (Ireland)			G	2
UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata	086	Italy	Bologna			G	11
Villa Ragionieri Srl	086	Italy	Florence			G	10
Meridiano Secondo Srl	086	Italy	Turin			G	10
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
Apb Car Service Srl	086	Italy	Turin			G	11
Marina di Loano Spa	086	Italy	Loano (SV)			G	10
Pronto Assistance Servizi Scarl	086	Italy	Turin			G	11

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	% Consolidation
				100.00%
100.00%		100.00%		100.00%
94.69%		94.69%		100.00%
50.00%		50.00%		100.00%
63.85%		100.00%		100.00%
	36.15% UnipolSai Finance SpA			
98.81%		100.00%		100.00%
	1.19% Pronto Assistance Spa			
	99.57% Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	99.57%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
	100.00% UnipolSai Nederland Bv	100.00%		100.00%
	100.00% Popolare Vita Spa	50.00%		100.00%
98.23%		99.31%		100.00%
	0.90% Pronto Assistance Spa			
	0.11% Siat-Societa' Italyna Assicurazioni e Riassicurazioni - per Azioni			
	0.02% Bim Vita Spa			
	0.02% UnipolRe Dac			
	0.02% Pronto Assistance Servizi Scarl			
	0.02% Incontra Assicurazioni Spa			
	0.02% Auto Presto & Bene Spa			
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
	70.00% Auto Presto & Bene Spa	70.00%		100.00%
100.00%		100.00%		100.00%
95.34%		96.50%		100.00%
	0.31% Pronto Assistance Spa			
	0.10% UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata			
	0.25% Apb Car Service Srl			
	0.15% Incontra Assicurazioni Spa			
	0.25% Auto Presto & Bene Spa			
	0.25% Alfaevolution Technology Spa			

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Operating office	Method(1)	Assets (2)
SAI MERCATI Mobiliari Spa in Liquidazione	086	Italy	Milan			G	11
Sogeint Societa' a Responsabilita' Limitata	086	Italy	San Donato Milanese (MI)			G	11
Tikal R.E. Fund	086	Italy				G	10
Florence Centro di Chirurgia Ambulatoriale Srl	086	Italy	Florence			G	11
Incontra Assicurazioni Spa	086	Italy	Milan			G	1
Popolare Vita Spa	086	Italy	Novara			G	1
Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' per Azioni	086	Italy	Bologna			G	10
Ddor Novi Sad	289	Serbia	Novi Sad (Serbia)			G	3
Auto Presto & Bene Spa	086	Italy	Turin			G	11
Atahotels - Compagnia Italyna Aziende Turistiche Alberghiere Spa	086	Italy	Milan			G	11
Athens R.E. Fund	086	Italy				G	10
Ddor Re	289	Serbia	Novi Sad (Serbia)			G	6
Italresidence Srl	086	Italy	Milan			G	11
UnipolSai Finance SpA	086	Italy	Bologna			G	9
Midi Srl	086	Italy	Bologna			G	10
Alfaevolution Technology Spa	086	Italy	Bologna			G	11

(1) Consolidation method: G=on a line-by-line basis; P=proportional=P; 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.

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	% Consolidation
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
95.00%		95.00%		100.00%
	100.00% Centro Oncologico Fiorentino Casa di Cura Villanova Srl in Liquidazione	100.00%		100.00%
51.00%		51.00%		100.00%
50.00%		50.00%		100.00%
51.67%		51.67%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
64.72%		87.70%		100.00%
	24.19% Tikal R.E. Fund			
	100.00% UnipolRe Dac	100.00%		100.00%
	0.00% Ddor Novi Sad			
	100.00% Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		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
Popolare Vita Spa	50.00%	50.00%	20.6	269.4
The Lawrence Life Assurance Company Dac	50.00%	0.00%		

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
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

Details of unconsolidated investments

Name	Country of registered office	Registered office	Country of operations (5)	Operating office	Assets (1)	Type (2)
UnipolSai Investimenti Sgr Spa	086 Italy	Turin			8	b
Fin.Priv. Srl	086 Italy	Milan			11	b
Uci - Ufficio Centrale Italiano	086 Italy	Milan			11	b
Funivie del Piccolo San Bernardo Spa	086 Italy	La Thuile (AO)			11	b
Borsetto Srl	086 Italy	Turin			10	b
Garibaldi Sca	092 Luxembourg	Luxembourg			11	b
Metropolis Spa - in Liquidazione	086 Italy	Milan			10	b
Servizi Immobiliari Martinelli Spa	086 Italy	Cinisello Balsamo (MI)			10	b
Penta Domus Spa	086 Italy	Turin			10	b
Ddor Auto - Limited Liability Company	289 Serbia	Novi Sad (Serbia)			3	a
Ddor Garant	289 Serbia	Beograd (Serbia)			11	b
Butterfly Am Sarl	092 Luxembourg	Luxembourg			11	b
Hotel Terme di Saint Vincent - Srl	086 Italy	La Thuile (AO)			11	a
Ital H&R Srl	086 Italy	Bologna			11	a
Isola Sca	092 Luxembourg	Luxembourg			11	b
Assicoop Imola Spa	086 Italy	Imola (BO)			11	b
Assicoop Toscana Spa	086 Italy	Siena			11	b
Pegaso Finanziaria Spa	086 Italy	Bologna			9	b
Fondazione Unipolis	086 Italy	Bologna			11	a
Assicoop Grosseto Spa in Liquidazione	086 Italy	Grosseto			11	b
Unipol Banca Spa	086 Italy	Bologna			7	b
Assicoop Bologna Spa	086 Italy	Bologna			11	b
Hotel Villaggio Citta' del Mare Spa in Liquidazione	086 Italy	Modena			11	b
Assicoop Modena & Ferrara Spa	086 Italy	Modena			11	b
Assicoop Romagna Futura Srl	086 Italy	Ravenna			11	b
Assicoop Emilia Nord Srl	086 Italy	Parma			11	b
Leithà Srl	086 Italy	Bologna			11	a
Golf Club Poggio dei Medici Spa Societa' Dilettantistica Sportiva	086 Italy	San Piero (FI)			11	b

(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.

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	Carrying amount (€m)
49.00%			49.00%		9.8
28.57%			28.57%		32.1
37.84%			37.92%		0.2
	0.09%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.00%	Incontra Assicurazioni Spa			
23.55%			23.55%		2.3
44.93%			44.93%		1.1
32.00%			32.00%		4.1
29.71%			29.71%		
20.00%			20.00%		0.2
24.66%			24.66%		0.3
	100.00%	Ddor Novi Sad	100.00%		0.0
	32.46%	Ddor Novi Sad	40.00%		0.6
	7.54%	Ddor Re			
28.57%			28.57%		2.3
	100.00%	Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	100.00%		0.2
100.00%			100.00%		0.1
29.56%			29.56%		
	47.33%	UnipolSai Finance SpA	47.33%		3.1
	46.77%	UnipolSai Finance SpA	46.77%		1.2
	45.00%	UnipolSai Finance SpA	45.00%		5.2
100.00%			100.00%		0.3
	50.00%	UnipolSai Finance SpA	50.00%		0.9
42.25%			42.25%		439.0
	50.00%	UnipolSai Finance SpA	50.00%		4.9
49.00%			49.00%		
	43.75%	UnipolSai Finance SpA	43.75%		6.4
	50.00%	UnipolSai Finance SpA	50.00%		6.0
	50.00%	UnipolSai Finance SpA	50.00%		6.1
100.00%			100.00%		0.1
	40.32%	Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	40.32%		0.8

Statement of financial position by business segment

		Non-Life business		Life business	
	Amounts in €m	31/12/2016	31/12/2015	31/12/2016	31/12/2015
1	INTANGIBLE ASSETS	440.6	469.0	250.3	278.9
2	PROPERTY, PLANT AND EQUIPMENT	748.7	923.2	34.0	34.1
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	781.2	786.8	67.6	82.1
4	INVESTMENTS	15,624.1	16,478.3	45,146.6	44,016.1
4.1	Investment property	1,849.3	1,986.2	6.7	9.4
4.2	Investments in subsidiaries, associates and interests in joint ventures	366.3	370.4	160.0	157.3
4.3	Held-to-maturity investments	192.2	355.1	700.1	744.9
4.4	Loans and receivables	2,026.0	2,139.6	3,128.3	3,158.6
4.5	Available-for-sale financial assets	11,069.2	11,470.7	32,086.6	31,310.8
4.6	Financial assets at fair value through profit or loss	121.1	156.4	9,064.9	8,635.1
5	SUNDRY RECEIVABLES	2,396.0	2,332.4	643.3	623.1
6	OTHER ASSETS	1,014.1	713.2	131.3	125.9
6.1	Deferred acquisition costs	32.5	36.8	57.9	50.0
6.2	Other assets	981.5	676.3	73.4	75.9
7	CASH AND CASH EQUIVALENTS	183.7	354.3	353.6	460.2
	TOTAL ASSETS	21,188.2	22,057.1	46,626.9	45,620.3
1	SHAREHOLDERS' EQUITY				
2	PROVISIONS	400.0	453.3	20.9	28.4
3	TECHNICAL PROVISIONS	15,036.2	15,747.8	40,780.3	40,347.4
4	FINANCIAL LIABILITIES	1,664.5	1,541.8	2,727.1	2,234.9
4.1	Financial liabilities at fair value through profit or loss	152.7	62.0	1,987.4	1,479.4
4.2	Other financial liabilities	1,511.8	1,479.7	739.7	755.5
5	PAYABLES	635.0	617.6	171.9	128.9
6	OTHER LIABILITIES	696.5	625.7	295.3	292.0
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				

Other businesses		Real Estate		Inter-segment 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
12.1	2.4	0.2	0.3			703.2	750.6
154.5	141.4	658.7	334.0			1,595.9	1,432.6
						848.8	868.9
36.0	43.9	521.4	520.6	(113.2)	(48.8)	61,214.9	61,010.1
33.2	41.6	498.7	498.0			2,387.8	2,535.3
1.0	0.2		0.3			527.3	528.1
						892.3	1,100.0
1.4	1.4	7.0		(113.2)	(48.8)	5,049.6	5,250.7
0.2	0.7	15.8	22.3			43,171.7	42,804.5
0.2						9,186.1	8,791.5
85.4	69.6	38.2	28.6	(48.4)	(95.6)	3,114.4	2,958.0
28.3	29.7	47.0	25.4	(110.1)	(147.7)	1,110.5	746.5
						90.4	86.8
28.3	29.7	47.0	25.4	(110.1)	(147.7)	1,020.1	659.7
64.0	67.5	59.3	75.4			660.6	957.4
380.2	354.5	1,324.8	984.2	(271.7)	(292.1)	69,248.4	68,724.0
						6,534.7	6,614.5
15.9	21.0	5.6	15.9			442.4	518.6
						55,816.4	56,095.2
44.6	14.1	357.7	203.3	(113.1)	(97.3)	4,680.7	3,896.9
			1.7			2,140.1	1,543.2
44.6	14.1	357.7	201.6	(113.1)	(97.3)	2,540.6	2,353.7
77.8	79.7	31.2	23.1	(51.0)	(42.5)	864.9	806.9
13.8	14.3	11.2	12.2	(107.6)	(152.2)	909.2	792.0
						69,248.4	68,724.0

Income statement by business segment

	Amounts in €m	Non-Life business		Life business	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
1.1	Net premiums	6,871.5	7,039.9	4,686.3	6,055.2
1.1.1	*Gross premiums earned*	*7,304.2*	*7,493.0*	*4,694.6*	*6,064.8*
1.1.2	*Earned premiums ceded to reinsurers*	*(432.7)*	*(453.1)*	*(8.3)*	*(9.6)*
1.2	Commission income	6.2	6.1	26.0	3.3
1.3	Gains and losses on financial instruments at fair value through profit or loss	(74.1)	180.5	115.7	214.3
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	6.0	12.1	11.0	13.3
1.5	Gains on other financial instruments and investment property	820.3	847.1	1,349.7	1,562.6
1.6	Other revenue	275.4	280.3	53.2	67.5
	TOTAL REVENUE AND INCOME	7,905.2	8,365.9	6,241.9	7,916.2
2.1	Net charges relating to claims	(4,558.4)	(4,578.5)	(5,416.0)	(7,006.2)
2.1.1	*Amounts paid and changes in technical provisions*	*(4,770.0)*	*(4,797.6)*	*(5,421.3)*	*(7,006.4)*
2.1.2	*Reinsurers' share*	*211.5*	*219.1*	*5.3*	*0.2*
2.2	Commission expenses	(6.3)	(5.8)	(8.5)	(2.4)
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	(392.1)	(400.7)	(97.1)	(131.1)
2.5	Operating expenses	(2,038.8)	(2,049.1)	(270.3)	(330.5)
2.6	Other costs	(543.2)	(513.3)	(92.1)	(99.4)
2	TOTAL COSTS AND EXPENSES	(7,540.6)	(7,552.9)	(5,884.7)	(7,572.0)
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	364.6	813.0	357.2	344.2

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
						11,557.7	13,095.1
						11,998.8	*13,557.8*
						(441.0)	*(462.8)*
						32.2	9.3
0.0	0.0	3.0	(1.7)			44.7	393.1
0.3	0.0		0.4			17.3	25.8
0.9	2.2	37.4	48.8	(29.8)	(30.0)	2,178.5	2,430.7
142.6	246.6	7.2	7.0	(52.1)	(96.0)	426.3	505.4
143.8	**248.8**	**47.6**	**54.5**	**(81.9)**	**(126.0)**	**14,256.6**	**16,459.4**
						(9,974.5)	(11,584.7)
						(10,191.3)	*(11,804.0)*
						216.8	*219.4*
(0.1)	(0.0)	(0.0)	(0.0)			(15.0)	(8.3)
(0.2)	(0.1)	(0.4)				(3.0)	(8.0)
(8.5)	(4.8)	(36.8)	(95.3)	2.1	3.4	(532.4)	(628.4)
(54.4)	(49.8)	(12.0)	(13.2)	16.0	20.9	(2,359.4)	(2,421.7)
(99.4)	(212.0)	(20.7)	(41.7)	63.8	101.6	(691.6)	(764.7)
(162.5)	**(266.6)**	**(69.9)**	**(150.1)**	**81.9**	**126.0**	**(13,575.8)**	**(15,415.7)**
(18.7)	(17.8)	(22.3)	(95.6)			680.8	1,043.7

4 Tables appended to the Notes to the Financial Statements

Details of property, plant and equipment and intangible assets

Amounts in €m	At cost	At restated value or at fair value	Total carrying amount
Investment property	2,387.8		2,387.8
Other property	1,385.8		1,385.8
Other tangible assets	210.2		210.2
Other intangible assets	386.6		386.6

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					38.2	38.2
Equity instruments at fair value					605.0	674.9
of which listed securities					*436.7*	*496.5*
Debt securities	892.3	1,100.0	4,172.3	4,323.8	41,109.7	40,658.7
of which listed securities	*748.3*	*843.4*			*40,536.4*	*40,021.9*
UCITS units					1,418.8	1,432.6
Loans and receivables from bank customers						
Interbank loans and receivables						
Deposits with ceding companies			20.6	24.0		
Financial receivables on insurance contracts						
Other loans and receivables			856.7	903.0		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments						
Total	892.3	1,100.0	5,049.6	5,250.7	43,171.7	42,804.5

Financial assets at fair value through profit or loss				Total carrying amount	
Held-for-trading financial assets		Financial assets at fair value through profit or loss			
31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
				38.2	38.2
12.7	14.4	226.0	175.0	843.7	864.4
12.7	*14.4*	*226.0*	*175.0*	*675.4*	*686.0*
137.9	147.4	4,525.3	4,342.4	50,837.5	50,572.4
90.1	*66.6*	*4,395.0*	*3,669.1*	*45,769.9*	*44,601.0*
28.3	31.2	3,596.8	3,658.2	5,043.9	5,122.0
				20.6	24.0
		454.1	174.7	454.1	174.7
				856.7	903.0
126.4	168.5			126.4	168.5
0.8	10.4			0.8	10.4
		77.9	69.1	77.9	69.1
306.1	371.9	8,880.0	8,419.5	58,299.8	57,946.7

Details of assets and liabilities relating to insurance contracts where the investment risk is borne by policyholders and arising from pension fund management

	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
Amounts in €m	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Recognised assets	4,611.9	4,759.4	4,255.3	3,647.9	8,867.2	8,407.3
Intragroup assets *						
Total assets	**4,611.9**	**4,759.4**	**4,255.3**	**3,647.9**	**8,867.2**	**8,407.3**
Recognised financial liabilities	1,235.3	740.5	466.5	547.5	1,701.8	1,288.0
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	**4,614.4**	**4,759.5**	**4,255.3**	**3,648.0**	**8,869.7**	**8,407.5**

* Assets and liabilities eliminated on consolidation.

Details of technical provisions – reinsurers' share

Amounts in €m	Direct business		Non Direct 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	746.0	754.5	35.2	32.3	781.2	786.8
Premium provisions	186.0	183.4	1.0	0.0	187.0	183.4
Claims provision	560.1	571.1	34.2	32.3	594.2	603.3
Other provisions						
Life provisions	60.6	73.9	7.1	8.2	67.6	82.1
Provision for amounts payable	1.8	5.1	0.1	0.1	1.9	5.2
Mathematical provisions	58.7	68.9	7.0	8.1	65.7	77.0
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management						
Other provisions						
Total technical provisions - reinsurers' share	806.6	828.4	42.2	40.5	848.8	868.9

Details of technical provisions

Amounts in €m	Direct business		Non Direct 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	14,855.9	15,571.6	180.3	176.2	15,036.2	15,747.8
Premium provision	2,696.3	2,747.8	12.2	5.4	2,708.5	2,753.2
Claims provision	12,142.0	12,808.1	168.1	170.7	12,310.1	12,978.9
Other provisions	17.6	15.7	0.0	0.0	17.6	15.7
including provisions allocated as a result of the liabilityadequacy test						
Life provisions	40,766.6	40,329.1	13.7	18.3	40,780.3	40,347.4
Provision for amounts payable	377.8	772.7	1.5	2.9	379.3	775.6
Mathematical provisions	30,610.3	29,466.5	12.2	15.4	30,622.5	29,482.0
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 provisions	2,610.6	2,958.6			2,610.6	2,958.6
including provisions allocated as a result of the liability adequacy test						
including deferred liabilities to policyholders	*2,502.4*	*2,850.1*			*2,502.4*	*2,850.1*
Total technical provisions	55,622.5	55,900.7	193.9	194.5	55,816.4	56,095.2

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					2,027.3	2,026.5	2,027.3	2,026.5
Liabilities from financial contracts issued by insurance companies			1,716.0	1,289.2			1,716.0	1,289.2
Arising from contracts where the investment risk is borne by policyholders			*1,248.3*	*740.5*			*1,248.3*	*740.5*
Arising from pension fund management			*467.6*	*548.7*			*467.6*	*548.7*
Arising from other contracts								
Deposits received from reinsurers					220.7	203.8	220.7	203.8
Financial items payable on insurance contracts								
Debt securities issued								
Payables to bank customers								
Interbank payables								
Other loans obtained					287.8	118.8	287.8	118.8
Non-hedging derivatives	151.7	97.8	12.9	12.2			164.5	110.1
Hedging derivatives	259.6	143.9					259.6	143.9
Sundry financial liabilities					4.8	4.5	4.8	4.5
Total	411.3	241.8	1,728.8	1,301.4	2,540.6	2,353.7	4,680.7	3,896.9

Details of technical insurance items

Amounts in €m	31/12/2016 Gross amount	31/12/2016 Reinsurers' share	31/12/2016 Net amount	31/12/2015 Gross amount	31/12/2015 Reinsurers' share	31/12/2015 Net amount
Non-Life business						
NET PREMIUMS	7,304.2	(432.7)	6,871.5	7,493.0	(453.1)	7,039.9
a Written premiums	7,265.3	(431.0)	6,834.3	7,373.0	(444.5)	6,928.6
b Change in premium provision	38.8	(1.7)	37.2	120.0	(8.7)	111.3
NET CHARGES RELATING TO CLAIMS	(4,770.0)	211.5	(4,558.4)	(4,797.6)	219.1	(4,578.5)
a Amounts paid	(5,551.1)	223.1	(5,328.0)	(5,913.2)	272.4	(5,640.7)
b Change in claims provision	665.8	(4.2)	661.6	989.3	(52.5)	936.8
c Change in recoveries	114.1	(7.4)	106.7	125.1	(0.8)	124.3
d Change in other technical provisions	1.2		1.2	1.1		1.1
Life business						
NET PREMIUMS	4,694.6	(8.3)	4,686.3	6,064.8	(9.6)	6,055.2
NET CHARGES RELATING TO CLAIMS	(5,421.3)	5.3	(5,416.0)	(7,006.4)	0.2	(7,006.2)
a Amounts paid	(4,991.0)	19.7	(4,971.3)	(6,201.0)	19.2	(6,181.7)
b Change in provision for amounts payable	397.1	(3.1)	394.0	(405.2)	(1.6)	(406.8)
c Change in mathematical provisions	(1,166.4)	(11.2)	(1,177.7)	(929.1)	(17.4)	(946.5)
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	(29.3)		(29.3)	(200.4)	(0.0)	(200.4)

Investment income and charges

Amounts in €m	Interest	Other income	Other charges	Realised gains	Realised losses
Balance on investments	1,597.5	359.9	(241.2)	554.9	(289.4)
a Arising from investment property		90.5	(43.0)	3.4	(1.9)
b Arising from investments in subsidiaries, associates and interests in joint ventures		16.9	(2.4)	0.3	(0.4)
c Arising from held to maturity investments	43.8				
d Arising from loans and receivables	157.5			14.9	(4.8)
e Arising from available-for-sale financial assets	1,316.7	75.5	(2.1)	433.7	(243.1)
f Arising from held-for-trading financial assets	4.0	93.9	(96.7)	32.6	(13.2)
g Arising from financial assets at fair value through profit or loss	75.5	83.1	(96.9)	70.0	(26.0)
Balance on sundry receivables	2.5				
Balance on cash and cash equivalents	1.0		(0.1)		
Balance on financial liabilities	(78.8)	4.8	(1.0)		(2.7)
a Arising from held-for-trading financial liabilities		4.8			(2.7)
b Arising from financial liabilities at fair value through profit or loss					
c Arising from financial liabilities	(78.8)		(1.0)		
Balance on payables	(1.8)		(0.1)		
Total	1,520.4	364.7	(242.4)	554.9	(292.1)

Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total gains and losses	Total gains and losses
	Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment		31/12/2016	31/12/2015
1,981.6	235.9	0.1	(295.0)	(113.1)	(172.2)	1,809.5	2,325.6
49.0			(41.6)	(60.1)	(101.7)	(52.7)	(70.0)
14.4				(0.2)	(0.2)	14.2	17.8
43.8						43.8	53.2
167.6	31.6	0.1	(0.0)		31.7	199.3	177.1
1,580.7	0.0			(52.8)	(52.8)	1,527.9	1,732.9
20.5	37.6		(140.3)		(102.7)	(82.2)	226.6
105.6	166.7		(113.1)		53.6	159.2	187.9
2.5						2.5	3.0
0.9						0.9	2.0
(77.6)	7.2		(35.5)		(28.3)	(105.9)	(116.0)
2.2						2.2	0.8
			(34.4)		(34.4)	(34.4)	(22.2)
(79.8)	7.2		(1.0)		6.2	(73.6)	(94.6)
(1.9)						(1.9)	(1.4)
1,905.4	243.1	0.1	(330.5)	(113.1)	(200.4)	1,705.0	2,213.2

Details of insurance business expenses

	Non-Life business		Life business	
Amounts in €m	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Gross commissions and other acquisition costs	(1,722.5)	(1,745.9)	(135.6)	(176.9)
a Acquisition commissions	(1,247.5)	(1,198.5)	(91.4)	(126.0)
b Other acquisition costs	(312.7)	(396.9)	(43.7)	(43.1)
c Change in deferred acquisition costs	(4.2)	9.6	7.6	1.7
d Collection commissions	(158.0)	(160.1)	(8.2)	(9.5)
Commissions and profit-sharing received from reinsurers	126.1	118.7	0.4	1.5
Investment management expenses	(81.9)	(64.6)	(44.3)	(41.9)
Other administrative expenses	(360.5)	(357.3)	(90.8)	(113.1)
Total	(2,038.8)	(2,049.1)	(270.3)	(330.5)

Details of other consolidated comprehensive income

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	(10.5)	17.6		
Reserve deriving from changes in the shareholders' equity of the investees	(4.9)	8.7		
Revaluation reserve for intangible assets				
Revaluation reserve for property, plant and equipment				
Gains or losses on non-current assets or disposal groups held for sale				
Actuarial gains and losses and adjustments relating to defined benefit plans	(5.6)	8.9		
Other items		0.0		
Other income items reclassified to profit or loss	146.7	145.4	(339.0)	(412.4)
Reserve for foreign currency translation differences	(0.8)	0.1		
Gains or losses on available-for-sale financial assets	186.4	144.3	(339.0)	(412.4)
Gains or losses on cash flow hedges	(38.9)	1.1		
Gains or losses on hedges of a net investment in foreign operations				
Reserve deriving from changes in the shareholders' equity of investees				
Gains or losses on non-current assets or disposal groups held for sale				
Other items				
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	136.2	163.0	(339.0)	(412.4)

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
(0.0)		(10.5)	17.6	2.8	(5.6)	(7.1)	3.4
(0.0)		(4.9)	8.7			10.7	15.6
		(5.6)	8.9	2.8	(5.6)	(17.8)	(12.2)
			0.0			0.0	0.0
0.0		(192.3)	(266.9)	84.7	188.5	777.6	970.0
0.0		(0.8)	0.1			3.1	3.9
		(152.6)	(268.1)	68.7	186.2	782.9	935.5
		(38.9)	1.1	16.0	2.4	(8.4)	30.6
0.0		(202.8)	(249.4)	87.4	182.9	770.5	973.4

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level

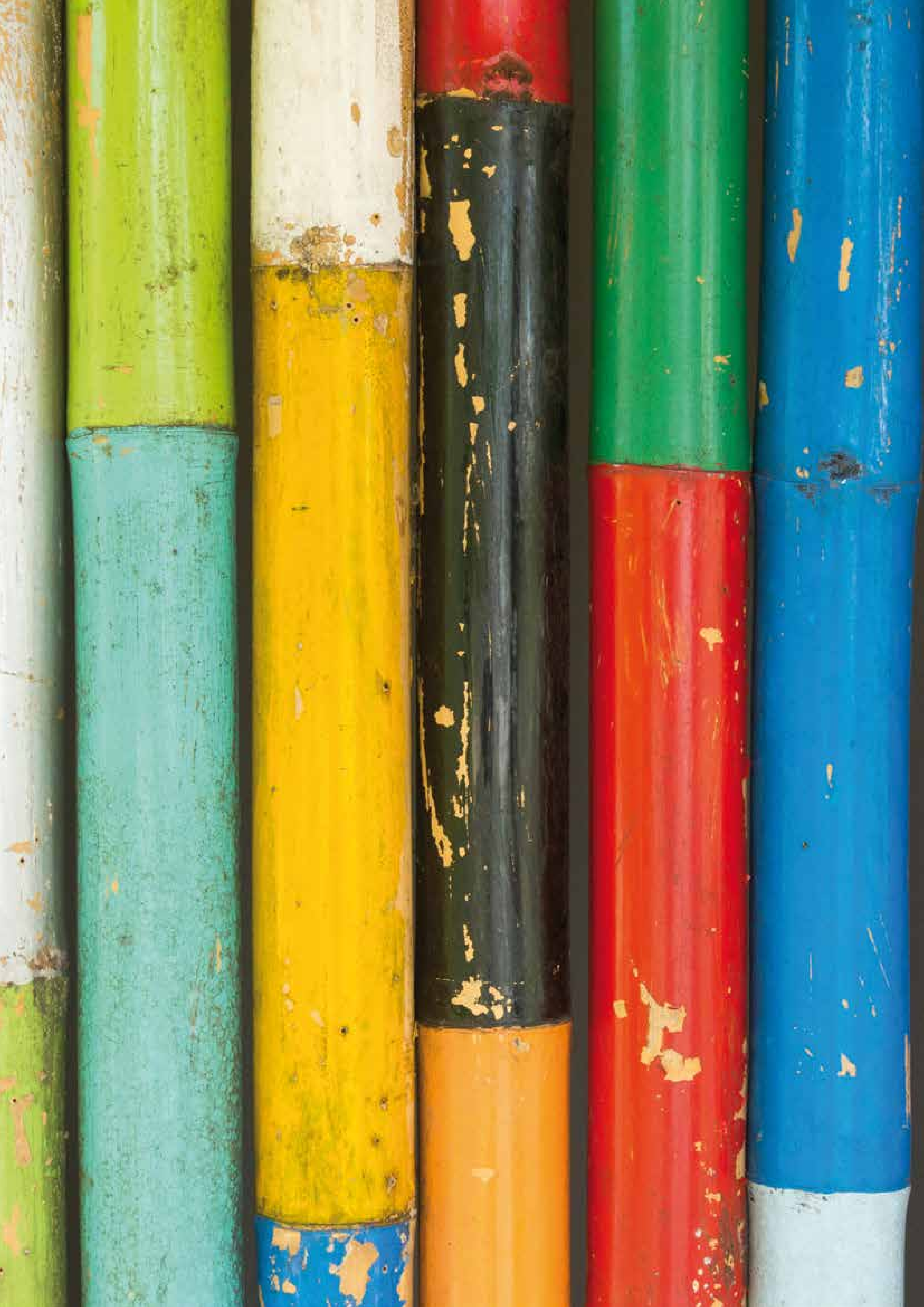
		Level 1		Level 2		Level 3		Total	
Amounts in €m		31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		41,891.7	41,538.8	495.1	553.9	784.9	711.8	43,171.7	42,804.5
Financial assets at fair value through profit or loss	Held for trading financial assets	125.4	120.0	147.9	160.0	32.8	91.9	306.1	371.9
	Financial assets at fair value through profit or loss	8,735.7	7,697.4	10.2	24.0	134.2	698.2	8,880.0	8,419.5
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		*50,752.8*	*49,356.2*	*653.2*	*737.9*	*951.9*	*1,501.8*	*52,357.9*	*51,595.9*
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	6.3	44.6	312.6	192.7	92.4	4.4	411.3	241.8
	Financial liabilities at fair value through profit or loss					1,728.8	1,301.4	1,728.8	1,301.4
Total liabilities measured at fair value on a recurring basis		*6.3*	*44.6*	*312.6*	*192.7*	*1,821.3*	*1,305.8*	*2,140.1*	*1,543.2*
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 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 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	711.8	91.9	698.2				4.4	1,301.4
Acquisitions/Issues	113.9							
Sales/Repurchases	(25.8)		(40.9)					
Repayments	(0.5)	(0.2)	(519.9)					
Gains or losses recognised through profit or loss		(0.4)	(4.4)				91.3	
- of which unrealised gains/losses		(0.4)	(4.4)				91.3	
Gains or losses recognised in the statement of other comprehensive income	(11.3)							
Transfers to level 3	0.0							
Transfers to other levels	(3.7)	(58.5)						
Other changes	0.5	(0.1)	1.2				(3.3)	427.4
Closing balance	784.9	32.8	134.2				92.4	1,728.8

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	892.3	1,100.0	876.2	1,020.4	148.1	245.0			1,024.3	1,265.4
Loans and receivables	5,049.6	5,250.7		4.8	3,934.6	4,127.0	1,254.1	1,376.1	5,188.6	5,507.9
Investments in subsidiaries, associates and interests in joint ventures	527.3	528.1					527.3	528.1	527.3	528.1
Investment property	2,387.8	2,535.3					2,478.2	2,665.2	2,478.2	2,665.2
Property, plant and equipment	1,595.9	1,432.6					1,686.8	1,506.8	1,686.8	1,506.8
Total assets	**10,453.0**	**10,846.7**	**876.2**	**1,025.2**	**4,082.6**	**4,372.0**	**5,946.4**	**6,076.2**	**10,905.2**	**11,473.5**
Liabilities										
Other financial liabilities	2,540.6	2,353.7	1,268.4	1,286.7			1,159.5	1,041.1	2,427.9	2,327.8



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

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

1. The undersigned, Carlo Cimbri, as Chairman, appointed for the purpose, and Maurizio Castellina, as Manager in charge of financial reporting of UnipolSai Assicurazioni S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 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 December 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 Organizations of the Treadway Commission and, as regards the IT component, by the COBIT Framework (Control OBjectives for IT and related technology), internationally recognized as the reference standards for the implementation and evaluation of internal control systems.

3. It is also certified that:

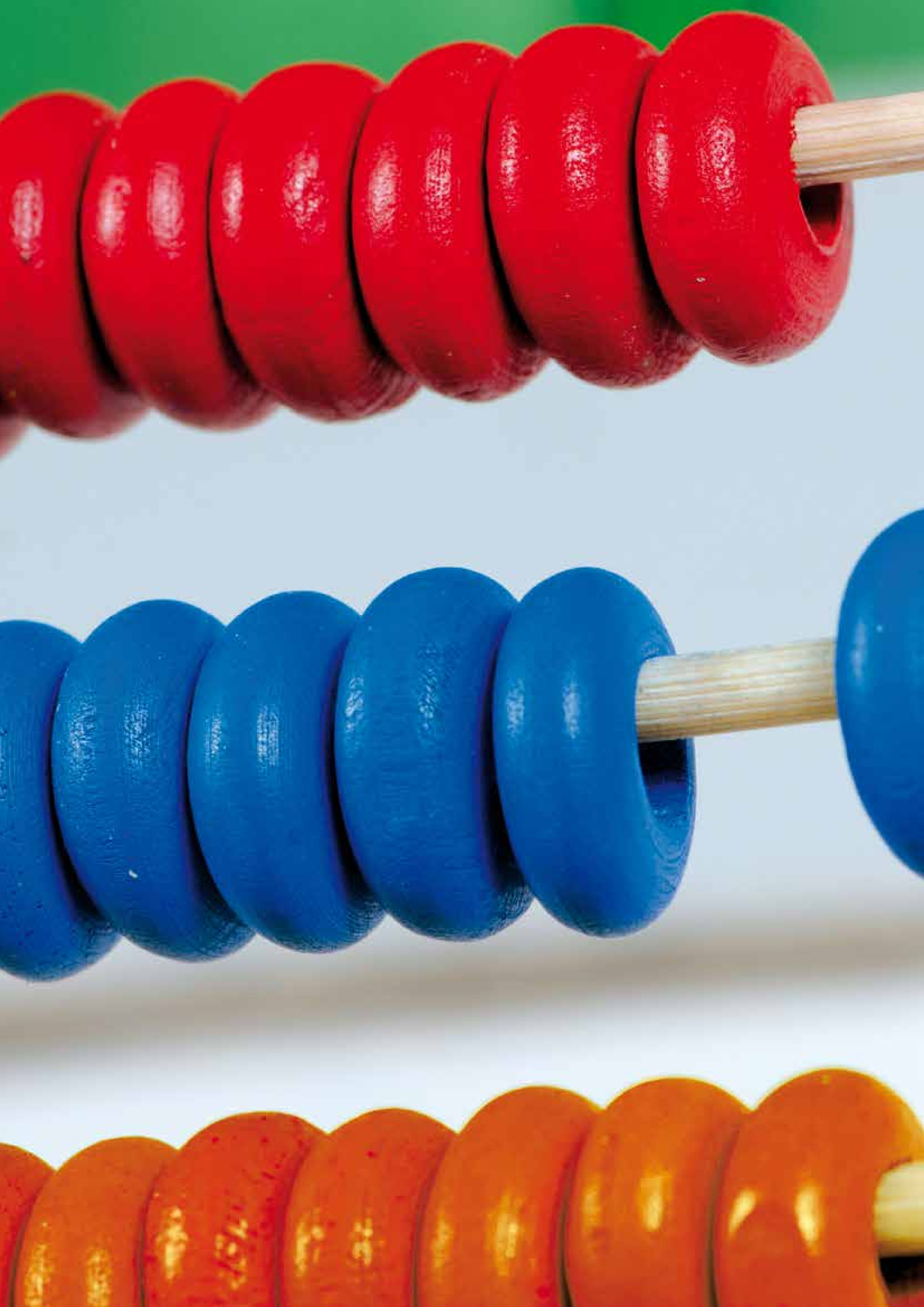
   3.1 the consolidated financial statements at 31 December 2016:
   - were prepared in compliance with the applicable International Accounting Standards recognized in the European Community in accordance with EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;
   - correspond 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 Chairman	The Manager in charge of financial reporting
Carlo Cimbri	*Maurizio Castellina*

(signed on the original)



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.	UnipolSai S.p.A.	2,276
Attestation services	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	519
Other professional services	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	250
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	UnipolSai S.p.A.	136
Other professional services	TLS Associazione Professionale di Avvocati e Commercialisti (Professional Association of Lawyers and Accountants)	UnipolSai S.p.A.	98
Total UnipolSai			**3,279**
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	457
Legally-required audit	PricewaterhouseCoopers Dublin	Subsidiaries	189
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	77
Attestation services	PricewaterhouseCoopers SpA	Subsidiaries	6
Other professional services	TLS Associazione Professionale di Avvocati e Commercialisti (Professional Association of Lawyers and Accountants)	Subsidiaries	42
Total subsidiaries			**770**
Grand total			**4,049**

(*) fees do not include any non-deductible VAT nor charged back expenses

BOARD
OF STATUTORY AUDITORS' REPORT

Board of Statutory Auditors' Report to the Consolidated Financial Statements of UnipolSai Assicurazioni S.p.A. for the year ending 31 December 2016

Dear Shareholders,

the Consolidated Financial Statements of UnipolSai Assicurazioni S.p.A. ("**UnipolSai**" or the "**Company**") were drawn up in accordance with Art. 154-ter of Legislative Decree 58/1998 (Consolidated Law on Finance) and 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 comprise the statement of financial position; the income statement and the comprehensive income statement; the statement of changes in shareholders' equity; the statement of cash flows; the notes and the tables appended to them.

The layout conforms to the provisions of ISVAP Regulation no. 7 of 13 July 2007, Part III as amended, relating to the layout of the Consolidated Financial Statements of insurance and reinsurance companies that must adopt international accounting standards. The information requested by Consob Communications DEM/6064293 of 28 July 2006 and DEM/11070007 of 5 August 2011 is also provided.

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

The going concern assumption is considered to be confirmed with reasonable certainty given that UnipolSai and its subsidiaries (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 Consolidated Financial Statements and the Management Report contain exhaustive and detailed information on the operating performance of the Company and the consolidated companies, on the main business sectors of the UnipolSai Group (Life and Non-Life business, real estate and other businesses), the asset and financial management, the pending disputes, the significant events after the end of the year and the business outlook.

The Consolidated Financial Statements, drawn up in thousands of euros, show a Group's profit for the year and shareholders' equity of €497.4m and €6,155.6m, respectively.

The Report issued by the Independent Auditors PricewaterhouseCoopers S.p.A. on the Consolidated Financial Statements for the year ended 31 December 2016 of UnipolSai, issued today, does not contain any remarks or information requests.

In conclusion we certify that the structure of the Consolidated Financial Statements of UnipolSai at 31 December 2016 is deemed correct and in compliance with the specific regulations.

Bologna, 5 April 2017

On behalf of the
Board of Statutory Auditors

Signed by Paolo FUMAGALLI, Chairman

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010 AND ARTICLE 102 OF LEGISLATIVE DECREE N° 209 OF 7 SEPTEMBER 2005

To the Shareholders of
UnipolSai Assicurazioni SpA

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

We have audited the accompanying consolidated financial statements of UnipolSai Assicurazioni SpA and its subsidiaries ("UnipolSai 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 UnipolSai Assicurazioni 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 90 of Legislative Decree N° 209/2005.

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 UnipolSai 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° 209/2005.

REPORT ON COMPLIANCE WITH OTHER LAWS AND REGULATIONS

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

We have performed the procedures required under auditing standard (SA Italia) 720B in order to express an opinion, as required by law, on the consistency of the management report and of the information set out in the report on corporate governance and ownership structure, available in UnipolSai Assicurazioni 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 UnipolSai Assicurazioni SpA, with the consolidated financial statements of the UnipolSai Group as at 31 December 2016. In our opinion, the management report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the UnipolSai 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.

2 di 2

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Share capital
€2,031,456,338.00 fully paid-up
Bologna Register of Companies
Tax and VAT No. 00818570012
R.E.A. No. 511469

A company subject
to management and coordination
by Unipol Gruppo Finanziario S.p.A.,
entered in Section I of the Insurance
and Reinsurance Companies List
at No. 1.00006
and a member of the
Unipol Insurance Group,
entered in the Register of
Insurance Groups – No. 046

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