Solvency and Financial Condition Report 2016

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Unipol Group
Solvency and Financial Condition Report 2016

CONTENTS

Introduction

This "Solvency and Financial Condition Report" was prepared in application:

- of the provisions on disclosure to the public set forth in Articles 290-303 of Title I, Ch. XII, and Articles 359-364 of Delegated regulation EU No. 35/2015 ("Regulation"), supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance ("Directive");
- of the implementing Regulation (EU) 2015/2452, 2 December 2015, laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with the Directive;
- of IVASS Regulation No. 33, 6 December 2016, concerning the disclosure to the public and Ivass, carrying provisions integrating the contents of the "Solvency and Financial Condition Report" and the regular report to IVASS ("Regular Supervisory Report"), ("Regulation 33").

Please note that this report was prepared by Unipol Gruppo S.p.A. in its capacity as the parent company of the Unipol Insurance Group in light of the application of the transitional rules laid out in Article 29 of IVASS Regulation 22 of 2016. The shareholders' meeting of the holding company Finsoe S.p.A., parent company of the Unipol Financial Conglomerate, approved a spin-off project on 25 May 2017, as a result of which Finsoe S.p.A. will no longer hold control over Unipol Gruppo S.p.A. In application of the regulations in force, this spin-off is subject to receiving authorisations from the competent Supervisory Authorities.

Unless otherwise specified, data are expressed in thousands of euros.

Definitions and glossary

The meaning of the main acronyms and expressions used in this document is summarised below.

Term	Meaning
BEL	Best estimate of the liabilities deriving from insurance policies.
CAP	Private Insurance Code (Legislative Decree no. 209 of 7 September 2005 et seq.).
Capital adequacy	Observance by the company/Group of the regulatory solvency capital requirements.
Capital at Risk	Total capital requirement or capital requirement relating to a given risk that the company/Group believes is necessary to cover the losses exceeding a specific expected level.
Corporate Control Functions	The Company's Audit, Risk Management and Compliance and Anti-Money Laundering Functions.
EIOPA	European Insurance and Occupational Pensions Authority.
Fundamental functions	The Corporate Control Functions and the Actuarial Function.
LOB	Area of insurance activity ("Line of Business") as defined by annex I of the Regulation.
Market Wide Standard Formula	Methodology for calculating the solvency capital requirement that envisages the application of the standard parameters defined by the Regulation.
MCR	Minimum solvency capital requirement as defined in Title I - ch. VII of the Regulation. This corresponds to the amount of eligible own funds below which the policyholders and beneficiaries would be exposed to an unacceptable level of risk if the insurance companies were allowed to continue their business.
OF	Own Funds as defined by Title I Ch. IV and Title II Ch. I and II of the Regulation. They represent the financial resources steadily acquired by the Group and available to it to absorb losses and to overcome risks generated by business activities on a going concern basis.
ORSA	Report to the Authority on the own risk and solvency assessment.
PIM	Partial Internal Model used to determine the solvency capital requirement.
RAF	"Risk Appetite Framework" - reference framework which defines - in line with the maximum risk that may be assumed, the business model and the Strategic plan - the Risk Appetite, any tolerance thresholds, the operational risk limits, the specific risk management policies and the reference processes required to define and enact them.
Risk Appetite	Level of risk (overall and by type) which the Group and/or the Company intends to assume for the pursuit of its strategic objectives.
RM	The Risk Margin, corresponding to the cost of holding an amount of eligible own funds equal to the SCR needed to support insurance and reinsurance obligations assumed throughout their contractual life.
SCR	The Solvency Capital Requirement set forth in Title I - ch. V and VI of the Regulation. The amount of this requirement is determined so as to enable insurance companies or groups to be capable, with a probability of at least 99.5%, of honouring their obligations to contracting parties and beneficiaries in the next twelve months.
TCM	Temporary insurance in the event of death.
Technical provisions (TP)	Amount that an insurance or reinsurance company would have to pay if its contractual rights and obligations were immediately transferred to another company. This corresponds to the sum of BEL and RM.
USP	Undertaking Specific Parameters used to determine the solvency capital requirement connected to insurance risks. These parameters, alternative to the standard parameters defined in the Regulation, can be used if given conditions defined by the Regulation are respected and if authorised by the Supervisory Authority.
VA	Volatility Adjustment, corresponding to an optional adjustment to the risk-free interest rate curve (published by EIOPA) to be applied in order to determine the BELs.

SUMMARY

Summary

Introduction

This section summarises the key information on the solvency and the financial condition of the Group, with regard to:

A. business and performance
B. system of governance
C. risk profile
D. valuation for solvency purposes
E. capital management.

For more detailed information on each of these topics, we refer to later chapters, which provide, organically, the information required by current legal provisions summarised previously.

Business and performance

In 2016, the Unipol Group (hereinafter also referred to as "the Group") achieved significant economic[1] 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. In particular, the consolidated net profit amounted to €535,005k.

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, as shown by the drop in average market premiums, in the third quarter of 2016, equal to -5.9% year on year[2], continued to result in a decline in premiums from this sector, with an impact on total premiums. In terms of MV business, UnipolSai confirmed its European leadership in black boxes installed in vehicles, rising from 2.5 million in 2015 to 3.1 million in 2016, now supplied by the subsidiary AlfaEvolution which, in line with the Business Plan, is the centre of excellence for innovative technologies and already expanding to include Non-MV products. Direct Non-Life premiums at 31 December 2016 amounted to €7,809,302k (-0.9%).

In the Life sector, within a market environment still characterised by interest rates that are extremely low and negative in the short term, the Group - with a view to limiting financial risk - has gradually slowed the production of traditional guarantee-backed products, seeking to orient the commercial offering towards Class III and Multisegment products. Total Direct Life premiums at 31 December 2016 amounted to €6,996,935k (-18.6%).

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.
As regards the Group's financial operations, in 2016 they 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. In particular, in accordance with the strategic guidelines set in the Business Plan, the policy to gradually reduce the share of government bonds continued to be implemented, with a view to gradual diversification towards a selective increase of corporate securities and other financial assets.

The current interest rate situation is penalising the profitability of the Banking sector of the Group, particularly the financial margin. The lending policy, primarily oriented towards retail and SME customers, remains selective with overall stocks in decline. The margin from services component was up. The stock of impaired loans was down further compared to the levels seen in December 2015, due to the significant reduction of inflows and the management and closure of non-performing positions.

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[1] The economic data reported in the section Business and performance are taken from the Unipol Group's Integrated Consolidated Financial Statements for the year 2016.
[2] Source: IVASS, IPER Statistical Bulletin, 9 February 2017

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

As regards the results of companies in other areas of the Group's operations, the commercial development of the diversified companies continues in accordance with strategies outlined in the respective business plans. Of note, in particular, is the positive conclusion of the acquisition of the hotel management business and of the property of UNA SpA, already reported among the main events of the year and also illustrated below in segment reporting.

System of governance

The governance structure of the parent company Unipol Gruppo S.p.A. (the "Company") is based on a traditional management and control model, where the main bodies are the Shareholders' Meeting, the Board of Directors (which operates with the support of board committees) and the Board of Statutory Auditors. The Company has created an Audit Function, a Risk Management Function, a Compliance and Anti-money Laundering Function (jointly, "Corporate Control Functions") and an Actuarial Function.

The Board of Directors assesses the position of each of its members and the members of the Board of Statutory Auditors, establishing whether these meet the requirements set by legal and regulatory provisions in force at the time on honourableness, professionalism and independence, as well as on the absence of impediments, suspensions and incompatibilities pursuant to interlocking provisions. The Board of Directors also establishes whether the requirements of suitability to the office are met by the Managers of the Corporate Control Functions and the Manager of the Actuarial Function.

The Company has acquired an articulated and efficient Internal Control and Risk Management system, to ensure that the most significant risks arising from its activity are correctly identified, measured, managed and controlled, as well as being compatible with a sound and correct management. The Company also ensures that this System is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of group supervision and their mutual interdependencies. The Board of Directors is responsible for said System and regularly verifies its suitability and actual operation.

The Audit Function assesses the completeness, function, reliability and adequacy of the Internal Control and Risk Management System, in relation to the nature of the business activities and the level of risks taken, as well as for updating it, also through support and advisory activities provided to other company departments. This Report also describes the control tasks of the Actuarial Function with reference to Solvency II Technical Provisions.

Risk profile

The Group calculates its solvency capital requirement using the Standard Formula with the application of parameters specific to the company ("Undertaking Specific Parameters" or "USP") to calculate the Premium and Reserve Risk for the following Lines of Business ("LoB") (i) MV TPL (ii) General TPL and (iii) Fire and other damage to property, while the Standard Formula Market Wide is used for the other risk modules.

Summary

We provide below a summary of the main components of the Solvency Capital Requirement of the Group at 31 December 2016.

amounts in €k	31/12/2016
Non-life and health underwriting risk	*2,274,646*
Life underwriting risk	*593,607*
Market risks	*3,440,490*
Credit risk	*399,228*
Diversification	*(1,710,691)*
Basic Solvency Capital Requirement (BSCR)	4,997,280
Operational risk	633,412
Risks arising from ring fenced funds (RFF)	33,547
Loss-absorbing capacity of technical provisions	(707,666)
Loss-absorbing capacity of deferred taxes	(1,105,323)
SCR of other related undertakings (SCR OT)	96,808
Solvency Capital Requirement - insurance sector	**3,948,057**
Solvency Capital Requirement - credit and financial sector	**775,371**
Total Solvency Capital Requirement (SCR)	**4,723,429**

Note that the risk assessments are carried out applying as long-term measure the Volatility Adjustment (VA).

Valuation for solvency purposes

To calculate the own funds eligible for the coverage of the Solvency Capital Requirement, the Group must prepare a "Market Consistent Balance Sheet" ("MCBS"), enclosed to this Report, on the basis of specific criteria and with methods of consolidation of the investee companies, defined by the Directive and the Regulation, which are different from those used for the consolidated financial statements.
The methods of consolidation laid out in Solvency II result in a more restricted line-by-line consolidation scope than that applicable in the consolidated financial statements. In particular, we note that:

a) the subsidiaries whose activities are not insurance activities or instrumental to the insurance business were subject to synthetic consolidation (and not line-by-line as set forth in IAS 27 for the purpose of preparing the consolidated financial statements) on the basis of dedicated financial positions drawn up in accordance with Solvency II criteria;
b) the entities that carry out financial and credit activities (Sai Investimenti Sgr, Unipol Banca and its subsidiaries) were consolidated synthetically based on the proportional share of own funds of such entities determined on the basis of the pertinent sector rules ("Basel III").

In addition, the measurement criteria specified by the Solvency II provisions are based on the concept of fair value and, therefore:
- Assets are valued at the amount at which they could be exchanged between knowledgeable and willing parties in an arm's length transaction;
- Liabilities are valued at the amount to which they could be sold or settled between knowledgeable and willing parties in an arm's length transaction.

When valuing the liabilities under b), no adjustment is made for the creditworthiness of the debtor.

The nature of the main differences between the shareholders' equity resulting from the consolidated financial statements and that resulting from the MCBS is summarised below.

A	**Shareholders' equity (Financial Statement)**	**8,161,371**
B	Adjustments for different consolidation methods	(49,070)
C	Adjustments by assets/liabilities type	(1,933,274)
	Intangible assets	*(2,089,706)*
	Properties and tangible assets for investment and for own use	*176,119*
	Other financial investments	*421,204*
	Technical provisions	*(591,041)*
	Deferred taxes	*351,722*
	Other assets and liabilities	*(201,572)*
D=A+B+C	**Shareholders' equity (MCBS)**	**6,179,027**

Capital management

The Group has own funds eligible to cover the capital requirements equal to 1.41 times the SCR and 2.44 times the Minimum Capital Requirement ("MCR").

The following tables show:
- the reconciliation between the amount of shareholders' equity from the MCBS and the amount of own funds eligible to cover capital requirements;
- the amount of own funds eligible to cover capital requirements, with a breakdown by individual tiering level;
- the capital requirements (SCR and MCR);
- the coverage ratios of the capital requirements.

Reconciliation from MCBS to eligible own funds

Amounts in €k	**Total**
Shareholders' equity (MCBS)	**6,179,027**
Subordinated and hybrids liabilities computable in own funds such as Tier 1 restricted and Tier 2 instruments	2,146,334
Expected dividends	(278,168)
Own shares held directly or indirectly	(29,402)
Adjustments related to the transferability of subsidiaries own funds or the computability of minority interests	(1,310,574)
Other deductions required by the Regulations or by specific provisions of the Supervisory Authority	(42,770)
Total eligible own funds to meet the SCR	**6,664,447**
Non available own funds to meet the MCR	(1,795,049)
Total eligible own funds to meet the MCR	**4,869,397**

Summary

Eligible amount of own funds

Amounts in €k	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total eligible own funds to meet the SCR (A)	6,664,447	4,426,840	894,036	948,509	395,062
Total eligible own funds to meet the MCR (B)	4,869,397	3,576,142	894,036	399,219	

SCR, MCR and Capital Requirement coverage ratios

Amounts in €k	Total
Solvency Capital Requirement (SCR) _ (C)	4,723,429
Minimum Capital Requirement (MCR) _ (D)	1,996,096
Ratio of Eligible own funds to SCR (A / C)	1.41
Ratio of Eligible own funds to MCR (B / D)	**2.44**

At no time during the year did the Group fail to meet its Solvency Capital Requirement (SCR) or its minimum capital requirement (MCR).

BUSINESS
AND PERFORMANCE

A Business and Performance

A.1. Business

Company information

Unipol Gruppo SpA (also Unipol SpA) is the holding company at the top of the Unipol Insurance Group, a leading Italian insurance group, as well as of the Unipol Banking Group. Unipol is listed on the Milan Stock Exchange and manages and coordinates all the subsidiaries. The main shareholder of Unipol is Finsoe S.p.A., the holding company that currently holds 31.40% of the share capital, in turn owned by companies of the cooperative movement in Italy. The Group operates in the insurance, banking, real estate, hospitality and other businesses sectors.

The shareholding structure is shown in the chart below:

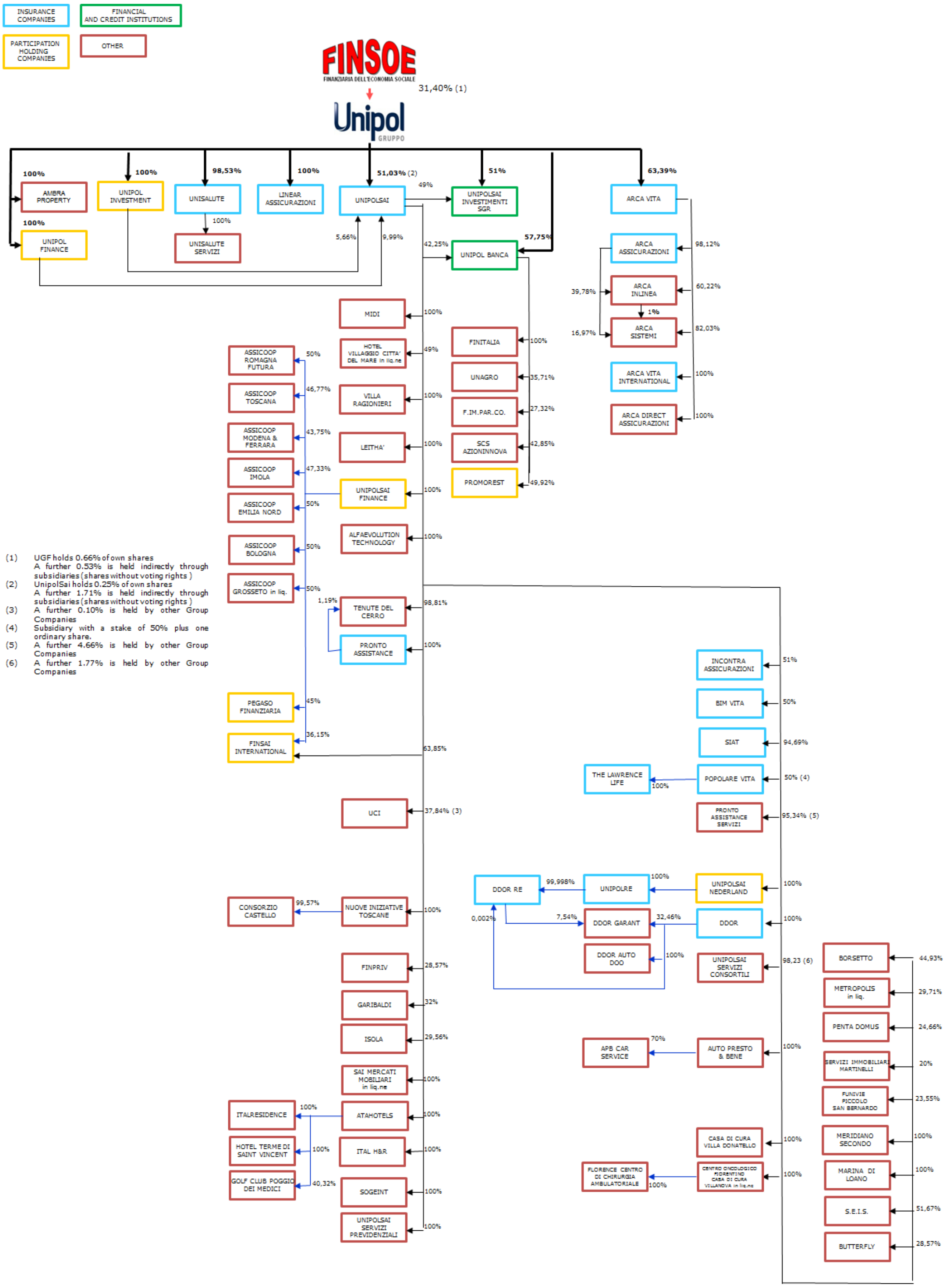
Unipol Gruppo Finanziario

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

The Group is subject to supervision, as an insurance group, by the Istituto per la Vigilanza sulle Assicurazioni (IVASS) and as a banking group by the Bank of Italy.

The independent audit firm appointed by the Group is PricewaterhouseCoopers SpA.

The structure of the Unipol Group is shown below.



(1) UGF holds 0.66% of own shares
A further 0.53% is held indirectly through subsidiaries (shares without voting rights)

(2) UnipolSai holds 0.25% of own shares
A further 1.71% is held indirectly through subsidiaries (shares without voting rights)

(3) A further 0.10% is held by other Group Companies

(4) Subsidiary with a stake of 50% plus one ordinary share.

(5) A further 4.66% is held by other Group Companies

(6) A further 1.77% is held by other Group Companies

We also provide a list of subsidiaries and associates, and companies subject to unitary management at 31 December 2016.

List of subsidiaries and associates

Name	Legal form	Registered office	% voting rights
Alfaevolution Technology Spa	Joint-stock company	Italy	100,00%
Ambra Property Srl	Limited liabilities company	Italy	100,00%
Apb Car Service Srl	Limited liabilities company	Italy	70,00%
Arca Assicurazioni Spa	Joint-stock company	Italy	98,12%
Arca Direct Assicurazioni Srl	Limited liabilities company	Italy	100,00%
Arca Inlinea Scarl	Limited liabilities consortium	Italy	100,00%
Arca Sistemi Scarl	Limited liabilities consortium	Italy	100,00%
Arca Vita International Dac	Designated activity Company	Ireland	100,00%
Arca Vita Spa	Joint-stock company	Italy	63,39%
Assicoop Bologna Spa	Joint-stock company	Italy	50,00%
Assicoop Emilia Nord Srl	Limited liabilities company	Italy	50,00%
Assicoop Grosseto Spa In Liquidazione	Joint-stock company	Italy	50,00%
Assicoop Imola Spa	Joint-stock company	Italy	47,33%
Assicoop Modena & Ferrara Spa	Joint-stock company	Italy	43,75%
Assicoop Romagna Futura Srl	Limited liabilities company	Italy	50,00%
Assicoop Toscana Spa	Joint-stock company	Italy	46,77%
Atahotels - Compagnia Italiana Aziende Turistiche	Joint-stock company	Italy	100,00%
Athens R.E. Fund	Collective Investments Undertakings	Italy	89,59%
Atlante Finance Srl	Limited liabilities company	Italy	0,00%
Auto Presto & Bene Spa	Joint-stock company	Italy	100,00%
Bim Vita Spa	Joint-stock company	Italy	50,00%
Borsetto Srl	Limited liabilities company	Italy	44,93%
Butterfly Am Sa'Rl	Socit A' Responsabilit Limite	Luxembourg	28,57%
Casa Di Cura Villa Donatello - Spa	Joint-stock company	Italy	100,00%
Castoro Rmbs Srl	Limited liabilities company	Italy	0,00%
Centro Oncologico Fiorentino Casa Di Cura Villanova Srl In Liquidazione	Limited liabilities company	Italy	100,00%

Name	Legal form	Registered office	% voting rights
Compagnia Assicuratrice Linear Spa	Joint-stock company	Italy	100,00%
Consorzio Castello	Limited liabilities company	Italy	99,57%
Ddor Auto - Limited Liability Company	Drutvo Sa Ogranienom Odgovornou-D.O.O.	Serbia	100,00%
Ddor Garant	Akcionarsko Drutvo-A.D.	Serbia	40,00%
Ddor Novi Sad	Akcionarsko Drutvo-A.D.O.	Serbia	100,00%
Ddor Re	Akcionarsko Drutvo-A.D.O.	Serbia	100,00%
Fin.Priv. Srl	Limited liabilities company	Italy	28,57%
Finitalia Spa	Joint-stock company	Italy	100,00%
Finsai International Sa	Societe' Anonyme	Luxembourg	100,00%
Florence Centro Di Chirurgia Ambulatoriale Srl	Limited liabilities company	Italy	100,00%
Fondazione Unipolis	Foundation	Italy	100,00%
Funivie Del Piccolo San Bernardo Spa	Joint-stock company	Italy	23,55%
Garibaldi Sca	Societè en Accomandite par Actions	Luxembourg	32,00%
Golf Club Poggio Dei Medici Spa Societa' Dilettantistica Sportiva	Limited liabilities company	Italy	40,32%
Grecale Abs Srl	Limited liabilities company	Italy	10,00%
Grecale Rmbs 2011 Srl	Limited liabilities company	Italy	0,00%
Grecale Rmbs 2015 Srl	Limited liabilities company	Italy	0,00%
Hotel Terme Di Saint Vincent - Srl	Limited liabilities company	Italy	100,00%
Hotel Villaggio Citta' Del Mare Spa In Liquidazione	Joint-stock company	Italy	49,00%
Incontra Assicurazioni Spa	Joint-stock company	Italy	51,00%
Isola Sca	Societè en Accomandite par Actions	Luxembourg	29,56%
Ital H&R Srl	Limited liabilities company	Italy	100,00%
Italresidence Srl	Limited liabilities company	Italy	100,00%
Leithà Srl	Limited liabilities company	Italy	100,00%
Marina Di Loano Spa	Joint-stock company	Italy	100,00%
Meridiano Secondo Srl	Limited liabilities company	Italy	100,00%
Metropolis Spa - In Liquidazione	Joint-stock company	Italy	29,71%

Name	Legal form	Registered office	% voting rights
Midi Srl	Limited liabilities company	Italy	100,00%
Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	Limited liabilities company	Italy	100,00%
Pegaso Finanziaria Spa	Joint-stock company	Italy	45,00%
Penta Domus Spa	Joint-stock company	Italy	24,66%
Popolare Vita Spa	Joint-stock company	Italy	50,00%
Promorest Srl	Limited liabilities company	Italy	49,92%
Pronto Assistance Servizi Scarl	Limited liabilities consortium	Italy	100,00%
Pronto Assistance Spa	Joint-stock company	Italy	100,00%
Sai Mercati Mobiliari Spa In Liquidazione	Joint-stock company	Italy	100,00%
Scs Azioninnova Spa	Joint-stock company	Italy	42,85%
Servizi Immobiliari Martinelli Spa	Joint-stock company	Italy	20,00%
Siat-Societa' Italiana Assicurazioni E Riassicurazioni - Per Azioni	Joint-stock company	Italy	94,69%
Sme Grecale Srl	Limited liabilities company	Italy	0,00%
Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' Per Azioni	Joint-stock company	Italy	51,67%
Sogeint Societa' A Responsabilita' Limitata	Limited liabilities company	Italy	100,00%
Tenute Del Cerro Spa - Societa' Agricola	Joint-stock company	Italy	100,00%
The Lawrence Life Assurance Company Dac	Designated activity Company	Ireland	100,00%
Tikal R.E. Fund	Collective Investments Undertakings	Italy	95,00%
Uci - Ufficio Centrale Italiano	Limited liabilities consortium	Italy	37,94%
Unipol Banca Spa	Joint-stock company	Italy	100,00%
Unipol Finance Srl	Limited liabilities company	Italy	100,00%
Unipol Gruppo Finanziario Spa	Joint-stock company	Italy	100,00%
Unipol Investment Spa	Joint-stock company	Italy	100,00%
Unipolre Dac	Designated activity Company	Ireland	100,00%
Unipolsai Assicurazioni Spa	Joint-stock company	Italy	68,81%
Unipolsai Finance Spa	Joint-stock company	Italy	100,00%
Unipolsai Investimenti Sgr Spa	Joint-stock company	Italy	100,00%
Unipolsai Nederland Bv	Besloten Vennootschap	The Netherlands	100,00%
Unipolsai Servizi Consortili Societa' Consortile A Responsabilita' Limitata	Limited liabilities consortium	Italy	100,00%
Unipolsai Servizi Previdenziali Srl	Limited liabilities company	Italy	100,00%
Unisalute Servizi Srl	Limited liabilities company	Italy	100,00%
Unisalute Spa	Joint-stock company	Italy	98,53%
Villa Ragionieri Srl	Limited liabilities company	Italy	100,00%

Main differences between the scope of consolidation considered in the consolidated financial statements prepared pursuant to Article 95 of the Private Insurance Code ("CAP") and the scope of consolidation considered for the calculation of group solvency pursuant to Article 216-ter of the CAP

The Unipol Group MCBS was determined in accordance with method 1 (method based on the consolidated financial statements described in Articles 335 and 336 of the Regulation). To that end, a Group MCBS expressed at market value was prepared on the basis of the criteria defined in the Regulation.
The Group scope for the preparation of the MCBS includes 86 companies, of which:

A. 37 companies consolidated on a line-by-line basis in application of Art. 335 par. 1 (a) of the Regulation (insurance or reinsurance companies, non-EU insurance or reinsurance companies, insurance holding companies, mixed financial holding companies and instrumental companies which are subsidiaries of the parent company);
B. 10 companies for which the proportional share of own funds of the company calculated in accordance with the pertinent sector rules pursuant to Article 2, point 7 of Directive 2002/87/EC was consolidated in application of Art. 335 par. 1 (e) of the Regulation (investee companies that are credit institutions, investment firms and financial institutions, UCITS management companies);
C. 39 companies measured in compliance with Article 13 of the Regulation (other subsidiaries, associates, included in the definition of equity investments other than the previous ones), consolidated with the equity method in application of Art. 335 par. 1 (f) of the Regulation.

There are no companies pursuant to paragraph 1, letters b), c) and d) of Article 335 of the Regulation (line-by-line consolidation of vehicle companies as defined in Art. 13 of the Directive, proportionate consolidation or consolidation with the equity method of equity investments in insurance or reinsurance companies, non-EU insurance or reinsurance companies, insurance holding companies, mixed financial holding companies and instrumental companies which are not subsidiaries of the parent company).
The main differences in the scope of consolidation of the MCBS with respect to the scope of consolidation used for the preparation of the Unipol consolidated financial statements derive from the lack of line-by-line consolidation of the subsidiaries belonging to the financial sector and the subsidiary entities that are not instrumental companies within the scope of the Unipol Insurance Group, with the exception of several subsidiary entities whose activities were deemed similar to those of the instrumental companies, such as the controlled property funds and the companies Unipol Finance and Unipol Investment, which hold an investment in UnipolSai.
For further details regarding the scope of consolidation and the methods of calculation applied to the individual entities, please refer to QRT S.32.01.22 in the Annexes section.

Relations with Group companies

UnipolSai Assicurazioni provided services relating to the following areas:
- Governance (services supporting internal control, risk management and compliance);
- Anti-money laundering and Anti-terrorism;
- Finance;
- Control pursuant to Law 231;
- Innovation & New Business Solutions;
- Communications and Media relations;
- External Relations;
- Assessment of Investments;
- Human Resources and Organisation (external selection, training, development, remuneration systems, personnel management, trade union relations and disputes, employee welfare, safety, organisation, personnel administration);
- Claims Settlement;
- Insurance (regulatory management of distribution networks, MV tariffs and portfolio management, reinsurance, marketing, bancassurance Life business unit);
- Legal (corporate affairs, group legal, anti-fraud, institutional response, legal insurance consulting, privacy, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of investments);

- IT services;
- Actuarial Function Validation;
- Administration (accounting, tax, administrative and financial statements services, economic management control, purchases and general services);
- Real estate (logistics, asset and investment management and core offices portfolio).

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

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

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

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

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

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

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

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

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

In 2016, the consortium UnipolSai Servizi Consortili continued to manage a few supply and service agreements:
- Leasing of facilities;

- Real estate logistics and organisational services;
- Communications, image and Unipol Group brand management.

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

Since 31 December 2015, contracts for the following services provided by Arca Vita:
- internal control, risk management and compliance for Arca Assicurazioni;
- internal controls for Arca Vita International Ltd;
- anti-terrorism services for Arca Assicurazioni.

have been terminated. As of 1 January 2016, the services listed above are provided by UnipolSai.

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

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

Unipol Banca provides the following internal auditing services to its subsidiaries.

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

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

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

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

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

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

It should be noted that, in accordance with Art. 2497 et seq. of the Italian Civil Code, none of the shareholders of the Parent Unipol carries out management and coordination activities.
Finsoe SpA holds an investment in Unipol equal to 31.404% (31.404% at 31/12/2015): this represents a controlling investment, as defined in Art. 2359, paragraph 1.2 of the Italian Civil Code.

Finsoe does not exercise powers of management or coordination, either technical or financial, on Unipol.

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

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

The table below reports the relevant quantitative information (at Solvency II values) regarding the significant transactions carried out by the insurance and reinsurance companies with other Group entities.

Transactions relating to equity instruments, debt instruments and asset transfers

Amounts in €k

Name of investor/purchaser	Name of issuer/seller	Transaction description	Maturity (1)	Annual interest rate	Nominal - contractual value of the transaction (2)	Intra-group balance sheet balance as at 31/12/2016 (3)	Intra-group income statement balance as at 31/12/2016 (4)
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOLSAI ASSICURAZIONI SPA	Equity investment in subsidiary	31/12/9999	0.00%	3,390,986	2,931,143	216,437
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL BANCA SPA	Current account	31/12/9999	0.00%	1,071,422	1,064,741	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL BANCA SPA	Current account	31/12/9999	0.00%	842,766	369,932	
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL FINANCE SRL	Equity investment in subsidiary	31/12/9999	0.00%	604,444	580,588	37,651
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL BANCA SPA	Equity investment in associated company	31/12/9999	0.00%	437,789	438,223	
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL BANCA SPA	Equity investment in subsidiary	31/12/9999	0.00%	415,441	417,139	
UNIPOLSAI ASSICURAZIONI SPA	POPOLARE VITA SPA	Equity investment in subsidiary	31/12/9999	0.00%	313,040	281,128	22,926
UNIPOL GRUPPO FINANZIARIO SPA	ARCA VITA SPA	Equity investment in subsidiary	31/12/9999	0.00%	276,953	227,809	13,423
POPOLARE VITA SPA	GRUPPO BANCO POPOLARE	Current account	31/12/9999	0.00%	252,128	12,208	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO FINANZIARIO SPA	Loan	28/07/2023	0.70%	228,785	228,794	1,766
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLSAI FINANCE SPA	Equity investment in subsidiary	31/12/9999	0.00%	221,719	222,626	7,040
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOLSAI ASSICURAZIONI SPA	Dividend disbursed to investor	25/05/2016	0.00%	216,437		216,437
ARCA VITA SPA	BANCA POPOLARE DI SONDRIO	Current account	31/12/9999	0.00%	192,807	40,146	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLSAI NEDERLAND BV	Equity investment in subsidiary	31/12/9999	0.00%	180,908	279,337	
ARCA VITA SPA	ARCA ASSICURAZIONI SPA	Equity investment in subsidiary	31/12/9999	0.00%	130,223	134,971	17,954
UNIPOLSAI ASSICURAZIONI SPA	MIDI SRL	Equity investment in subsidiary	31/12/9999	0.00%	126,337	128,340	
UNIPOLSAI ASSICURAZIONI SPA	TENUTE DEL CERRO SPA - SOCIETÀ AGRICOLA	Equity investment in subsidiary	31/12/9999	0.00%	115,557	112,236	
UNIPOLSAI ASSICURAZIONI SPA	NUOVE INIZIATIVE TOSCANE - SOCIETÀ A RESPONSABILITÀ LIMITATA	Equity investment in subsidiary	31/12/9999	0.00%	113,822	110,551	
UNIPOL GRUPPO FINANZIARIO SPA	UNISALUTE SPA	Equity investment in subsidiary	31/12/9999	0.00%	108,085	143,742	29,313
UNIPOLSAI NEDERLAND BV	UNIPOLRE DAC	Share capital increase subscribed by holding company	31/12/9999	0.00%	100,000		100,000
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLSAI NEDERLAND BV	Share capital increase in subsidiary	31/12/9999	0.00%	100,000		

Transactions relating to equity instruments, debt instruments and asset transfers

Amounts in €k

Name of investor/purchaser	Name of issuer/seller	Transaction description	Maturity (1)	Annual interest rate	Nominal - contractual value of the transaction (2)	Intra-group balance sheet balance as at 31/12/2016 (3)	Intra-group income statement balance as at 31/12/2016 (4)
UNIPOL GRUPPO FINANZIARIO SPA	COMPAGNIA ASSICURATRICE LINEAR SPA	Equity investment in subsidiary	31/12/9999	0.00%	96,313	89,165	
POPOLARE VITA SPA	THE LAWRENCE LIFE ASSURANCE COMPANY LTD	Equity investment in subsidiary	31/12/9999	0.00%	85,299	80,483	8,500
UNIPOLSAI ASSICURAZIONI SPA	SIAT-SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI	Equity investment in subsidiary	31/12/9999	0.00%	62,614	66,391	2,879
ARCA VITA SPA	BANCA POPOLARE EMILIA ROMAGNA	Current account	31/12/9999	0.00%	60,271	38,298	
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL INVESTMENT SPA	Contribution to future share capital increases of subsidiary	31/12/9999	0.00%	60,000		
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL INVESTMENT SPA	Contribution to future share capital increases of subsidiary	31/12/9999	0.00%	60,000		
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL INVESTMENT SPA	Contribution to future share capital increases of subsidiary	31/12/9999	0.00%	60,000		
UNISALUTE SPA	UNIPOL BANCA SPA	Current account	31/12/9999	0.00%	59,159	16,443	
UNIPOLSAI ASSICURAZIONI SPA	VILLA RAGIONIERI SRL	Equity investment in subsidiary	31/12/9999	0.00%	57,197	56,345	
UNIPOL GRUPPO FINANZIARIO SPA	AMBRA PROPERTY SRL	Equity investment in subsidiary	31/12/9999	0.00%	56,462	57,352	
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL FINANCE SRL	Contribution to future share capital increases of subsidiary	31/12/9999	0.00%	50,000		
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL INVESTMENT SPA	Contribution to future share capital increases of subsidiary	31/12/9999	0.00%	50,000		
UNIPOL FINANCE SRL	UNIPOLSAI ASSICURAZIONI SPA	Dividend disbursed to investor	25/05/2016	0.00%	42,412		42,412
FINSOE - FINANZIARIA DELL'ECONOMIA SOCIALE	UNIPOL GRUPPO FINANZIARIO SPA	Dividend disbursed to investor	25/05/2016	0.00%	40,557		40,557
ARCA VITA SPA	BANCA POPOLARE DI SONDRIO	Term deposit	25/01/2016	0.00%	40,000		
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL INVESTMENT SPA	Contribution to future share capital increases of	31/12/9999	0.00%	40,000		
ARCA VITA SPA	BANCA POPOLARE EMILIA ROMAGNA	Bond	15/03/2017	5.00%	39,000	19,500	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO FINANZIARIO SPA	Loan	15/06/2021	0.70%	39,000	39,042	300
UNIPOLSAI ASSICURAZIONI SPA	MARINA DI LOANO SPA	Equity investment in subsidiary	31/12/9999	0.00%	37,269	53,551	
UNIPOLSAI ASSICURAZIONI SPA	MERIDIANO SECONDO SRL	Loan	31/12/9999	0.00%	36,813	36,813	
UNIPOLSAI ASSICURAZIONI SPA	FIN.PRIV. SRL	Equity investment in associated company	31/12/9999	0.00%	36,766	32,141	
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL BANCA SPA	Write-down of equity investment in subsidiary	31/12/9999	0.00%	36,583		
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLSAI SERVIZI CONSORTILI SOCIETÀ CONSORTILE A	Equity investment in subsidiary	31/12/9999	0.00%	35,734	35,919	
UNIPOLSAI ASSICURAZIONI SPA	DDOR NOVI SAD	Equity investment in subsidiary	31/12/9999	0.00%	35,124	38,171	
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL INVESTMENT SPA	Contribution to future share capital increases of	31/12/9999	0.00%	35,000		

Transactions relating to equity instruments, debt instruments and asset transfers

Amounts in €k

Name of investor/purchaser	Name of issuer/seller	Transaction description	Maturity (1)	Annual interest rate	Nominal - contractual value of the transaction (2)	Intra-group balance sheet balance as at 31/12/2016 (3)	Intra-group income statement balance as at 31/12/2016 (4)
COMPAGNIA ASSICURATRICE LINEAR	UNIPOL BANCA	Current account	31/12/9999	0.00%	32,377	11,302	
UNIPOL GRUPPO FINANZIARIO SPA	UNISALUTE SPA	Dividend disbursed to investor	24/05/2016	0.00%	29,313		29,313
ARCA VITA SPA	ARCA VITA INTERNATIONAL DAC	Equity investment in subsidiary	31/12/9999	0.00%	29,069	33,483	
UNIPOLSAI ASSICURAZIONI SPA	PRONTO ASSISTANCE SPA	Equity investment in subsidiary	31/12/9999	0.00%	28,101	34,317	3,500
UNIPOL GRUPPO FINANZIARIO SPA	UNISALUTE SPA	Contribution to future share capital increases of subsidiary	31/12/9999	0.00%	25,000		
GRUPPO BANCO POPOLARE	POPOLARE VITA SPA	Dividend disbursed to investor	06/05/2016	0.00%	22,926		22,926
UNIPOLSAI ASSICURAZIONI SPA	POPOLARE VITA SPA	Dividend disbursed to investor	06/05/2016	0.00%	22,926		22,926
BIM VITA SPA	VENETO BANCA SPA	Current account	31/12/9999	0.00%	22,445	3,017	
ARCA VITA SPA	UNIPOL BANCA	Current account	31/12/9999	0.00%	20,431	20,208	
ARCA VITA SPA	ARCA ASSICURAZIONI SPA	Dividend disbursed to investor	30/05/2016	0.00%	17,954		17,954
UNIPOLSAI ASSICURAZIONI SPA	INCONTRA ASSICURAZIONI SPA	Equity investment in subsidiary	31/12/9999	0.00%	17,711	32,711	
UNIPOLSAI ASSICURAZIONI SPA	MARINA DI LOANO SPA	Share capital increase in subsidiary	31/12/9999	0.00%	16,000		
ARCA VITA SPA	BANCA POPOLARE EMILIA ROMAGNA	Bond	15/05/2017	0.00%	15,000	15,000	
UNIPOL GRUPPO FINANZIARIO SPA	ARCA VITA SPA	Dividend disbursed to investor	30/05/2016	0.00%	13,423		13,423
SIAT/SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI / PER	UNIPOL BANCA SPA	Current account	31/12/9999	0.00%	13,403	10,861	
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Share capital increase in subsidiary	31/12/9999	0.00%	12,500		
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Share capital increase in subsidiary	31/12/9999	0.00%	10,000		
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLSAI FINANCE SPA	Share capital increase in subsidiary	31/12/9999	0.00%	10,000		
ARCA ASSICURAZIONI SPA	UNIPOL BANCA	Current account	31/12/9999	0.00%	8,859	3,181	
INCONTRA ASSICURAZIONI SPA	UNICREDIT GROUP	Current account	31/12/9999	0.00%	8,838	2,263	
POPOLARE VITA SPA	THE LAWRENCE LIFE ASSURANCE COMPANY DAC	Dividend disbursed to investor	30/03/2016	0.00%	8,500		8,500
INCONTRA ASSICURAZIONI SPA	UNIPOL BANCA	Current account	31/12/9999	0.00%	8,431	365	
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Share capital increase in subsidiary	31/12/9999	0.00%	7,500		
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Share capital increase in subsidiary	31/12/9999	0.00%	7,500		
PRONTO ASSISTANCE SPA	UNIPOL BANCA SPA	Current account	31/12/9999	0.00%	7,342	1,167	
ARCA VITA SPA	UNIPOL GRUPPO FINANZIARIO SPA	Bond	05/03/2021	4.00%	6,490	6,490	
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Share capital increase in subsidiary	31/12/9999	0.00%	5,000		
UNIPOLSAI ASSICURAZIONI SPA	PRONTO ASSISTANCE SPA	Share capital increase in subsidiary	31/12/9999	0.00%	5,000		
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Equity investment in subsidiary	31/12/9999	0.00%	4,995	49,817	
BANCA POPOLARE EMILIA ROMAGNA	ARCA VITA SPA	Dividend disbursed to investor	30/05/2016	0.00%	4,166		4,166
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL INVESTMENT SPA	Equity investment in subsidiary	31/12/9999	0.00%	3,607	359,561	

Transactions relating to equity instruments, debt instruments and asset transfers

Amounts in €k

Name of investor/purchaser	Name of issuer/seller	Transaction description	Maturity (1)	Annual interest rate	Nominal - contractual value of the transaction (2)	Intra-group balance sheet balance as at 31/12/2016 (3)	Intra-group income statement balance as at 31/12/2016 (4)
UNIPOLSAI ASSICURAZIONI SPA	PRONTO ASSISTANCE SPA	Dividend disbursed to holding company	25/08/2016	0.00%	3,500		3,500
BANCA POPOLARE DI SONDRIO	ARCA VITA SPA	Dividend disbursed to investor	30/05/2016	0.00%	3,142		3,142
UNIPOLSAI ASSICURAZIONI SPA	SIAT/SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI	Dividend disbursed to investor	23/05/2016	0.00%	2,879		2,879
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Share capital increase in subsidiary	31/12/9999	0.00%	2,500		
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Share capital increase in subsidiary	31/12/9999	0.00%	2,500		
UNISALUTE SPA	UNISALUTE SERVIZI SRL	Equity investment in subsidiary	31/12/9999	0.00%	1,840	2,356	
ARCA VITA SPA	ARCA DIRECT SRL	Equity investment in subsidiary	31/12/9999	0.00%	1,536	1,740	
UNISALUTE SPA	UNISALUTE SERVIZI SRL	Share capital increase in subsidiary	31/12/9999	0.00%	1,500		
BANCA INTERMOBILIARE	BIM VITA SPA	Dividend disbursed to investor	03/05/2016	0.00%	1,150		1,150
UNIPOLSAI ASSICURAZIONI SPA	BIM VITA SPA	Dividend disbursed to investor	03/05/2016	0.00%	1,150		1,150
PRONTO ASSISTANCE SPA	TENUTE DEL CERRO SPA - SOCIETÀ AGRICOLA	Equity investment in affiliate	31/12/9999	0.00%	1,073	1,073	
UNISALUTE SPA	UNISALUTE SERVIZI SRL	Equity investment in subsidiary	31/12/9999	0.00%	1,059		
PRONTO ASSISTANCE SPA	UNIPOLSAI ASSICURAZIONI SPA	Equity investment in holding company	31/12/9999	0.00%	813	699	52
ARCA ASSICURAZIONI SPA	ARCA SISTEMI SCARL	Equity investment in affiliate	31/12/9999	0.00%	773	773	
PRONTO ASSISTANCE SPA	UNIPOLSAI SERVIZI CONSORTILI SCRL	Equity investment in affiliate	31/12/9999	0.00%	349	349	

(1) 31/12/9999 means that the expiry date is not defined.

(2) "Nominal - contractual value of the transaction" refers to:
i) In the case of current accounts: the maximum amount for the year;
ii) In the case of loans, time deposits and similar: the contractual (nominal) amount;
iii) In the case of equity investments: its SII value at the start of the year;
iv) In the case of dividends disbursed by the Company to investor entities, their amount.

(3) The balance sheet balance represents the SII balance sheet value (e.g., value of the equity investment or residual debt or current account balance) at the date of year-end close.
(4) The income statement balance represents the impact in the Income Statement for the year of the intra-group transaction.

Reinsurance transactions

Amounts in €k

Name of ceding company	Name of reinsurer	Type of agreement	Intra-group balance sheet balance - receivable/(payable) for the ceding Company as at 31/12/2016 (1)	Intra-group income statement balance - income/(expenses) for the ceding Company as at 31/12/2016 (2)
UNIPOLSAI ASSICURAZIONI S.P.A.	UnipolRe Limited	Quota share	115,754	2,168
UNIPOLSAI ASSICURAZIONI S.P.A.	SIAT - SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI	Quota share	34,134	(8,748)
UNIPOLSAI ASSICURAZIONI S.P.A.	UnipolRe Limited	Excess of loss [per event and per risk]	22,550	2,647
COMPAGNIA ASSICURATRICE LINEAR S.P.A.	UnipolSai Assicurazioni S.p.A.	Quota share	14,103	843
UNIPOLSAI ASSICURAZIONI S.P.A.	UnipolRe Limited	Surplus	4,700	326
UNIPOLSAI ASSICURAZIONI S.P.A.	UnipolRe Limited	Excess of loss [per event]	4,390	1,204
UNISALUTE S.P.A.	UnipolSai Assicurazioni S.p.A.	Excess of loss [per risk]	2,530	714
UNIPOLSAI ASSICURAZIONI S.P.A.	UnipolRe Limited	Excess of loss [per risk]	1,765	74
COMPAGNIA ASSICURATRICE LINEAR S.P.A.	UnipolSai Assicurazioni S.p.A.	Excess of loss [per event and per risk]	1,116	(1,023)
UNIPOLSAI ASSICURAZIONI S.P.A.	UnipolRe Limited	Facultative proportional	874	(48)
ARCA ASSICURAZIONI S.P.A.	UNISALUTE S.P.A.	Quota share	826	(78)
INCONTRA ASSICURAZIONI S.P.A.	UnipolSai Assicurazioni S.p.A.	Quota share	602	(404)
UNIPOLSAI ASSICURAZIONI S.P.A.	SIAT - SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI	Facultative proportional	307	(3,477)
INCONTRA ASSICURAZIONI S.P.A.	UnipolRe Limited	Quota share	302	(92)
POPOLARE VITA S.P.A.	UnipolRe Limited	Surplus	28	
Siat-Societa Italiana Assicurazioni e Riassicurazioni - per Azioni	UnipolSai Assicurazioni S.p.A.	Facultative proportional	21	(17)
POPOLARE VITA S.P.A.	UnipolSai Assicurazioni S.p.A.	Excess of loss [per event and per risk]	15	(11)
Siat-Societa Italiana Assicurazioni e Riassicurazioni - per Azioni	UnipolRe Limited	Quota share	6	
UNISALUTE S.P.A.	UnipolSai Assicurazioni S.p.A.	Facultative proportional	5	1
INCONTRA ASSICURAZIONI S.P.A.	UnipolRe Limited	Excess of loss [per risk]	4	(104)
BIM VITA	UnipolSai Assicurazioni S.p.A.	Excess of loss [per event and per risk]	1	
UNIPOLSAI ASSICURAZIONI S.P.A.	SIAT - SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI	Excess of loss [per event]		(13)
UNISALUTE S.P.A.	UnipolSai Assicurazioni S.p.A.	Excess of loss [per event]		(100)
INCONTRA ASSICURAZIONI S.P.A.	UnipolSai Assicurazioni S.p.A.	Facultative proportional		(6)
INCONTRA ASSICURAZIONI S.P.A.	UnipolSai Assicurazioni S.p.A.	Facultative proportional	(1)	(1)
BIM VITA	UnipolSai Assicurazioni S.p.A.	Surplus	(4)	(4)
INCONTRA ASSICURAZIONI S.P.A.	PRONTO ASSISTANCE S.P.A.	Quota share	(6)	(6)
COMPAGNIA ASSICURATRICE LINEAR S.P.A.	PRONTO ASSISTANCE S.P.A.	Quota share	(9)	(9)
INCONTRA ASSICURAZIONI S.P.A.	UnipolSai Assicurazioni S.p.A.	Excess of loss [per event]	(15)	(40)
UNISALUTE S.P.A.	UnipolSai Assicurazioni S.p.A.	Quota share	(56)	(7)
INCONTRA ASSICURAZIONI S.P.A.	UnipolSai Assicurazioni S.p.A.	Excess of loss [per risk]	(56)	(151)

Reinsurance transactions

Amounts in €k

Name of ceding company	Name of reinsurer	Type of agreement	Intra-group balance sheet balance - receivable/(payable) for the ceding Company as at 31/12/2016 (1)	Intra-group income statement balance - income/(expenses) for the ceding Company as at 31/12/2016 (2)
POPOLARE VITA S.P.A.	UnipolSai Assicurazioni S.p.A.	Surplus	(78)	(78)
UNIPOLSAI ASSICURAZIONI S.P.A.	PRONTO ASSISTANCE S.P.A.	Quota share	(7,312)	(7,312)
UNIPOLSAI ASSICURAZIONI S.P.A.	UNISALUTE S.P.A.	Quota share	(12,175)	(12,175)

(1) The balance sheet balance represents the sum of net reinsurance receivables and the reinsurers' share of provisions.

(2) The income statement balance represents the net performance of reinsurance.

Breakdown of costs, contingent liabilities, off-balance sheet elements and other elements

Amounts in €k

Name of investor/purchaser/beneficiary	Name of issuer/seller/supplier	Transaction description	Maturity (1)	Transaction amount (2)
UNIPOL BANCA SPA	UNIPOL GRUPPO FINANZIARIO	Credit indemnity agreement between Unipol and the subsidiary Unipol Banca	31/12/2024	820,413
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO FINANZIARIO SPA	Equivalent value of put/call agreement on 27.59% of the share capital of Unipol Banca S.p.A.	30/04/2019	331,627
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO FINANZIARIO SPA	Guarantee issued in the interest of UnipolSai	28/07/2023	300,000
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO FINANZIARIO SPA	Guarantee issued in the interest of UnipolSai	15/06/2021	261,689
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Expenses for intra-group services provided to the Company	28/02/2021	150,000
UNIPOLSAI ASSICURAZIONI SPA	MIDI SRL	Expenses for lease instalments on instrumental real estate	31/12/2027	103,068
UNIPOLSAI ASSICURAZIONI SPA	FINITALIA SPA	Expenses for intra-group services provided to the Company	03/04/2018	45,567
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL BANCA SPA	Expenses for intra-group services provided to the Company	31/12/2016	37,720
POPOLARE VITA SPA	GRUPPO BANCO POPOLARE	Commissions	31/12/2016	36,161
INCONTRA ASSICURAZIONI SPA	UNICREDIT GROUP	Commissions	31/12/2016	28,645
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOL BANCA SPA	Commissions relating to the indemnity agreement on receivables	31/12/2016	25,977
ARCA VITA SPA	BANCA POPOLARE EMILIA ROMAGNA	Commissions and management fees	31/12/2016	16,443
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO FINANZIARIO SPA	Items from participation in the tax consolidation agreement	31/12/9999	15,753
POPOLARE VITA SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2016	15,592
UNIPOL GRUPPO FINANZIARIO SPA	UNIPOLSAI ASSICURAZIONI SPA	Recoveries of costs for secondments of personnel to the subsidiary	31/12/2016	12,913
GRUPPO BANCO POPOLARE	POPOLARE VITA SPA	Commissions payable	31/12/9999	8,387
POPOLARE VITA SPA	GRUPPO BANCO POPOLARE	Management fees	31/12/2016	7,793
UNIPOL GRUPPO FINANZIARIO SPA	ARCA VITA SPA	Tax consolidation transactions	31/12/2017	7,253
ARCA VITA SPA	BANCA POPOLARE DI SONDRIO	Commissions and management fees	31/12/2016	7,051
ARCA VITA SPA	ARCA SISTEMI SCARL	Expenses for intra-group services provided to the Company	31/12/2016	6,176

Breakdown of costs, contingent liabilities, off-balance sheet elements and other elements

Amounts in €k

Name of investor/purchaser/beneficiary	Name of issuer/seller/supplier	Transaction description	Maturity (1)	Transaction amount (2)
ARCA VITA SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2016	5,374
UNISALUTE SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2019	5,225
UNICREDIT GROUP	INCONTRA ASSICURAZIONI SPA	Commissions payable	31/12/9999	5,220
ARCA ASSICURAZIONI SPA	ARCA SISTEMI SCARL	Expenses for intra-group services provided to the Company	31/12/2016	5,203
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOLSAI ASSICURAZIONI SPA	Costs for rental agreements	31/12/2016	4,411
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2016	3,705
UNIPOLSAI ASSICURAZIONI SPA	POPOLARE VITA SPA	Payable for intra-group services provided to the Company	31/12/9999	3,631
BIM VITA SPA	BANCA INTERMOBILIARE	Placement commissions	31/12/2016	3,027
UNISALUTE SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2016	2,819
UNIPOLSAI ASSICURAZIONI SPA	COMPAGNIA ASSICURATRICE LINEAR SPA	Payables for intra-group services	31/12/2016	2,729
UNIPOLSAI ASSICURAZIONI SPA	INCONTRA ASSICURAZIONI SPA	Payable for intra-group services provided to the Company	31/12/9999	2,429
UNISALUTE SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/9999	2,403
UNIPOL GRUPPO FINANZIARIO SPA	SIAT-SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI	Tax consolidation transactions	31/12/2017	2,400
SIAT-SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI	UNIPOLSAI ASSICURAZIONI SPA	Secondment of personnel	31/12/2016	2,233
UNISALUTE SPA	UNIPOL GRUPPO FINANZIARIO SPA	Balance sheet balance referring to participation in the tax consolidation agreement	31/12/2017	1,929
UNIPOLSAI ASSICURAZIONI SPA	SIAT-SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI	Expenses for intra-group services provided to the Company	31/12/2016	1,865
PRONTO ASSISTANCE SPA	UNIPOL GRUPPO FINANZIARIO SPA	Tax consolidation transactions	31/12/2017	1,792
THE LAWRENCE LIFE ASSURANCE COMPANY DAC	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2017	1,694
ARCA ASSICURAZIONI SPA	ARCA VITA SPA	Expenses for intra-group services provided to the Company	31/12/2016	1,656
ARCA ASSICURAZIONI SPA	ARCA INLINEA SCARL	Expenses for intra-group services provided to the Company	31/12/2016	1,547
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOLSAI ASSICURAZIONI SPA	Costs for secondments of personnel to the company	31/12/2016	1,499
UNISALUTE SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/9999	1,176
BIM VITA SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2016	1,151
UNIPOLSAI ASSICURAZIONI SPA	SIAT-SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI	Secondment of personnel	31/12/2016	1,129
UNIPOLSAI ASSICURAZIONI SPA	BIM VITA SPA	Expenses for intra-group services provided to the Company	31/12/9999	1,026
SIAT-SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2016	1,020
ARCA VITA SPA	ARCA ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2016	946
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLRE DAC	Expenses for intra-group services provided to the Company	31/12/2016	925
INCONTRA ASSICURAZIONI SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2016	921
ARCA ASSICURAZIONI SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2016	831
BANCA INTERMOBILIARE	BIM VITA SPA	Payable for placement commissions	31/12/9999	691
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOL GRUPPO FINANZIARIO SPA	Tax consolidation transactions	31/12/2017	381
PRONTO ASSISTANCE SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2016	320
UNIPOLSAI ASSICURAZIONI SPA	PRONTO ASSISTANCE SPA	Payable for intra-group services provided to the Company	31/12/2016	320

Breakdown of costs, contingent liabilities, off-balance sheet elements and other elements

Amounts in €k

Name of investor/purchaser/beneficiary	Name of issuer/seller/supplier	Transaction description	Maturity (1)	Transaction amount (2)
INCONTRA ASSICURAZIONI SPA	UNIPOLSAI ASSICURAZIONI SPA	Chargebacks for secondments of personnel	31/12/2016	254
UNIPOLRE DAC	THE LAWRENCE LIFE ASSURANCE COMPANY DAC	Expenses for intra-group services provided to the Company	31/12/9999	244
THE LAWRENCE LIFE ASSURANCE COMPANY DAC	UNIPOLRE DAC	Expenses for intra-group services provided to the Company	31/12/9999	172
INCONTRA ASSICURAZIONI SPA	UNICREDIT GROUP	Management fees	31/12/2016	163
THE LAWRENCE LIFE ASSURANCE COMPANY DAC	POPOLARE VITA SPA	Expenses for intra-group services provided to the Company	31/12/9999	118

(1) Maturity date equal to 31/12/9999 means that the expiry date is not defined.
(2) Transaction amount refers to:
i) In the case of the internal division of costs, the annual amount due for the service provided;
ii) In the case of guarantees, the contractual amount of the guarantee provided/received;
iii) In the case of other transactions, the maximum amount of the intra-group exposure;
iv) In the case of costs for securities custody fees, the total annual cost per counterparty;
v) In the case of lending services provided by companies intra-group on behalf of the company, the total cost of the consideration on the loan agreed and borne by the company is reported;
vi) In the case of transactions relating to participation in the tax consolidation agreement, the amount of the transaction includes the payable/receivable existing at the closure date.

Lines of Business

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

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

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

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

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

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

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

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

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

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

Significant events in 2016

Approved 2016-2018 Business Plan of the UNIPOL Group

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

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

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

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

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

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

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

Extraordinary company mergers completed during the year

Following the granting of the prescribed authorisations by IVASS and the completion of the company merger procedure on 25 January 2016, the deed of merger by incorporation of Liguria Società di Assicurazioni S.p.A. and Liguria Vita S.p.A. into UnipolSai Assicurazioni S.p.A. was executed (hereafter also "Liguria Merger").

The merger, after registration with the competent Registers of Companies, took effect on 31 January 2016, with accounting and tax effects from 1 January 2016.

The Liguria Merger was carried out at carrying amounts, resulting in an increase in the share capital of the Merging Company of €8,991.71, in relation to 12,525 shares issued in service of the swap and the recognition of a merger deficit of €51.5m allocated to goodwill.

On 28 December 2016, the merger deed was signed for the merger by incorporation of Dialogo S.p.A. in Liquidazione into UnipolSai (hereafter also "Dialogo Merger" and, jointly with the Liguria Merger, the "2016 Mergers"), following the granting of the prescribed authorisation by IVASS and the assumption of the relevant resolutions by the corporate bodies in charge, as well as the satisfaction of all the legal conditions.
The merger, after registration with the competent Register of Companies on 30 December 2016, took effect on 31 December 2016, with accounting and tax effects from 1 January 2016.
With the merging company holding more than 90% of the share capital of Dialogo, the merger was performed according to the simplified procedure pursuant to Art. 2505-bis of the Italian Civil Code.

Consequently to the Dialogo merger the share capital of the Merging Company rose by €1,386.27, after the issue, in service of the swap, of 1,931 new ordinary shares without nominal value.

The UnipolSai shares issued in service of the swap of the merger transactions, traded on the MTA market, have regular dividend entitlement and entitle their owners to the same rights as the owners of outstanding UnipolSai shares at the time of the issue of the new shares.

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

On 29 December 2016, the subsidiaries Atahotels and UnipolSai Investmenti SGR (the latter on behalf of Real Estate Investment Fund Athens R.E. Fund) began execution of the agreements signed with Una S.p.A. ("Una"), on 25 May 2015, regarding the acquisition, through two separate transactions, of the hotel management unit of Una (for €29m) and the corresponding real estate portfolio held for hotel purposes (for €259m).

The execution of the two transactions began after obtaining the necessary approval from the competent authorities and after endorsement of Una's debt rescheduling agreement.
Through the aforementioned acquisition, Atahotels became the new national leader in the Italian hotel sector, with 43 facilities (both business and leisure), about 5,500 rooms and with an aggregate turnover of around €120m.

A.2. Underwriting performance

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

More precisely, in the Non-Life business, actions meant to reinvigorate the product lines supported a recovery in Non-MV premiums and growth in the LoB Motor Vehicle Liability Insurance (MV class). Constant competitive pressure on tariffs, as shown by the drop in average market premiums, in the third quarter of 2016, equal to -5.9% year on year, continues to result in a decline in premiums from this LoB, with an impact on total premiums. In terms of MV business, UnipolSai confirmed its European leadership in black boxes installed in vehicles, 3.1 million at the end of 2016, now supplied by the subsidiary AlfaEvolution, which is the centre of excellence for innovative technologies and already expanding to include Non-MV products.

As regards Non-Life claims, the positive trend seen in the Non-MV classes, marginally impacted by the serious earthquake events that took place in Central Italy in the second half of the year, combined with the constant monitoring of the average cost of claims, allowed the offsetting of most of the effects on the loss ratio deriving from the further considerable reduction recorded in the average MV TPL premium caused by the currently strong competitive pressure.

In the Life segment, within a market environment still characterised by very low interest rates, negative in the short term, the Group - with a view to limiting financial risk - has gradually accelerated the shift away from the offer of traditional guarantee-backed products, towards Class III and Multisegment products.
We describe below the qualitative and quantitative results of the underwriting activities of the Group, both at the aggregate level, and by line of business / geographic area in which the activities were carried out during the reference period.

Lines of Business

The table below shows the amounts recorded for written premiums, earned premiums, claims incurred, changes in other technical provisions and expenses, broken down by line of business, to match the quantitative model ("Quantitative Reporting Template" or "QRT") S.05.01.02. "Premiums claims and expenses by LoB", which can be found among the annexes of this report.

To provide a better understanding of the "underwriting performance" object of this disclosure with respect to data reported in the consolidated financial statements, we note the following:

- "written premiums" include the written premiums in the reference period, net of the reversals and profit participation, as well as reversals of premiums issued during the year;
- "earned premiums" include, in addition to written premiums, the change in pro rata premium provision and the provision for unexpired risks. For the Life business, the change in the provision for premiums brought forward is included;
- "charges relating to claims" include all charges related to claims paid out and the change in the provision for direct reimbursements and expenses, while, in compliance with the specific directions provided by legal and

regulatory provisions, this item does not include the settlement expenses and the corresponding change in the provision for settlement expenses. This item also includes contributions of a technical nature, such as, for example, the fund for victims of road accidents, the legal defence costs, the amounts recovered or to be recovered form third parties for deductibles and/or reimbursements and some specific technical charges that by nature may be treated as claim expenses (for example the contribution to the management of MV TPL claims);

- the "change in other technical provisions" includes all other provisions not included in the previous item. For the Life business, the change in the mathematical provisions and the Class D provisions was also allocated to this item;
- the "expenses incurred" include all expenses of the period directly related to the specific activity such as the commissions and any other acquisition charge, collection commissions, administrative expenses, investment management charges, some technical charges that for their nature may be treated as expenses, for example convention costs, the CARD contributions and management rights, as well as the settlement expenses and the change in the corresponding provision for expenses as required by reference provisions;
- if it is believed to be useful for a clearer description, in the rest of the paragraph, we will comment on the underwriting performance of the main LoBs, bringing their perimeters back to those identified on the basis of activity classes ("Classes") identified in the Insurance Code, Legislative Decree 7 September 2005, No. 209, Art. 2;
- all items, reported below, are shown net of re-insurance;
- in the case of net gains (losses) and/or other income statement items (e.g. changes in provisions) that can take values both positive and negative, the negative figures represent a cost for the Group.

Non-life underwriting performance

amounts in €k	Line of business	Premiums written	Premiums earned	Claims incurred	Changes in other techcnical provisions	Expenses incurred	Other expenses	Underwriting performance
		(a)	(b)	(c)	(d)	(e)	(f)	(g)=(b)-(c)+(d)-(e)-(f)
Insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	1- Medical expense insurance	584,454	591,057	315,795	(7,821)	169,174		**98,268**
	2-Income protection insurance	632,110	638,552	270,403	(1,005)	237,424		**129,720**
	3-Workers' compensation insurance							
	4-Motor vehicle liability insurance	3,597,009	3,615,438	2,507,813	776	1,131,767		**(23,366)**
	5- Other motor insurance	633,685	622,960	370,114	(289)	207,261		**45,296**
	6-Marine, aviation and transport insurance	56,732	55,858	19,043	21	37,638		**(802)**
	7-Fire and other damage to property insurance	1,033,248	1,028,564	533,145	(68)	470,328		**25,022**
	8-General liability insurance	671,477	683,341	389,444	33	309,606		**(15,676)**
	9-Credit and suretyship insurance	27,375	22,217	10,936	4,002	26,336		**(11,053)**
	10-Legal expenses insurance	15,198	16,989	3,564		(3,234)		**16,659**
	11-Assistance	142,927	133,859	43,385	5	65,244		**25,235**
	12-Miscellaneous financial loss	59,990	73,654	19,836	3	22,407		**31,414**
Accepted non-proportional reinsurance	13- Health	(120)	(120)	(506)		8		**379**
	14-Casualty	5,463	4,726	10,687		1,451		**(7,413)**
	15-Marine, aviation and transport	(603)	(603)	(812)		4		**205**
	16-Property	(1,307)	(448)	(296)	(202)	969		**(1,322)**
	Total	**7,457,638**	**7,486,045**	**4,492,550**	**(4,546)**	**2,676,384**	**0**	**312,565**

Premiums written, equal to €7,457,638k, correspond to the amount of premiums related to proportional direct and indirect business (€7,454,205k) and non-proportional indirect business (€3,433k).

Premiums earned, equal to €7,486,045k, correspond to the amount of premiums related to proportional direct and indirect business (€7,482,849k) and non-proportional indirect business (€3,556k).

Claims incurred were €4,492,550k, with €4,483,477k related to proportional direct and indirect business and (€9,073k) related to non-proportional indirect business.

Expenses incurred were €2,676,384k, of which:
- administrative expenses for €405,729k;
- expenses for the management of investments for €29,754k;
- expenses for the management of claims for €445,241k;
- acquisition costs for €1,247,797k, net of reinsurers' share, equal to €215,009k;
- overheads were €547,863k.

Overall, net profit for the Non-Life business was €312,565k. This result is mainly due to underwriting performance of €98,268k in LoB 1 (Medical Expenses), which includes a share of Class 1 (Accidents) and Class 2 (Health), of €129,720k in LoB 2 (Income Protection), consisting of the remaining part of Class 1 and Class 2, and €45,296k in LoB 5 (Other motor insurance) corresponding to Class 3 (Land Vehicle Hulls) and Class 4 (Railway Rolling Stock). We provide below some brief comments on the underwriting performance of the main LoBs.

The positive performance in LoBs 1 and 2 is due to the favourable performance of the corresponding Accidents (1) and Health (2) Classes, for which total premiums were up compared to the previous year. In particular, in the Accidents Class, this result was also influenced by the drop in the number of claims and the relative cost, whereas for the Health Class, there was an increase in the number of reported claims and a decrease in the amount paid out, since the claims paid refer mainly to policies that feature a high frequency of reported claims but of a limited average amount. These elements have resulted in a very positive underwriting performance.

The positive performance in LoB 5, corresponding to Class 3, is due to an increase in premiums, made possible by favourable market conditions, related to the recovery in new vehicle registrations and the resulting gradual rejuvenation of the fleet on the road. The number of claims increased, reflecting the greater guarantees provided, resulting therefore in an increase in total amount paid.

The negative underwriting performance (equal to €23,366k) for LoB 4 (Motor vehicle liability insurance), corresponding to Class 10 (TPL land vehicles), is instead mainly due to the decrease in the average premium, in line with market trends, only in part offset by the growth in the customer portfolio. 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.

For LoB 7 (Fire and other damage to property), corresponding to Class 8 (Fire) and Class 9 (Other damage to property), the underwriting performance, positive in the amount of €25,022k, was due:
- with regard to Fire, to a drop in the number of claims, offset by an increase, in terms of average cost, of large claims, in part related to the earthquakes occurred in the second half of the year;
- with regard to Other Damage to Property, to an increase in premium income for Theft and Technology Risk policies, due to a modest improvement of the economic climate. For Theft policies, both in the number and in total cost of claims were down, as a result of a careful selection of the risks. For Technology Risk policies, the claims rate improved with regard to the number of claims reported, while the cost increased due to some claims of a considerable amount.

Premium income in LoB 8, corresponding to Class 13 (General TPL), increased slightly compared to the previous year, despite a market situation characterised by fierce competition, particularly from companies outside the European Union in the sectors of professional civil liability and health insurance, while the careful selection of the risks has made possible a significant decrease in the number, as well as in the total cost of claims.

Life underwriting performance

amounts in €k	Line of business	Premiums written (a)	Premiums earned (b)	Claims incurred (c)	Changes in other techcnical provisions (d)	Expenses incurred (e)	Other expenses (f)	Underwriting performance (g)=(b)-(c)+(d)-(e)-(f)
Life insurance obligations	1-Health insurance							
	2-Insurance with profit participation	5,176,865	5,170,664	3,556,336	(2,417,695)	295,954		**(1,099,321)**
	3-Index-linked and unit-linked insurance	993,752	993,752	1,464,497	368,763	63,473		**(165,455)**
	4-Other life insurance	113,438	114,850	23,328	(5,500)	15,026		**70,997**
	5-Annuities stemming from non-life insurance contracts and relating to health insurance obligations							
	6-Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations							
Life reinsurance obligations	7-Health reinsurance							
	8-Life reinsurance	372	664	1,105	1,886	174		**1,271**
	Total	**6,284,426**	**6,279,930**	**5,045,266**	**(2,052,545)**	**374,627**		**(1,192,509)**

Premiums written, equal to €6,284,426k, correspond to the amount of premiums related to direct business (€6,284,054k) and indirect business (€372k).

Premiums earned, equal to €6,279,930k, correspond to the amount of premiums related to direct business (€6,279,266k) and indirect business (€664k).

Claims incurred were €5,045,266k, with €5,044,161k related to direct business and €1,105k related to indirect business.

The change in other provisions was -€2,052,545k.

The "expenses incurred" were €374,627k and included:

- administrative expenses for €101,784k;
- expenses for the management of investments for €85,405k;
- expenses for the management of claims for €4,387k;
- acquisition costs for €73,019k, net of reinsurers' share equal to €2,529k;
- overheads were €110,032k.

Overall, the Life business shows a negative performance for €1,192,509k.
This performance was mainly due to a negative underwriting performance equal to €1,099,321k for the LoB "Insurance with profit participation" (Class I and Class V) and €165,455k of the LoB "Index-linked and Unit-linked Insurance" (Class III and VI) with a profit of €70,997k from the LoB "Other Life insurance" (Class IV).

We note that, as required by legal and regulatory provisions, the positive and negative income items that produce the net underwriting performance of the Life business do not include the income of the financial assets to which the revaluation of the services provided to policyholders is linked; this is instead discussed in Par. A.3 with regard to the investment performance.

Solvency provisions also require the premiums, claims, provisions and expenses components deriving from "temporary coverage in the event of death", which belong to the LoB "Insurance with profit participation", to be classified in the LoB "Other Life insurance".

The policies in the LoB Insurance with profit participation, which record written premiums equal to €5,176,865k, have the most significant impact on total premiums of the Life business, showing the preference of customers for products offering financial protection such as the revaluable products.

The LoB Index-linked and Unit-linked Insurance, with written premiums for €993,752k, includes the activity for the management of mutual funds created for the provision of services in the case of death, in the case of life or in the case of discontinuance or curtailment of work activity and the insurance on the length of human life, whose main benefits are directly linked to the value of units of a UCITS, or the value of the assets in an internal fund or else to an index or other reference values.

Geographic areas

For the direct business, for all lines of business specified in Annex I to the Delegated Regulation (EU) 2015/35, information must be provided on the country in which the contract was concluded, which is understood to be:

a) the country in which the company of insurance (country of origin) is located, if the contract was not sold through a branch or under the freedom to provide services;
b) the country in which the secondary office (host country) is located, if the contract was sold through a branch;
c) the country in which the freedom to provide services (host country) was notified, if the contract was sold under the freedom to provide services.

An exception to the above is made for direct insurance activity for LoB 1 Medical Expense (Classes 1 and 2), LoB 2 Income Protection (Classes 1 and 2), LoB 7 Fire and other damage to property (Classes 8 and 9) and LoB 9 Credit and suretyship (Classes 14 and 15), for which information is provided for the country in which the risk is located.

For proportional and non-proportional re-insurance, the information is provided according to the country in which the transferring company is located.

We note, in this regard, that the Group carries out its insurance activity almost exclusively in Italy.

A.3. Investment performance

As regards the management of financial investments, again in 2016 there was no lack of tension in the financial markets, particularly the equity markets, due to fears regarding the stability of the credit systems in European countries and the possible impacts of any future relaxation of the expansive monetary policies adopted to date by the main central banks.
In 2016, in accordance with the strategic guidelines set in the Business Plan, the policy to gradually reduce the share of government bonds continued to be implemented, with a view to gradual diversification towards a selective increase of corporate securities and other financial assets.

Although aiming to preserve the risk/return profile of the assets and the consistency between assets and liabilities towards the policyholders, the profitability of financial investments portfolio produced a significant return in the period in question equal to 3.5% of invested assets.

In relation to investment real estate, operations in 2016 again focused on the major renovation and redevelopment works on the real estate in portfolio, particularly in Milan. The persisting difficult situation of the market led to a need for a number of write-downs on the basis of the revised independent valuation reports, also taking into account the expected sales value on the real estate held for sale.

The breakdown of current gains on assets and financial income and gains and losses on trading are shown in the tables below.

Realised income and charges

	Amounts in €k	Interests	Other income	Other charges	Reaised gains	Realised losses	Total realised gains and losses
Balance on investments		**2,082,267**	**368,788**	**(259,283)**	**615,385**	**(336,436)**	**2,470,721**
a	Arising from investment property		76,405	(39,862)	3,441	(1,889)	38,096
b	Arising from investments in subsidiaries, associates and interests in joint ventures		15,760	(2,446)	330	(567)	13,077
c	Arising from held to maturity investments	58,771					58,771
d	Arising from loans and receivables	406,025	1,543		14,884	(7,236)	415,216
e	Arising from available-for-sale financial assets	1,537,352	84,801	(2,578)	484,960	(285,914)	1,818,621
f	Arising from held-for-trading financial assets	4,645	94,973	(98,010)	34,908	(12,680)	23,835
g	Arising from financial assets at fair value through profit or loss	75,474	95,306	(116,388)	76,862	(28,150)	103,104
Balance on cash and cash equivalents		**1,169**		**(123)**			**1,046**
Total		**2,083,436**	**368,788**	**(259,406)**	**615,385**	**(336,436)**	**2,471,767**

Unrealised income and charges

Amounts in €k		Unrealised gains		Unrealised losses		Total gains and losses (2)
		Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment	
Balance on investments		**339,348**	**250**	**(437,833)**	**(109,970)**	**(208,205)**
a	Arising from investment property			(36,275)	(60,144)	(96,419)
b	Arising from investments in subsidiaries, associates and interests in joint ventures				(189)	(189)
c	Arising from held to maturity investments					
d	Arising from loans and receivables	89,617	250	(131,826)	(6,213)	(48,173)
e	Arising from available-for-sale financial assets	6		(10,822)	(43,423)	(54,239)
f	Arising from held-for-trading financial assets	38,701		(143,828)		(105,128)
g	Arising from financial assets at fair value through profit or loss	211,025		(115,082)		95,943
Balance on cash and cash equivalents						
Total		**339,348**	**250**	**(437,833)**	**(109,970)**	**(208,205)**

Total gains and losses

Amounts in €k		Total gains and losses (3)=(1)+(2) 31/12/2016
Balance on investments		**2,262,515**
a	Arising from investment property	(58,324)
b	Arising from investments in subsidiaries, associates and interests in joint ventures	12,888
c	Arising from held to maturity investments	58,771
d	Arising from loans and receivables	367,042
e	Arising from available-for-sale financial assets	1,764,382
f	Arising from held-for-trading financial assets	(81,292)
g	Arising from financial assets at fair value through profit or loss	199,048
Balance on cash and cash equivalents		**1,046**
Total		**2,263,561**

Expenses and income recognized directly in shareholders' equity

Amounts in €k	31/12/2016 (4)
Gains/losses on available-for-sale financial assets	(168,002)
Gains/losses on cash flows hedges	(35,960)
Total	**(203,961)**
Total investment income and charges (3) + (4)	**2,059,600**

The income and charges from investments in the income statement recorded a positive net amount of €2,263,561k, consisting primarily of the positive performance of available-for-sale financial assets equal to €1,764,382k and the category of loans and receivables totalling €367,042k.

In addition, this performance was also positively influenced by the net gains deriving from policies issued by insurance companies where the investment risk is borne by the policyholders and those arising from pension fund management.

Also considering gains and losses recognised directly in equity, equal to a negative €168,002k with reference to available-for-sale financial assets and a negative €35,960k relating to cash flow hedges, the net amount of investment income amounted to €2,059,600k.

Investment in securitisations

We provide below the amount of the investments in securitisations, divided by rating, recognised in the consolidated financial statements at 31 December 2016[3].

Rating on investments in securitisations

Amounts in €k	31/12/2016
AAA	
AA	4,038
A	409
BBB	40,809
< BBB	
-	6,225
Total investments in securitisations	**51,482**

The following table provides details on the financial income and charges recognised in the consolidated financial statements at 31 December 2016 with regard to securitisation transactions:

Income and charges on investments in securitisations

Amounts in €k	31/12/2016
Financial income	1,512
(Financial charges)	
Financial income (charges)	**1,512**

As shown by the tables above, investments in securitisation represent an insignificant portion of the total portfolio of financial assets of the Group.

[3] The value reported is the value carrying amount inclusive of the accrued coupon rate.

A.4. Performance of other activities

We provide below a breakdown of other significant income and charges, which were not already included in Par. A.2 and A.3. above.

Other income

Amounts in €k	31/12/2016
Commission income	142,667
Other technical income	124,544
Other income	356,213
Total other income	**623,424**

The item "Commission income" consisted in particular of commissions relating to the banking business of €98,672k and commissions on investment contracts (deferred fees) of €37,288k.

Other technical income for €124,544k, consisted primarily of €17,469k for commissions on premiums of previous years cancelled, €91,337k for other technical income from direct business and €15,737 from the reinsurance business.

The item "Other income" included in particular the typical revenue of the Group's non-insurance companies.

Other charges

Amounts in €k	31/12/2016
Commission expenses	42,608
Impairment losses on receivables	34,240
Interest expense	231,034
Sundry charges	992,874
Total other charges (different from taxes)	**1,300,756**
Taxes	171,281
Total other charges	**1,472,036**

The item "Commission expense" consisted in particular of €17,099k relating to the banking business and €16,651k relating to deferred acquisition costs on investment contracts.

Specifically, losses on receivables included values relating to co-insurance relations and values with respect to agencies.

Interest expense included particularly €131,750k regarding interest on subordinated loans and €88,623k of interest expense from the banking business.

The item "Sundry charges" included in particular the typical charges of the Group's non-insurance companies, as well as extraordinary charges including charges for sentences, orders and settlements. In particular, it included costs for operating expenses in the banking sector equal to €311,378k, the holding and other businesses sector of €101,593 and the real estate sector equal to €12,006k.

The balance of taxes included current tax charges of €185,168k, relating to IRES and IRAP for the year, in addition to the positive net balance of deferred taxation, equal to €13,881k.

Use of leasing and rental agreements

Note that there is no significant information to report in addition to that already illustrated in previous paragraphs.

A.5. Any other information

Note that there is no significant information to report in addition to that already illustrated in previous paragraphs.

SYSTEM
OF GOVERNANCE

B System of Governance

B.1. General information on the system of governance

B.1.1. Tasks and responsibilities of Board of Directors

The governance structure of Unipol is based on a traditional management and control model, where the main bodies are the Shareholders' Meeting, the Board of Directors (which operates with the support of board committees, with power to provide opinions and make proposals) and the Board of Statutory Auditors.

Shareholders' Meeting
The Shareholders' Meeting is the body that expresses the will of the company with its resolutions; the resolutions taken in compliance with the law and the by-laws are binding for all Shareholders, even if absent or dissenting.

Board of Directors
The by-laws give the management of the Company to a Board of Directors, with no less than 15 and no more than 25 members, appointed by the Shareholders' Meeting, which sets their number. They must meet the legal and regulatory requirements set by applicable legal and regulatory provisions.

Directors are in office for three years, or for the shorter period set by the Shareholders' Meeting at the time of their appointment, and may be re-elected.

The ordinary Shareholders' Meeting of 28 April 2016 has appointed the Company's Board of Directors, consisting of 22 members, granting this a mandate of the duration of three years and, therefore, valid until the Shareholders' Meeting convened to approve the 2018 financial statements.

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

In line with said principle of centrality of the Board, Art. 13 of the by-laws attributes responsibility to the Board of Directors to resolve on:

- mergers and spin-offs with Subsidiaries in the cases permitted by law;
- share capital reductions in the case of withdrawal of a Shareholder;
- the amendments to the by-laws to bring them in line with legal provisions;
- the issue of non-convertible bonds;
- the acquisition and disposal of equity investments entailing changes in the composition of the Unipol Banking Group[4] (also the "Banking Group");
- determining criteria for the coordination and management of the Banking Group companies, as well as criteria for following Bank of Italy instructions.

Pursuant to the law, the by-laws and the policies in force, the Board of Directors, among other things:

- reviews and approves the strategic, business and financial plans of the Company and the Group, regularly monitoring their implementation;
- sets:
    - the corporate governance system, the corporate structure and models and guidelines for Group governance, identifying in this regard the tasks and the responsibilities of the Corporate Bodies and the Audit, Risk Management and Compliance and Anti-Money Laundering Functions (jointly, the "Corporate Control Functions"), as well as the reporting activities, including their timing, and the nature and frequency of reporting between these Functions and between Corporate Bodies, as well as the co-ordination and co-operation activities, in the case of potential overlapping of the control areas or to realise synergies;
    - the business model, with the awareness of the risks to which that model exposes the Company and an understanding of the methods whereby the risks are detected and assessed, ensuring that the Company structure is consistent with the activity carried out and with the business model adopted, avoiding the creation of complex structures not justified by operating requirements;

[4] Referring to the Unipol Banking Group entered in the Register of Banking Groups.

  - the nature and the level of risk compatible with the strategic objectives of the Group, including in its assessments all risks that may be relevant in terms of the medium-long term sustainability of the activities of the Company and the Group;
- evaluates the adequacy of the organisational, administrative and accounting structure of the Parent Company as well as that of the Subsidiaries with strategic relevance, particularly with reference to the Internal Control and Risk Management System. This assessment is based on periodic reports of the Chief Executive Officer and Group CEO, the Control and Risk Committee and the Corporate Control Functions;
- appoints one or more Directors to supervise the operation of the internal control and risk management system;
- after hearing the opinion of the Control and Risk Committee:
  - sets the guidelines of the internal control and risk management system, so that the main risks to which the Company and its Subsidiaries are exposed are correctly identified and appropriately measured, managed and monitored, verifying that they are consistent with the established strategic objectives and risk appetite, as well as the risk governance policies, and that they are capable of capturing the evolution of company risks and their interactions;
  - 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 Parent and the Group and to the defined risk appetite, as well as its efficiency and capacity to adapt to evolving corporate risks and the interaction between them;
  - at least once a year, approves the action plan prepared by the managers of the Corporate Control Functions, after consulting the Board of Statutory Auditors and the Director in charge of the internal control and risk management system (the "Director in charge of the internal control system"). With regard to the banking sector, it also approves the multi-year plan prepared by the Audit Function;
  - describes the main characteristics of the internal control and risk management system, in the report on corporate governance, and the co-ordination between the parties involved, expressing its opinion on its suitability;
  - after consulting the Board of Statutory Auditors, reviews the comments made by the audit firm in its letter of suggestions and in the report on the key questions identified during the audit;
- requests timely information on the most significant issues and gives timely instructions for the adoption of corrective measures, of which later it assesses the effectiveness;
- appoints, replaces and revokes, on proposal of the Director in charge of the internal control system - after favourable opinion of the Control and Risk Committee, as well as after consulting the Board of Statutory Auditors - the managers of the Corporate Control Functions, in compliance with the fit and proper policy in force, guaranteeing that they have adequate resources to fulfil their responsibilities, and sets their remuneration in line with the remuneration policies adopted by the Company;
- may establish internal commissions and committees to make suggestions and provide advice, as appropriate and necessary to the good operation and growth of the Company and the Group, ensuring that there is a suitable and constant interaction between them, the Senior Management and the Corporate Control Functions;
- approves, monitoring its suitability over time, the system of the delegation of powers and responsibilities of the Group, taking care to avoid an excessive concentration of powers in a single body and implementing controls on the exercise of the delegated powers, with the power of defining appropriate emergency plans ("contingency arrangements") if it decides to take upon itself the delegated powers;
- ensures that there is suitable and continuous interaction amongst all Board committees, the Senior Management and the Corporate Control Functions, also through proactive interventions to guarantee its effectiveness;
- defines, after reviewing the proposals of the Remuneration Committee:
  - with reference to the Company, the general policies providing the guidelines for the remuneration of the Directors and Key Executives (including the Managers of the Corporate Control Functions);
  - with reference to the Subsidiaries with strategic relevance, the general policies providing the guidelines for the remuneration of the Directors and Key Executives, including the Managers of the Corporate Control Functions, to be approved pursuant to applicable regulations;
- attributes and removes powers of the Chief Executive Officer and Group CEO, defining their limits and methods of exercise; also establishes the frequency, in any event no greater than quarterly, with which the delegated bodies are required to report to the Board of Directors about activities carried out during the exercise of the powers attributed;

- determines, after reviewing the proposals of the Remuneration Committee and consulting with the Board of Statutory Auditors, the remuneration of the Chief Executive Officer and Group CEO and Key Directors - including those on Board Committees - as well as, if the Shareholders' Meeting has not already done so, the breakdown of global remuneration due to the members of the Board of Directors;
- appoints and revokes the members of the Supervisory Board (Organismo di Vigilanza, or "SB") pursuant to Legislative Decree 231/2001; sets, with the assistance of the Remuneration Committee, the remuneration of said members; approves, once a year and on proposal of the SB, the forecast of the expenses, ordinary and extraordinary, needed to carry out the supervision and control provided for by the Organisational, Management and Control Model, as well as the final figures of the expenses of the previous year;
- assesses the general management of the business, taking into account, in particular, the information received from the delegated bodies, as well as comparing, regularly, the results achieved with those planned;
- resolves - with the assistance of the Committee for Transactions with Related Parties when required - with respect to transactions of the Parent Company and/or the Subsidiaries when such transactions have significant strategic, economic, capital or financial relevance for the Company, paying particular attention to situations in which one or more Directors have an interest on their own behalf or on behalf of third parties and, more generally, to transactions with related parties. To that end, it establishes general criteria to identify transactions of significant relevance and adopts suitable measures to ensure that the Subsidiaries submit transactions that are relevant to the Parent Company to the Parent Company's Board of Directors for prior review;
- resolves - with the assistance of the Committee for Transactions with Related Parties appointed for this purpose as specified in more detail below, when required - with respect to transactions with Associated Parties carried out by the Parent Company and/or the Subsidiaries belonging to the Banking Group;
- carries out, at least once a year, with the assistance of the Appointments and Corporate Governance Committee, an evaluation on the operation of the Board of Directors and its Committees (henceforth, the "Board Performance Evaluation"), as well as on their size and composition, also taking into account elements such as professional characteristics, experience, also of management, and gender of its members, as well as their seniority in office;
- keeping into account the results of the Board Performance Evaluation, before the appointment of a new Board, gives to the Shareholders directions on the professional and managerial roles the presence of which is believed to be appropriate on the Board;
- upon review by the company committee named the Group Risks Committee:
    - approves the guidelines and the policies applicable to the Parent Company and the Subsidiaries as required by industry regulations;
    - defines and approves the Risk Appetite Framework, ensuring its consistency in terms of the operations, complexity and size of the Group.

Additional powers are reserved to the Board of Directors pursuant to (i) the policies adopted by the Company on, among other things, insurance underwriting and provisioning, investments and divestments in financial, real estate and equity assets, management of funding and credit sources and (ii) the system of the delegations of powers granted to the Chief Executive Officer and Group CEO. These provisions aim at ensuring that the Board of Directors reviews and resolves on the transactions with a significant strategic relevance and significant amount.

Consistently with the recommendations of the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A. ("Corporate Governance Code") - and in particular with Art. 7 of this Code, which provides for the Board of Directors to carry out "a role of direction and evaluation of the suitability of the system" and to "identify among its members one or more directors, to set up and manage an effective internal control and risk management system" - the Board of Directors, most recently in the Board meeting held on 28 April 2016, has appointed as Director in charge of the internal control system - because of his in-depth knowledge of the corporate processes and the internal control and risk management system within the Unipol Group – its Chief Executive Officer and Group CEO, Mr Carlo Cimbri; in the outgoing Board, this position was held by the Chairman, Mr Pierluigi Stefanini.

Pursuant to Art. 12 of the by-laws, the Board of Directors meets at least once a quarter and every time the Chairman, or his substitute, believes it to be appropriate, or when a request in this sense is made by at least one-third of the Directors in office. The Board of Directors may also be called, after notification to the Chairman, by the Board of Statutory Auditors or at least one of its members.

The validity of resolutions of the Board of Directors is governed by Art. 2388 of the Italian Civil Code. In voting by open ballot, the vote of the Chairman shall break any tie votes.

<u>Board Committees</u>
To increase the efficiency and the effectiveness of its activity, the Board of Directors has set up among its members specific Committees, with the power to provide opinions and make proposals, specifying their tasks keeping also into account the criteria set in the Corporate Governance Code of listed companies.

In particular, on 12 May 2016, the Board of Directors resolved to establish the following internal Committees:

- Chairman's Committee;
- Appointments and Corporate Governance Committee;
- Remuneration Committee;
- Control and Risk Committee;
- Committee for Related Party Transactions;
- Sustainability Committee;
- Ethics Committee.

The members of each Committee were appointed by the Board of Directors and chosen among the members of the latter. The Committees are dissolved when the entire Board of Directors reaches the end of its mandate; if one or more members become unavailable, for any reason, the Board shall find a replacement.
In this regard:

- the Chairman's Committee is given functions of advice and co-operation for the definition of the development policies and the guidelines of the strategic and operating plans of the Company, to be submitted to the Board of Directors, in particular on the following issues:
  - dividend policies and/or capital remuneration policies;
  - extraordinary transactions pertaining to the Shareholders' Meeting, in particular capital increases and convertible bond issues, mergers, spin-offs, distribution of reserves, purchase of own shares and amendments to the by-laws;
  - extraordinary transactions of significant strategic interest, or in any case bound to have a significant effect on the value and/or composition of the equity capital or on the stock price of the company, such as purchase or sale of significant participations, combinations or alliances with other groups, significant changes in the structure or composition of the Group;
  - multi-year strategic plans and annual budgets of the Company and the Group;
- the Appointments and Corporate Governance Committee has a role of proposal and advice in the identification of the optimal composition of the Board of Directors and in the definition of the corporate system of governance; in this regard, said Committee has been given the following functions:
  - to propose to the Board of Directors the candidates to the office of Director in the cases of co-optation, if it is necessary to replace independent Directors;
  - to define schedule and procedures for the execution of the Board Performance Evaluation;
  - to inform the Board of Directors on regulatory developments and on the best corporate governance practices;
  - to express opinions to the Board of Directors, on:
    - the appointment of the members of the Board Committees of the Company;
    - the appointment of the General Manager and the Deputy General Manager of the Company;
    - the names of individuals to be indicated for the roles of Director and Statutory Auditor, as well as Chairman, Deputy Chairman, Chief Executive Officer and/or General Manager of the relevant companies (be they Subsidiaries with strategic relevance or investees). To that end, the Chairman is responsible for submitting such candidacies to the Appointments and Corporate Governance Committee, in agreement with the Company's Chief Executive Officer and Group CEO;
    - the implementation of the corporate governance system, the model and the governance guidelines of the Group;
    - the size and composition of the Board of Directors, making recommendations on the professional qualifications the presence of which within the Board of Directors is believed to be appropriate, as well as on the maximum number of offices and derogations from no-competition rules;
- the Remuneration Committee is assigned an investigative, propositional and advisory role regarding remuneration. In particular, it:

  - provides the Board of Directors with proposals regarding the general policies for the remuneration of the Directors and Key Executives (including the Managers of the Corporate Control Functions) of the Company and the Subsidiaries with strategic relevance;
  - makes proposals to the Board of Directors for the remuneration of the Chief Executive Officer and Group CEO and the Directors holding special offices, as well as for the performance targets to be set for the variable component of this remuneration, in line with the Remuneration Policies adopted by the Board of Directors;
  - monitors the implementation of the resolutions of the Board of Directors, verifying the actual achievement of the performance targets;
  - regularly evaluates the suitability, overall consistency and practical application of the general remuneration policies of the Directors and Key Executives (including the Managers of the Corporate Control Functions) of the Company and the Subsidiaries with strategic relevance – making use, in this last regard, of the information provided by the Chief Executive Officer and Group CEO – and making proposals on the matter to the Board of Directors;
  - expresses opinions to the Board of Directors on the remuneration of the members of the SB of the Company.
- the Control and Risk Committee plays a propositional, advisory, investigative and support role in relation to the Board's assessments and decisions mainly concerning the internal control and risk management system and the approval of periodic accounting documents. In particular, the committee carries out the following duties:
  - to express to the Board of Directors opinions on:
    - the definition of the guidelines of the internal control and risk management system, so that the main risks for the Company and its subsidiaries may be correctly identified, as well as appropriately measured, managed and monitored, assessing also the compatibility of these risks with a management of the company in line with the strategic objectives identified;
    - the evaluation, at least once every year, on the suitability of the internal control and risk management system with respect to the characteristics of the company and the risk profile taken, as well as to its effectiveness;
    - the approval, at least once a year, of the action plan prepared by the Managers of the Corporate Control Functions;
    - the description, in the annual report on corporate governance, of the main characteristics of the internal control and risk management system and the procedures of co-ordination between the parties involved and the assessment of its suitability;
    - the evaluation, after consulting the Board of Statutory Auditors, of the results presented by the audit firm in its letter of suggestions and in the report on the key questions identified during the audit;
  - to express a binding opinion on the proposed appointment and removal of Managers of the Corporate Control Functions;
  - to express a binding opinion on the resolutions of the Board of Directors concerning the availability of adequate resources to the Managers of the Corporate Control Functions to fulfil their responsibilities;
  - to assess, together with the Manager in charge of financial reporting, after consulting the audit firm and the Board of Statutory Auditors, the correct use of the accounting principles and, with reference to the drafting of the consolidated financial statements, their homogeneity at the Group level;
  - to express opinions on specific aspects concerning to the identification of the main corporate risks;
  - to review the regular reports on the evaluation of the internal control and risk management system and those of special relevance prepared by the Corporate Control Functions;
  - to monitor the independence, suitability, effectiveness and efficiency of the Corporate Control Functions;
  - it may ask the Audit Function to carry out assessments on specific operational areas, giving contextual notification to the Chairman of the Board of Directors, the Director in charge of the internal control system, the Chief Executive Officer and Group CEO and the Chairman of the Board of Statutory Auditors;
  - to report to the Board of Directors, at least once every six months, at the time of the approval of the annual and six-month financial report, on the activities carried out as well as on the suitability of the internal control and risk management system;
  - to establish functional links with the analogous Committees formed within the Group companies;

    - to support, with appropriate investigation activity, the assessments and the decisions of the Board of Directors on the management of risks arising from detrimental events of which the Board of Directors has become aware.
- the Committee for Transactions with Related Parties has functions of advice, dialogue, and proposal towards i) the Board of Directors and the units of Unipol and the Subsidiaries on Transactions with Related Parties, in compliance with the provisions of the Regulation issued by CONSOB with Resolution No. 17221 of 12 March 2010 and subsequent amendments and the internal procedure adopted by the Board of Unipol for the execution of the Transactions with Related Parties in question (the "Related Party Procedure"), as well as ii) the Board of Directors of the units of Unipol and the Banking Group companies. In particular, the Committee:
    - expresses to the Board of Directors an opinion on the procedures to create and maintain the register in which Related Parties are recorded ("Register of Related Parties");
    - takes part in the investigation and any negotiation concerning the Transactions of Greater Relevance (as specified in the Related Party Procedure);
    - expresses a reasoned opinion to the decision-making body, on the basis of timely and complete information provided by the company's units during the investigation and, if appropriate, the negotiation, on the interest of the Company to the execution of the Transactions of Greater Relevance, as well as on the convenience and fairness of the corresponding terms;
    - expresses to the decision-making body a reasoned non-binding opinion on the interest of the Company to the execution of the Transactions of Lesser Relevance (as specified in the Related Party Procedure), as well as on the convenience and fairness of the corresponding terms;
    - expresses to the Delegated Body of Unipol (identified by the internal Procedure in the Board of Directors or the Chief Executive Officer and Group CEO according to the respective areas of competence and/or delegations of powers) that approves the Transactions carried out through the Subsidiaries, of Greater or Lesser Relevance, a reasoned non-binding opinion on the interest of the Subsidiaries and Unipol in the execution of the Transaction, as well as on the convenience and fairness of the corresponding terms;
    - expresses to the Board of Directors an opinion on the updates of the Related Party Procedure.
    - carries out the duties and functions laid out in the regulations issued by the Bank of Italy on risk activities and conflicts of interest with respect to "Associated Parties", pursuant to Bank of Italy Circular no. 263/2006.
- the Sustainability Committee exercises investigation, proposal and advisory functions, in particular carrying out the following duties:
    - reviews the guidelines and the methodology followed to prepare the Sustainability commitments which are included in the Business Plan;
    - reviews the draft and the methods for forming the Sustainability Report;
    - carries out periodic updates on the main preliminary activities directed to ensure that the Group Sustainability targets are fully met;
    - provides opinions to the Chairman and the Chief Executive Officer and Group CEO on the specific methods for providing information about, and disclosing, the Sustainability Plan and the Sustainability Report;
    - promotes periodic occasions for monitoring with respect to the proper alignment between the Sustainability KPIs and the Group's operating and business activities.
- the Ethics Committee has been assigned the duties of:
    - promoting consistency between the principles of the Code of Ethics, the company policies and the Group mission;
    - contributing to defining initiatives targeted at promoting knowledge and understanding of the Code of Ethics;
    - defining the set-up of the communications and ethics training plan to be submitted to the Board of Directors for review;
    - promoting the revision of the Code of Ethics and any periodic updates and/or evolutions;
    - supervising compliance with the Code of Ethics. To that end, through the Head of Ethics, it may conduct checks on compliance with the Code of Ethics by the addressees, acquiring all of the necessary information and documentation;
    - expressing opinions on more complex reports received by the Head of Ethics concerning alleged violations of the Code of Ethics;
    - receiving and evaluating the Ethics Report prepared by the Head of Ethics, taking responsibility for its publication in the Group Sustainability Report and Consolidated Financial Statements.

Chief Executive Officer and Group CEO and General Manager

The Chief Executive Officer is appointed by the Board of Directors from amongst its members for three financial years or for the shorter term of office of the Board.

At its meeting on 28 April 2016, the Unipol Board of Directors confirmed Mr. Carlo Cimbri as Chief Executive Officer of the Company, also assigning him the role of Group CEO, as the main party responsible for the promotion of the Unipol Group's management policies and guidelines, in Italy and abroad, as well as for the coordination and oversight of its operations management, attributing to him all of the functions listed below, to be exercised in line with the general programmatic and strategic policies defined by the Board of Directors:

i. to ensure the execution of the resolutions of the Board of Directors and the Shareholders' Meeting of the Company;
ii. to ensure the ordinary management of the business of the Company, as well as the governance, supervision and co-ordination of all activities of the Unipol Group;
iii. to promote the corporate policies of the company and the Unipol Group;
iv. to make the proposals on the multi-year plans and annual budget of the Company and the Unipol Group, to be submitted to the review and approval of the Board of Directors;
v. to ensure the adequacy of the organisational, administrative and accounting structure of the Company and the Unipol Group;
vi. to give directions for the preparation of the financial statements of the Company; to prepare the proposals on the draft financial statements and consolidated financial statements, as well as on the interim financial reports, to be submitted to the Board of Directors.

The Chief Executive Officer and Group CEO - in his role as Executive Director of the Company - fulfils the following duties:

- together with the Chairman:
  1. identifies the strategies regarding the general policies of the Company and the Unipol Group to be submitted to the Board of Directors;
  2. reviews on a preliminary basis transactions with significant economic, capital and financial relevance, in accordance with the criteria defined by the Board of Directors, particularly with reference to Transactions with related parties of "greater relevance", to be proposed on a case by case basis to the Board of Directors;
  3. ensures that the Directors are able to carry out their role in an informed and effective manner;
- guarantees the pursuit of the objectives defined by the Board of Directors, issuing the resulting management directives; handles the execution of resolutions of the Board of Directors and the operational management of corporate affairs, relying on the Company's Senior Management;
- defines the Group's policies and guidelines overall by overseeing the proper functioning of top-level relationships between the Company and the various Group entities;
- if applicable, makes proposals to supplement the annual audit plan and may request specific audits not set forth in the plan;
- in agreement with the Chairman, identifies individuals for the roles of General Manager and Deputy General Manager of the Company, so that the Chairman may submit them to the Appointments and Corporate Governance Committee and propose them to the Board of Directors;
- in agreement with the Chairman, identifies individuals for the roles of Director and Statutory Auditor as well as Chairman, Deputy Chairman and General Manager (and/or Chief Executive Officer) of the relevant companies (be they subsidiaries with strategic relevance or investees), so that the Chairman may submit them to the Appointments and Corporate Governance Committee and propose them to the Board of Directors;
- submits to the Chairman the names of individuals to be proposed to the competent decision-making bodies for the roles of Director and Statutory Auditor as well as Chairman, Deputy Chairman and General Manager (and/or Chief Executive Officer) of the Group's non-relevant subsidiaries and direct investees;
- submits to the Chairman the names of individuals on which to express the Parent Company's consent for the designation of trustees by the subsidiaries in the respective subsidiaries and non-relevant investees;
- supervises the management of the process of appointing "Group key resources" to cover the main management positions within the various Group entities;
- in agreement with the Chairman, provides the Remuneration Committee with instructions for the formulation of proposals to be submitted to the Board of Directors with respect to the general remuneration policies of the General Manager, the Deputy General Manager and the other Key Executives of the Company and the subsidiaries with strategic relevance;

- in agreement with the Chairman, formulates proposals to the Board of Directors in line with the guidelines identified in the general policies approved by that Board, concerning the remuneration of the Company's General Manager, as well as the determination of the relative pay package, establishing, if applicable, the performance targets correlated with the variable remuneration component;
- in agreement with the Chairman, defines the pay package of the Key Executives of the Company and the subsidiaries with strategic relevance, establishing the performance targets correlated with the variable remuneration component, in line with the guidelines identified in the general policies by the Board of Directors;
- in agreement with the Chairman, proposes to the competent decision-making bodies the global or individual remuneration to be paid to the members of the Board of Directors of the subsidiaries, in line with the guidelines identified in the general policies by the Board of Directors;
- in agreement with the Chairman, formulates for the competent decision-making bodies the proposed remuneration of the Chairmen and Deputy Chairmen of the subsidiaries, in line with the guidelines identified in the general policies by the Board of Directors.

If the Chief Executive Officer and Group CEO is in a potential conflict of interests, the functions listed above - if they are carried out by the same Chief Executive Officer in agreement with the Chairman - are exercised, in his stead, by the Deputy Chairman.

The Board of Directors has also granted to the Chief Executive Officer and Group CEO special executive powers, defining procedures and quantitative limits for their exercise.

The Chief Executive Officer is an ex officio member of the Chairman's Committee; he participates ex officio with advisory functions in the meetings of the Appointments and Corporate Governance Committee, the Sustainability Committee, the Ethics Committee and the Remuneration Committee, and is invited to the meetings of the Control and Risk Committee.

Mr Cimbri is also the General Manager, in accordance with the resolution passed by the Board of Directors pursuant to Art. 15 of the by-laws, in that role carrying out the function of overseeing general business operations, consistent with the strategic planning guidelines defined by the board.

<u>Board of Statutory Auditors</u>
Pursuant to Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016, on the audit of the annual and consolidated financial statements (which has made substantial changes to the supervision functions of the control body of public interest entities, a category that includes Unipol), the Board of Statutory Auditors of the Company, as well as monitoring the compliance with the law and the by-laws and with the principles of proper management, is in charge, also in the execution of its functions as internal control and audit committee, of:

- informing the Board of Directors of the Company of the result of the audit;
- monitoring the process of financial reporting and submitting recommendations or proposals aimed at ensuring its integrity;
- monitoring the effectiveness of the systems of internal control of the quality and risk management of the company and the internal audit, with regard to the financial reporting of the Company;
- monitoring the audit of the accounts;
- verifying and monitoring the independence of the audit company, in particular reviewing the services other than audit services provided to the Company by this audit company and the entities that belong to its network;
- making proposals on the audit appointment to be submitted to the Shareholders' Meeting, at the end of the selection procedure of the audit company. The Board of Statutory Auditors is also responsible for the fairness of this procedure.

B.1.2. Transactions with related parties

In the context of the allocation of 2015 profits, Unipol paid dividends of €40.6m to the holding company Finsoe S.p.A.
The relations with the members of the administrative or supervision body refer to the remuneration paid in compliance with the resolutions of the Shareholders and/or the Board, in compliance with current Group policies.

B.1.3. Tasks and responsibilities of key functions

The following key functions have been established at the Parent Company:

- The Audit Function, which is responsible for assessing the completeness, function, reliability and adequacy of the Internal Control and Risk Management System, verifying both on an ongoing basis and in relation to specific requests and in compliance with international standards, its functionality and suitability, through an audit plan approved by the Board of Directors, based on a structured process of analysis that focuses on the main risks;
- The Risk Management Function, which is in charge of identifying, measuring, assessing and monitoring the current and prospective risks at the individual and aggregated level to which the Company is or may be exposed and their correlation;
- The Compliance and Anti-Money Laundering Function, which is responsible for evaluating the suitability of procedures, processes, policies and internal organisation according to a risk-based approach; its objective is to prevent compliance risk, considered as the risk of judicial or administrative sanctions, substantial financial losses or reputational damages as a result of failure to observe laws, regulations or measures of the Supervisory Authority or internal regulations such as by-laws, codes of conduct or corporate governance codes, policies and corporate communication documents;
- The Actuarial Function[5], which has the main task of verifying - pursuant to Solvency II provisions - the suitability of the technical provisions, the reliability and adequacy of the data used to calculate these as well as of assessing the suitability of the overall underwriting policy and the re-insurance agreements, pursuant to the provisions of Legislative Decree 7 September 2005, No. 209, as amended by Legislative Decree 12 May 2015, No. 74, which has implemented the Solvency II Directive.

Within the Internal Control and Risk Management system, it is essential to ensure the dialogue between the Corporate Control Functions, and regular reporting between these functions and the Corporate Bodies.

The Board of Statutory Auditors, the audit firm, the Corporate Control Functions, the Supervisory Board pursuant to Legislative Decree 231/2001 and any other body and function that has been given specific control tasks exchange all information useful to the execution of the tasks assigned. To this purpose, appropriate reporting is required on the activities carried out and the extent of risks, both to the corporate bodies and the Senior Management, and within the board and corporate committees, ensuring the involvement and the dialogue of all functions.

In particular, reciprocal information flows between the different Corporate Control Functions are already in place through:

- participation in the meetings of the Control and Risk Committee and the Supervisory Board;
- information and discussion on the annual plans of the Functions themselves;
- regular meetings to share the results of the control activities carried out and the evaluation of the residual risks and the Internal Control and Risk Management system, also through a common application platform, as described below;
- reporting activities with exchange of the documentation produced by the individual functions (as for example the results of the assessment activities carried out, the cases of non-compliance, the regular claim reports, etc.).

Once a year, the Corporate Control Functions present to the Board of Directors their action plan and every six months they report to the Board of Directors on the activities carried out and the main issues observed, as well as on any initiative proposed. Moreover, in the execution of their power to provide opinions and make proposals on the internal control and risk management system, the Corporate Control Functions provide to the Control and Risk Committee and the Board of Statutory Auditors the action plan and regular reports on their activities.

The Group has also acquired a common application platform, which the Corporate Control Functions and the other bodies/parties with control functions may access, to ensure an integrated approach to the mapping and analysis of the processes, risks and controls, for each company of the Group, as well as the ongoing monitoring of any corrective action notified to the operating units following the analysis carried out by the Corporate Control Functions.

[5] The Actuarial Function is exercised by an actuary listed in the professional register set up by Law No. 194, 9 February 1942, or by parties with knowledge of actuarial and financial mathematics appropriate to the nature, magnitude and complexity of the risks intrinsic to the business activities of the company and with proven professional experience in the issues relevant to the execution of the task.

This platform allows the Corporate Control Functions:
- to share the information gathered as a result of analysis/assessment activities;
- to achieve synergies for a better monitoring of all corporate activities;
- to produce summary reports for Senior Management.

The Actuarial Function directly reports to the Board of Directors and has been given the necessary independence and separation in the performance of its tasks to avoid conflicts of interest with the Group divisions in charge of the technical and operational management. Any potential conflict of interest is addressed by an appropriate diversification and separation of the tasks within the Actuarial Function itself.
To execute the activities within its area of competence, the personnel of the Actuarial Function has unlimited access to company data and relevant information.

At least once a year, the Actuarial Function prepares a written report for the Board of Directors, documenting all activities carried out and their outcome, identifying any significant deficiency, also in regard to the quality of the data, and making recommendations on how to address them, also to increase the quality and quantity of available data. The Actuarial Function also reports promptly to the Board on any element identified as a result of activities carried out that may have a significant impact on the financial condition of the company.

According to the organisation model of the Group, the Corporate Control Functions and the Actuarial Function carry out the activities within their area of competence for Unipol and carry out guidance and coordination activities with respect to the Companies.

B.1.4. Remuneration policies

The primary objective of the remuneration policies is to guarantee a fair remuneration, according to the position, responsibilities, professionalism level and individual skillset. In compliance with legal and regulatory provisions, the remuneration policies of the Company ensure the consistency between remuneration and sustainability requirements, in compliance with a sound and prudent risk management policy, in line with the long-term strategic objectives, profitability and balance of the Company and the Group. The Company does not adopt remuneration policies based exclusively or mainly on short-term performance, as this would encourage excessive risk exposures.

On the basis of these principles, the fixed remuneration component rewards the expertise, skills and, above all, responsibilities related to the position, with a fixed financial basis, calculated according to the level in the organization and seniority.

The variable remuneration component reward performance both in the short and in the medium/long-term, not only in terms of revenue, but also in terms of focus on risk.

In the light of the above, the remuneration of the personnel is set on the basis of the following principles:
- appropriate balance between fixed and variable component, with the latter linked to pre-set and measurable efficiency criteria, to strengthen the link between performance and remuneration;
- limits specified for the variable component;
- sustainability, with balance between short and long-term efficiency criteria, to which the remuneration is subordinated, both by ensuring the deferred and diversified payment of the variable component, and by reserving the right not to pay or ask for the repayment of this component in the presence of some negative elements.

The variable component of the remuneration is awarded through the activation of an incentive system. This provides for a short-term component to be paid through a cash bonus, and a long-term component to be paid through allocation of shares, carried out over a period of several years.

The incentive system links:
- the performance of the Group and of the Company that the employee belongs to, current and/or future, expressed in terms of achievement of gross profit and solvency capital targets as well as performance of the shares of Unipol;

- the individual performance, measured in terms of both qualitative and quantitative targets, related to the specific organisational area of the recipient.

There are no supplementary pension schemes for the members of the Board, while all employees, whether in an executive position or not, may join specific corporate Pension Funds, divided into Employees' Pension Funds and Executives' Pension Funds. These Funds are based on voluntary contributions made by the recipient and the company and envisage supplementary pension provisions on termination of the employment relation due to retirement.

B.2. Fit and proper requirements

The Board of Directors adopted, in its meeting on 10 February 2015, pursuant to the industry regulations introduced in 2014, the Policy on requirements in terms of suitability for office (the "*Fit&Proper Policy*"), which describes, *inter alia*, the procedures to assess the requirements of suitability for office – in terms of honourableness, professionalism and independence, as well as of absence of causes of impediment, suspension and incompatibility – of the members of the administrative and control body, the Managers of the Corporate Control Functions and the Chief Risk Officer ("CRO"). This Policy came into force on 1 April 2015.

The Board of Directors assesses whether each of its members meet the requirements set by legal and regulatory provisions in force at the time in terms of honourableness, professionalism and independence, as well as assessing the absence of causes of impediment, suspension and incompatibility pursuant to legal and regulatory provisions on interlocking directorships.

With regard to the requirements of independence of its members, the Board carries out its assessments also considering the cases specified by application criterion 3.C.4. of the Corporate Governance Code and with reference to the cases specified by application criterion 3.C.1. of the Code.

With particular reference to the evaluation of the independence requirement pursuant to the Corporate Governance Code, we note that:

- in line with international best practice, special attention is paid to the requirement of the "substantial" independence of the non-executive directors, to ensure the composition of the interest of all Shareholders, both majority and minority; without prejudice to what is laid out by the Corporate Governance Code with respect to the number of independent directors for companies in the FTSE-MIB, the Company adopts a restrictive interpretation of the principles expressed by the Code, not counting as independent Directors - irrespective of whether they are found in one or more of the conditions pursuant to application criterion 3.C.1. of the Corporate Governance Code - the Directors who:
  i. have a role within the company bodies of the direct holding company Finsoe S.p.A.;
  ii. hold roles within the company bodies of entities that participate in shareholders' agreements for the control of the Company or in any event containing clauses concerning the composition of the Company's Board of Directors, or within the company bodies of companies controlled by such entities pursuant to Art. 2359, first paragraph, of the Italian Civil Code (moreover, this case was not confirmed in the past, as it is not confirmed currently);
- for the purposes of the evaluation of the independence requirement of a Director, attention is also paid to the annual consideration for any professional services provided to the company and/or subsidiary, if this represents more than 5% of the annual sales of the Company or the Entity of which the Director has the control or a significant position, or the Professional Practice or consulting company of which he is a partner or shareholder or, in any case, if it exceeds €200,000.

With regard to the suitability requirements described above, the Board of Directors carries out its evaluation:

- for the entire Board of Directors, after this is appointed by the Shareholders' Meeting and, afterwards, at least once a year;
- for individual Directors, at the time of co-optation of one or more new Directors by the Board and after the appointment by Shareholders' Meeting, as well as in later board meetings when it is assessed whether all Directors continue to meet the requirements specified.

The Board carries out the evaluation reviewing the information provided by the individuals involved on the basis of their curricula vitae and the statements in lieu of certification provided by these, taking also into account the assessments carried out by the competent functions of the company and the Group. This documentation is made available for review during the Board meeting and is put to the record.

The Board of Directors takes its resolutions with the abstention, each time, of the individual Director being assessed.

The Board of Directors, during its meeting on 28 April 2016, fulfilled its obligations pursuant to current legal provisions with regard to the assessment of the possession by its members of the legal and regulatory requirements – in terms of honourableness, professionalism and independence, as well as of absence of causes of impediment, suspension and incompatibility. This assessment was carried out in compliance with the *Fit&Proper Policy*.
Lastly, to assess whether Directors are able to carry out effectively their functions, the Board of Directors carries out – after its appointment and, later, once a year – an assessment of the compliance with the provisions on overlapping offices, as indicated in a specific regulation adopted by the Board as guideline for the maximum number of offices as director or statutory auditor that may be considered compatible with an effective execution of the tasks of Director, according to the provisions of the application criteria 1.C.2. and 1.C.3. of the Corporate Governance Code. This Regulation (which is available in the Corporate Governance Section of the Unipol website) sets some general criteria, which take into account the actual role that the Director has in other companies as well as the nature and size of these companies, introducing differentiated limits, respectively, for the position of Chairman and of executive, non-executive or independent Director, also considering the prohibitions on interlocking directorships set by legal and regulatory provisions.

In line with the best international practice and with the provisions of the Corporate Governance Code as well as with the relevant provisions of ISVAP Regulation No. 20 of 26 March 2008 and subsequent amendments ("Regulation 20"), the Board of Directors carries out an annual self-assessment (Board Performance Evaluation) on the size, composition and operation of the Board and its committees. The evaluation concerns also the possession, by the Board as a whole, of the technical expertise needed to the execution of the tasks assigned by current legal provisions, in compliance with the principle that, in the choice of the Directors, it is necessary to keep into account the size of the Group as well as the complexity and specificity of the sectors in which this operates, to ensure that the Board as a whole has the appropriate technical expertise in insurance and financial markets, systems of governance, financial and actuarial analysis, regulatory framework, sales strategies and business models.

The Managers of the Corporate Control Functions are appointed by the Board of Directors from among those in possession of the same requirements of honourableness specified by current legal provisions for Directors and of appropriate professionalism, who have carried out management activities in administration/accounting or financial or management control or audit, risk management or compliance of a company with securities listed on a regulated market or that carries out banking, insurance or financial activities or in any case activities strictly related to the latter, or, in any case, at companies of significant size, identified according to the criteria indicated in the regulation on overlapping offices.

Moreover, the Corporate Control Functions and their Managers must meet the independence requirements set by Regulation 20. The Board of Directors verifies that these requirements are met by all Managers of the Corporate Control Functions at the time of their appointment and, later, at least once a year, during the regular assessment of the requirements of Directors and Statutory Auditors. The evaluation is carried out through the review of the information provided by the individuals involved in their curricula vitae and the statements in lieu of certification provided by these, taking also into account the assessments carried out by the competent units of the company and the Group. This documentation is made available for review during the Board meeting and is put to the record.

The Board of Directors of Unipol, in its meeting on 12 May 2016, carried out, among other things, the regular assessment of the requirements of the Managers of the Corporate Control Functions and the CRO, verifying the possession of the requirements specified in the Policy, according to the principles and criteria there specified for the assessment of the possession of the suitability requirements.

The possession of the suitability requirements of the Manager of the Actuarial Function was assessed, at the same Board meeting, applying the same rules specified in the Fit&Proper Policy for the Managers of the Audit, Compliance and Risk Management Functions (which, pursuant to the CAP, are key functions, together with the Actuarial Function).

B.3. Risk management system, including the own risk and solvency assessment

B.3.1. Risk management system

The risk management system is the set of processes and tools used to support the risk management strategy of the Group; it provides an appropriate understanding of the nature and the significance of the risks to which the Group and the individual companies are exposed. The risk management system makes it possible to have a single point of view and a holistic approach to risk management, and it is an integral part of the management of the business. The risk management system specifies the risk management process, which is articulated as follows:

- identification of the risks, which consists of the identification of the risks believed to be significant, or those risks the consequences of which may jeopardise the solvency or the reputation of the Group and the individual Group companies or represent a serious obstacle to the achievement of the strategic objectives;
- current and forward-looking assessment of the risk exposure; the current evaluation of the risks identified is carried out by using the methodologies specified by regulations and best practice with regard to the risks for which the measurement is not regulated or is specified with high-level principles. With regard to the forward-looking evaluation, we note that the internal assessment of risk and solvency (the "Own Risk and Solvency Assessment" or "ORSA") is used to support the strategic decisions of the Group and the Companies;
- monitoring of the risk exposure and reporting, a system implemented – on the basis of the principles of completeness, timeliness and effectiveness of the disclosure – to ensure a timely and constant monitoring of the evolution of the Risk Profile and the compliance with the specified Risk Appetite. This system ensures that the quality and quantity of the information provided are proportional to the requirements of the different recipients and the complexity of the business managed, so that this may be used as a strategic and operational tool for the evaluation of the potential impact of the decisions on the risk profile and the solvency of the Group and the individual companies;
- risk mitigation, which consists in the identification and proposal of actions and initiatives necessary and/or useful to mitigate current or future risk levels, when these are not in line with the risk objectives specified.

The identification, evaluation and monitoring of the risks are carried out on ongoing basis to take into account the changes occurred both in the nature and size of the business and in the market context, and whether new risks arise or the existing ones change.

The risk management system follows an Enterprise Risk Management approach, that is, is based on the assessment of all current and forward-looking risks to which the Group is exposed, assessing the impact that these risks may have on the achievement of the strategic objectives.

To pursue these high-level objectives, the approach adopted takes into account the need to reconcile multiple requirements expressed by the main stakeholders. In particular, the risk management system must meet:

- the requirement of safeguarding the assets and the reputation of the company;
- the requirements of safety and solvency;
- the target rating;
- the need to diversify the risks and ensure sufficient liquidity.

Based on these principles, to pursue the objectives assigned, the risk management system relies on a key element: the Risk Appetite.

The Risk Appetite may be set as a single measure (target) or as an interval of possible values (range) and is articulated in quantitative and qualitative terms.

The calculation of the Risk Appetite is articulated, in quantitative terms, according to the following elements:

- capital at risk;
- capital adequacy;
- Liquidity/ALM (Asset Liability Management) 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 Group and the Companies intend to take or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite is 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, 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:

- the Risk Capacity;
- the Risk Tolerance;
- the Risk Limit (or Operational Risk limits);
- the Risk Profile.

The activity to define the RAF components is dynamic, 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 ex ante control of the Risk Appetite, and capital adequacy in particular, are performed when considering extraordinary transactions (mergers, acquisitions, disposals, etc.).

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 risk management system is formalised by the risk management policy, adopted by the Board of Directors of the Parent Company and subject to regular updates, the most recent one on 6 October 2016, which sets, in reference to the perimeter of competence, suitable guidelines for the identification, evaluation, monitoring and mitigation of the risks and the operational limits in line with the Risk Appetite specified. 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.

The principles and processes of the Risk Management System as a whole are governed by the following Group policies: “Current and forward-looking risk assessment policy”, “Operational Risk Management Policy”, “Group-level Risk Concentration Policy”. The Risk Management System also includes policies setting the principles and guidelines for: (i) management of specific risk factors (e.g. Investment Policy for Market Risk and Credit Policy for Credit Risk, etc.), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.

Within the Risk Management System, the Risk Management Function is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at the individual and aggregated level that the Group is or may be exposed to and their correlations. In the exercise of its role, the Risk Management Function develops, implements and maintains the risk measurement and control systems. Among these, particular relevance is given to the definition and the use of tools aimed at assessing the capital needed against the risks identified.

The Risk Management Function also contributes to the dissemination of a risk culture throughout the Group.

B.3.2. Own risk and solvency assessment

The process for the execution of the current and forward-looking risk assessment is described - at the Group level - in the Current and Forward-looking Risk Assessment Policy, adopted also by the Board of Directors of the Parent Company and subject to regular updates, the most recent of which took place on 6 October 2016. This also specifies tasks, roles and responsibilities of the Corporate Bodies and the units involved, the frequency of the quantitative analyses and the corresponding rationale and the quality standards for the data used in the analyses, as well as the cases when a new evaluation of the risks is required.

Through the own risk and solvency assessment, the Group pursues the following objectives:

- to highlight the link between the business strategy, the capital allocation process and the risk profile;
- to obtain an overall view of all risks to which the Group and the companies are exposed, or could be exposed in the future, and the current and forward-looking solvency;

- to provide to the Board of Directors and Senior Management an evaluation on the design and the effectiveness of the risk management system, highlighting at the same time any deficiency and suggesting remedial actions.

In particular, with reference to the current evaluation, these objectives are achieved by:
- the measurement of the capital required according to current legal and regulatory provisions and on the basis of the Solvency II requirements, in the latter case making use both of the Internal Model and the Standard Formula;
- the evaluation of the capital adequacy of the Group and the companies, on the basis of the results obtained under the previous point.

With reference instead to the forward-looking evaluation, the objectives are pursued through ORSA, which allows the analysis of the risk profile of the Group based on strategy, market scenarios and business trends.

In designing ORSA, the Group has followed the following principles:
- the evaluation of the risks at the Group level includes the risks from all companies included in the supplementary supervision area and takes into account their correlations;
- ORSA, as well as being a legal requirement, represents an internal assessment element to support operational and strategic decisions; ORSA and strategic planning processes are strictly related:
- the estimates taken as reference for the development of the strategic plan are the basis for ORSA in a forward-looking approach;
- ORSA is used in support of the drafting and review of the strategic plan;
- ORSA takes into account all risks that may cause a significant decrease in Own Funds at the Group level and for each individual Company, or that have an impact on the ability to meet the commitments towards the policyholders, in line with the risk management policy. For the risks not included in the calculation of the capital requirements set by Pillar I of the Solvency II Directive, the Group carries out a qualitative assessment. Therefore, the assessment on these risks is basically aimed, rather than to quantify the potential loss, to verify the effectiveness of the controls implemented and the good operation of the management and monitoring processes.
- ORSA is carried out in compliance with the data quality standard set by the Data Governance Standard and the Data Quality Management Policy in force.

The current evaluation provides the monitoring of the indicators specified in the Risk Appetite Statement and is carried out at least once a quarter and, in any case, every time there are circumstances that could lead to a substantial change in the risk profile. These are mainly events such as concentration transactions, sale of business units or other extraordinary events, which require additional ORSA to be carried out with respect to the standard plan.

The execution of ORSA and the drafting of the corresponding report are started after the end of the reference year and follow a schedule consistent with the deadlines set by supervisory regulations.

Before the meeting called to approve the ORSA Report, the administrative bodies of Unipol and the Companies meet to approve the criteria and the methodologies – including the types of stress test - to be used for the drafting of the ORSA Report. The administrative bodies of the Companies later approve, within their respective areas of competence, the sections of the ORSA Report that concern them, before this is submitted to the Board of Directors of Unipol to be approved as a whole. In compliance with legal and regulatory provisions in force, the Group sends the ORSA Report to IVASS within two weeks of its approval.
The current and forward-looking assessment is an integral part of the risk management system and the decision-making process of the Group and the companies and presents therefore points of contact with other core corporate processes, such as:
- strategic planning and capital allocation;
- definition of the Risk Appetite;
- monitoring and mitigation of risk.

In particular, as already said, the current assessment, carried out at least once a quarter, provides the monitoring of the indicators specified in the Risk Appetite Statement.

The forward-looking assessment, instead, is developed in line with the schedule and the elements of the strategic plan and the annual budget, through which the economic capital is allocated to each Company and risk category. The capital allocation process provides for each year of the Strategic Plan a projection of the Own Funds and an estimate, through Internal Model and/or standard formula, of the capital required according to the strategic plan scenarios. This analysis is in line with the Risk Appetite Framework, as specified within the risk management policy.

As specified in the ORSA Report relating to the year 2016, transmitted to the Authority in accordance with the timing set forth in IVASS Regulation no. 32/2016[6], the current and forward-looking risk assessment analyses were conducted using the following methodologies:

- USP Standard Formula[7] for capital at risk and capital adequacy, for the Unipol Group;
- Partial Internal Model for capital at risk and capital adequacy, for UnipolSai;
- Partial Internal Model for capital at risk and capital adequacy, for Arca Vita;
- Market Wide Standard Formula for capital at risk and capital adequacy, for Popolare Vita;
- Market Wide Standard Formula for capital at risk and capital adequacy, for the other Companies.

Unipol relied on the right pursuant to Art. 215-ter, paragraph 3 of the CAP to transmit a report on the single internal assessment of the risk profile, with reference to the data at 31 December 2016, for all Group companies. This intention was disclosed on 27 January 2017 to IVASS, which did not identify any reasons to prohibit the exercise of that right. The reasons for this decision - which is moreover compliant with the normal practice exercised with reference to the two FLAOR and ORSA analyses conducted in previous years - lie in the presence within the Group of processes characterised by a high level of consistency among the companies and therefore in the desire to consider all companies which are subject to the new prudential supervisory system introduced by Directive 2009/138/EC and which conducted activities in preparation for its entry into force on a unitary basis and using the same methodology.

B.3.3. Procedures that ensure consistency within the Group of the internal control and risk management systems and reporting

Unipol has provided the Group with an Internal Control and Risk Management System - the definition and purposes of which are described in this paragraph as well as in paragraph B.4 - which is suitable to conduct effective controls on the strategic decisions of the Group as a whole and on the operational balance of its individual members, also establishing the relative guidelines. This System provides the Group with a global and unitary approach to risk management.

The Internal Control and Risk Management System is implemented using methods that guarantee an integrated approach at Group level. The Parent Company ensures that this Internal Control and Risk Management System is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of group supervision and their mutual interdependencies. The principle of proportionality continues to apply, based on the nature, extent and complexity of the risks inherent in company activities carried out by the various Group companies.

In order to guarantee that procedures for reporting to the Supervisory Authority and the public are carried out consistently within all Group companies, Unipol has adopted (i) the Policy on information to be provided to the Supervisory Authority, (ii) the Policy on public disclosure, (iii) the Policy of statistical information, as well as (iv) the Reporting Policy, whereby the Parent Company, in exercising its management and coordination activities, defines guidelines for the preparation, revision and approval of reporting to the Supervisory Authority and the general public. These Policies are adopted, as applicable, by the individual Group companies in compliance with their respective business models.

The consistency of internal reporting is ensured using various methods. First of all, the Group's corporate policies govern the main information flows within the individual companies and to the Parent Company, inherent in the topic subject to the policy, by identifying their function/sending body, addressees and frequency. Particularly with reference to the Internal control system, Directives on the Internal Control and Risk Management System (the "SCI Directives") describe, *inter alia*, the information flows exchanged within the Group amongst the parties involved in that System. The policies and procedures applicable to the Group companies included within the group's supervisory

[6] The reference to the ORSA Report relates only to the regulatory models applied to the individual Companies.

[7] With letter 22362/16 of 2 February 2016, Unipol obtained authorisation to use group specific parameters as of 1 January 2016 in place of the sub-set of parameters defined in the Standard Formula for the calculation of the group's solvency capital requirement for premium and reserve risks in the segments of non-life insurance and reinsurance obligations.

scope require information flows from them to the Parent Company, which are part of the internal reporting system in place within the Insurance Group (e.g., information flows relating to transactions within the group and with related parties, the outsourcing of functions and activities, etc.).

Furthermore, an internal group directive has been issued by Unipol in order to achieve greater coordination in the relative activities of drawing up and issuing corporate communications documents which establishes, *inter alia*, that documents such as Internal Provisions, Operating Rules and Circulars must be subject to prior review by the Parent Company's Corporate Control Functions if they regard matters dealt with in Group policies or guidelines or topics transversal to multiple sectors (insurance, banking, etc.), or if they envisage the direct or indirect involvement of Parent Company functions.

Lastly, in order to allow for strategic, operational and technical controls meant to evaluate the various risk profiles contributed to the Group by the individual Group companies, the Parent Company has established several company committees including, insofar as concerns us here:

- The Management Committee (supporting the Chief Executive Officer in supervising the activities carried out by Group companies);
- The Group Investments Committee (governance of Group investments);
- The Group Risks Committee (advisory and proposal functions in the governance of risk for the Group in terms of policies, assumption and management);
- The Group Credit Risk Committee (monitoring of Group credit risk exposure);
- The ALM Operational Management Committee (monitoring of the Group's overall liquidity situation);
- The Declaration Team (declaration of the state of crisis following a disastrous event for the continuity of normal business operations);
- The Committee for the assessment of irregular situations (evaluation of situations of irregularity which require significant disciplinary measures and analysis of exposure to risks and the correlated impacts that the Group may face following seriously irregular acts);
- The Group Communications Committee (coordination of communications initiatives external and internal to the Group in order to create the "Group Communications Plan" and overseeing its updating in the course of the year on a half-yearly basis);
- The Bancassurance Committee (supervision and monitoring of the performance of the Bancassurance Companies).

B.4. Internal control system

The Internal Control and Risk Management System is a fundamental element in the overall corporate system of governance; it consists of the set of rules, procedures and organisational units that aim to ensure:

- the effectiveness and efficiency of the corporate processes;
- the appropriate mitigation of the current and forward-looking risk;
- the prevention of the risk that the company be involved, even unintentionally, in illegal activities, in particular those related to money laundering, usury and terrorism financing;
- the prevention and correct management of the potential conflicts of interest with related parties and associated parties, as identified by reference laws and regulations;
- the assessment of the implementation of corporate strategies and policies;
- the safeguard of the value of corporate assets, also in the medium-long term;
- the reliability and completeness of the information provided to the Corporate Bodies and the market and the IT processes;
- the suitability and timeliness of the company reporting system;
- the compliance of the business activities of the company and the transactions carried out on behalf of the customers with the laws and regulations, corporate governance codes and internal company provisions.

The Internal Control and Risk Management system is an integral part of the company and must extend to all sectors and units, involving all employees, each for his own level and responsibility, to ensure a constant and effective control of the risk.

The Internal Control and Risk Management system is specified in the SCI Directives adopted by the Board of Directors of the Parent Company and subject to regular updates, the most recent of which took place on 22 December 2016.

The Board of Directors is in charge of the Internal Control and Risk Management system, and, regularly verifies its suitability and actual operation, approving the Current and Forward-looking Risk Assessment and Risk Management Policies, as well as the SCI Directives – which are the basis of the Internal Control and Risk Management system - and ensuring that the main corporate risks are identified, assessed - also on a forward-looking basis - and controlled, as well as approving an organisational structure able to ensure, through an appropriate and consistent articulation, the separation of the roles in the execution of process activities, the traceability and visibility of the transactions and the transparency of the decision-making processes concerning to the individual operational processes.

The Director in charge of the internal control system, appointed by the Board of Directors, supervises the operation of the internal control and risk management system.

The Top Management (the General Manager and the senior executives carrying out tasks of management supervision[8]) supports the Director in designing and implementing the Internal control and risk management system, including those risks deriving from non-compliance with the regulations, in line with the instructions and the risk governance policies defined by the Board and with the guidelines provided by the Parent Company.

The Internal Control and Risk Management system is designed according to the guidelines described below:

- *separation of tasks and responsibilities*: the areas of competence and the responsibilities are clearly divided among bodies and units, to avoid gaps or overlaps that may affect the operations of the company;
- *formalisation:* the activities of the administrative bodies and delegated parties must always be documented, to ensure the control on the management and the decisions taken;
- *integrity, completeness and fairness of the data stored:* it is necessary to ensure that the data recording system and the corresponding reports have appropriate information on the elements that may affect the risk profile of the company and its solvency;
- *independence of controls:* the independence of the control functions with respect to the operational units must be guaranteed.

The Internal Control and Risk Management system is regularly submitted to evaluation and review, according to the developments of the corporate activity and the reference context.
The Internal Control and Risk Management system is articulated on multiple levels:

- line controls ("first-level controls"), aimed at ensuring the correct execution of the transactions. They are carried out by the operating units (e.g. hierarchical, system and sampling controls), also through different units that report to the managers of the operating units, or carried out as part of back-office activities; as much as possible, they are incorporated in the IT processes. The operating units are the first line of the risk management process and must ensure the compliance with the procedures adopted for the execution of the process and compliance with the risk tolerance level chosen;
- controls on risks and compliance ("second-level controls"), which aims at ensuring, among other things, the correct implementation of the risk management process, the execution of the activities assigned by the risk management process, compliance with the operational limits assigned to the different functions and the compliance of corporate operations with external and internal regulations. The functions in charge of these controls are separated from the operational units; they contribute to the definition of the risk governance policies and the risk management process;
- internal audit ("third-level controls"), which aims at assessing the completeness, functionality and suitability of the Internal Control and Risk Management system (including first- and second-level controls) as well as the compliance of corporate operations with this.

In the definition of the organisational structure of the control function, the Unipol Group has adopted, for 2016, for all companies of the Group with registered office in Italy subject to supervision (jointly, "Operating Companies"), a "centralised" model, with the main objective of ensuring uniformity and consistency at the Group level in the adoption of risk governance policies, procedures and methodologies and controls; it was in fact decided to use the following approach:

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[8] These are the Key Executives identified for the purposes of the application of the supervisory provisions on intra-group operations.

- set-up of the Corporate Control Functions in the Parent Company, with the task of carrying out the activities within their area of competence for this company and direction and co-ordination activities for the Operating Companies;
- set-up of the Corporate Control Functions at UnipolSai;
- outsourcing of Corporate Control Functions to UnipolSai by the Operating Companies that belong to the Insurance Group, on the basis of specific outsourcing agreements in compliance with the minimal requirements specified by applicable supervisory regulations. The Audit, Risk Management and Compliance Functions of UnipolSai, which carry out the activities also for the other Operating Companies, develop and maintain a relation with the Corporate Bodies and the Top Management of the individual companies, achieving synergies of scale and purpose;
- functional reporting to the Parent Company of all Corporate Control Functions created at the Operating Companies; in this case, the Parent Company carries out activities of governance, direction and co-ordination for the latter, also on the basis of a management system based on a functional relation with the decentralised units, pursuing therefore the following objectives:
  - integrated management of risks and controls;
  - common governance, direction and co-ordination approach in line with the objectives of the respective functions of the Parent Company and the strategies specified;
  - unity of action of the different Operating Companies of the Unipol Group;
- internal contact person for the Corporate Control Functions (Link Auditor): at the Operating Companies that have outsourced the Corporate Control Functions, a person is identified to be in charge of the relations with said Functions of the outsourcer company.

Within the Internal Control and Risk Management system, the task of assessing that the organisation and the internal procedures of the company are appropriate to prevent compliance risk - or the risk of incurring legal or administrative sanctions, economic losses and reputational damage, as a result of the breach of laws, regulations or measures of the supervisory authorities or of self-regulatory provisions - is assigned to the Compliance and Anti-money Laundering Function. The compliance operational process is articulated in the following stages:
- Analysis of legal and regulatory provisions;
- Evaluation of the risk;
- Identification of corrective actions;
- Monitoring;
- Reporting.

The intensity of each stage depends on the "project" or "control" approach adopted by the Compliance and Anti-money Laundering Function, according to whether the evaluation: (i) is related to the coming into force of new laws and regulations or to new projects/products/processes, or; (ii) concerns external or internal provisions in force.
The assessments of the first type (ex ante assessments) are mainly aimed at supporting the Top Management in the corrective actions resulting from new projects/products/processes/laws and regulations; those of the second type (ex post assessments) have the purpose of representing the level of compliance of the procedures, processes, policies and internal organisation of the companies of the Group with legal and regulatory provisions applicable to the company, as well as compliance risk.

Ex ante assessments
The ex ante assessments are carried out at the time: i) of external events, e.g. the issue of new laws and regulations applicable to the companies by European or Italian legislators, supervisory authorities, etc. or ii) of internal events, e.g. the proposal by the management of new projects/products/processes.

These assessments are usually scheduled within the annual plan of the Compliance and Anti-money Laundering Function and the scope is chosen according to a priority system that focuses, mainly, on the relevance and the impact (also reputational) of the newly-issued legal and regulatory provisions (or the innovations of process or product envisaged) with respect to the organisation and business model of the company. The *ex ante* assessments may also be started after a one-off request by the supervisory authorities, the corporate bodies or the management.

Ex post assessments
The *ex post* assessments may have as object corporate processes ("process assessment") or external regulations of supervision or of particular relevance (e.g. IVASS Regulations, CONSOB, Laws and Decrees, etc.), as well as internal regulations. These assessments are usually scheduled within the annual plan of the Function, according to a priority system that focuses on:

- the need to "cover" all corporate processes;
- the results of previous assessments, ex ante and ex post;
- the need to "cover" the supervisory regulations, taking also into account the relevance and the complexity of these;
- the evaluation of the risks in regard to laws and regulations that are object of special attention by regulators and supervisory authorities, or that are subject to especially hard sanctions;
- the time passed since the latest analysis carried out by the Compliance and Anti-money Laundering Function and the other Corporate Control Functions in regard to the relevance of legal and regulatory provisions in question;
- the data related to claims and sanctions received, if available.

The *ex post* assessments may also be started following a one-off request by the supervisory authorities, the corporate bodies or the management.

B.5. Internal audit function

The Audit Function assesses the completeness, functionality and suitability of the Internal Control and Risk Management system, in regard to the nature of the activity carried out and level of the risks taken, as well as the need for corrective measure, also through activities of support and consulting to the other corporate functions. The procedures of execution of the tasks assigned to the Audit Function are specified and formalised in the "Audit Function Regulations", enclosed with the SCI Directives.

The Manager of the Audit Function has specific expertise and professionalism for the execution of the activities and has the authority needed to ensure its independence. The Function has been provided with personnel and technology resources consistent, for quantity and quality, with the purpose of the controls. Personnel in charge of the activities is given - for the execution of the assessments - access to all units and documents related to the corporate area object of assessment, including all information useful for the assessment of the suitability of the controls carried out on outsourced corporate functions.

The activities of the Function include in particular:

- the assessment of management processes and organisational procedures, aimed at assessing the functionality of the total internal control system as a whole and at identifying anomalies, breaches of procedures and regulations;
- the assessment of the compliance of the different operational sectors with the limits set by the delegation mechanisms as well as of the full and correct use of the information available in the different activities;
- the assessments on the suitability of the IT systems and their reliability so that the quality of the information on which the top management bases its decisions is ensured;
- the assessments to ensure that the administrative-accounting processes meet criteria of fairness and regular keeping of the accounts;
- the assessments on the effectiveness and efficiency of the controls carried out on outsourced activities;
- the assessment of the regularity and functionality of the reporting activities between corporate sectors;
- the regular update of the validation process of the internal models for the calculation of the Solvency Capital Requirement;
- the support to all units in the preparation of new processes and activities, through specific control and regulatory tasks, so that the necessary levels of security and the points of verification are appropriately specified and constantly monitored;
- the reporting to the Board of Directors, the Director in charge of the internal control system, Top Management, managers of the operating units, the Control and Risk Committee, the Board of Statutory Auditors and the SB;
- the co-operation with the Control and Risk Committee, the independent audit company, the Board of Statutory Auditors and the SB (if set up).

The Audit Function operates in compliance with the regulations, measures and resolutions of the supervisory authorities, the international standard issued by the Institute of Internal Auditors (IIA) and the best industry practice.

For each audit, detailed worksheets are prepared and archived electronically. The report signed by the Manager of the Function and the members of the team is stored in the original at the legal office of the company.
The Audit Reports are prepared on the basis of a standard model consisting of:
- a front page reporting: recipients of the report and date; company of reference of the audit, title and protocol number of the Audit Report, evaluation of the risk of the process audited, evaluation of the corresponding control system, list of the companies to which the audited activity was outsourced;
- an Executive Summary reporting the objective of the audit, the summary of the significant findings made and the corrective initiatives of the management;
- a body of the report that includes, in addition to the objective of the audit already reported in the Executive Summary, an introduction (possibly), the indication of any limits of the audit, the description of the activity carried out, the findings and the areas for improvement identified, the corrective actions proposed (each accompanied by a summary evaluation of the urgency of the situation in graph form), the associated risks, the response of the management, the managers and the deadlines, the period during which the audit was carried out and the personnel involved.

Each audit that identifies findings or areas for improvement is object of follow-up activities to verify that the corrective actions proposed by the management were implemented and are effective.

For inspections on the sales networks, the settlement networks and internal fraud, specific reports are prepared with details of the results with regard to compliance of said units with external and internal regulations and any irregularity found.

The Function regularly reports to the Corporate Bodies on the audit activities carried out, their results and the proposals made. In particular, it reports:
- at the end of each audit, promptly, to the Top Management and the managers of the functions audited, by sending the audit report described above, which, as already said, describes the issues or the improvement areas identified, the proposals made to address the issues and the comments of the management;
- every six months to the Board of Directors and the Board of Statutory Auditors of the Company, with a report summarising the audits carried out in the reference period;
- on request, to the Board of Statutory Auditors, in the meetings of which the Audit Function takes part when invited.

B.6. Actuarial function

With reference to Solvency II Technical Provisions, in compliance with Art. 30-sexies of the CAP and in line with what was decided at the time of set-up of the Actuarial Function, the Function carries out the following tasks with reference to the Group:
- to coordinate the calculation of the Technical Provisions, as well as the evaluation and the validation of the data to be used in the procedure of evaluation of the adequacy of the provisions;
- to ensure the suitability of the methodologies and the models used, as well as of the assumptions on which the calculation of the Technical Provisions is based, also in terms of proportionality of the methodologies to the nature, magnitude and complexity of the risks underlying the commitments taken;
- to assess the adequacy and quality of the data used in the calculation of the Technical Provisions;
- to compare the best estimates with historical data;
- to inform the Board of Directors about the reliability and suitability of the Technical Provisions' calculation;
- to supervise the calculation of the Technical Provisions in the cases specified by legal and regulatory provisions;
- to express an opinion on the global underwriting policy;
- to express an opinion on the suitability of the re-insurance agreements;
- to contribute to apply the risk management system effectively, in particular with reference to the modelling of the risks underlying the calculation of capital requirements, and internal assessment of risk and solvency.

Lastly, the contribution of the Actuarial Function may be required also in the definition of the strategic plan as well as for specific requirements of business.

B.7. Outsourcing

The guidelines on outsourcing are specified in the Group Outsourcing Policy, adopted by the Board of Directors of the Parent Company and regularly updated, most recently on 3 August 2016, which regulates the decision-making processes, responsibilities, tasks and controls required on the outsourcing of activities and corporate functions within the Unipol Group, as well as to third parties, strengthening in this way the control of the risks deriving from outsourcing.

The Policy in particular specifies:

- the criteria to identify the activities to be outsourced;
- the criteria to qualify activities as essential or important and the important operational functions;
- the restrictions on outsourcing;
- the criteria to select the service providers;
- the decision-making process for the outsourcing of corporate functions or activities;
- the minimum content of the outsourcing contracts and the criteria to define the service levels of the outsourced activities required;
- the internal reporting activities to provide the bodies and Corporate Control Functions the full knowledge and governability of the risk factors related to the functions outsourced;
- the guidelines to be followed in case of incorrect execution of the outsourced functions by the service provider, including those related to emergency plans and exit strategies in the case of outsourcing of essential or important functions and activities;
- the reporting obligations towards the supervisory authorities.

In compliance with the provisions of Regulation 20, the Company deems essential or important those Functions or activities that meet at least one of the following conditions:

- anomalous execution or failure to execute may seriously jeopardise:
    - the financial performance, the solidity of the Company or the continuity and the quality of the services provided; or,
    - the ability of the Company to continue to meet the conditions for the authorisation to the exercise of the activities or the obligations specified by applicable supervisory regulations;
- concern operational processes of the Corporate Control Functions, or have a significant impact on risk management.

The classification of the activities or functions as essential or important may keep into account, as additional elements of the assessment, the economic relevance of the activity and its volumes, with respect to total volumes, as well as the degree of independence of the service provider in the execution of the activities specified by the outsourcing contract.

The Company may conclude outsourcing agreements, provided the nature and the quantity of the activities to be outsourced, as well as the outsourcing procedures, do not result in a transfer of the main activities of the Company. In particular, the Company cannot, by outsourcing:

- delegate its responsibilities, or the responsibilities of its Corporate Bodies. In line with this principle, the outsourcing of activities that are expressly included in the tasks of the latter is not allowed;
- jeopardise the quality of the internal controls and the system of governance of the Company;
- outsource the Corporate Control Functions outside the Unipol Group;
- change the relations and the obligations towards the customers;
- jeopardise its ability to meet the obligations specified by supervisory regulations or fail to maintain the reserves provided for by the law;
- hinder the supervision;
- outsource the assumption of risk.

The Company has identified among its personnel a contact person to control the outsourced activities and has formalised the relative tasks and responsibilities. In the case of outsourcing of the Corporate Control Functions, legal and regulatory provisions require the service provider to meet the requirements of suitability for office, requirement set also by the relevant corporate policies.

The outsourcing of essential and important functions, identified according to the above criteria, is subject - as well as to the prior notification to the supervisory authorities, if required, - (i) to the approval procedure specified by the system of mandates and powers in force, if the service providers belong to the Unipol Group and (ii) to the approval of the Chief Executive Officer - Group CEO - General Manager, in line with the corresponding system of mandates and powers, if the service providers do not belong to the Unipol Group. In particular, the Corporate Control Functions, given the relevance taken within the more general Internal Control and Risk Management system, may be outsourced, if allowed by legal and regulatory provisions, and in any case in compliance with the restrictions set by competent supervisory authorities, only within the Unipol Group, after resolution of the Board.

The table below provides information on the essential or important[9] functions and activities outsourced and the jurisdiction in which the providers of these functions and activities are located.

Critical or important outsourced activities	Provider	Provider's registered office
Operational services - (Fiscal services - Control pursuant to Law No. 231 - Assessment of Investments - Personnel training - Trade Union relations - Personnel disputes - Personnel welfare - Safety - Corporate affairs - Institutional response - Privacy - General legal and regulatory compliance - Legal disputes: insurance, corporate, contractual and real estate- Corporate legal- Management of investments - Administration and Financial Statements services - Purchases and general services - IT - Logistics)	UnipolSai Assicurazioni S.p.A.	Via Stalingrado, 45 - Bologna
Management of financial resources	UnipolSai Assicurazioni S.p.A.	Via Stalingrado, 45 - Bologna
Tutoring	UniSalute S.p.A.	Via Larga, 8 - Bologna

The table below provides information on the relevant intra-group outsourcing agreements.

Critical or important outsourced activities	Provider	Provider's registered office
Operational services - (Fiscal services - Control pursuant to Law No. 231 - Assessment of Investments - Personnel training - Trade Union relations - personnel disputes - Personnel welfare - Safety - Corporate affairs - Institutional response - Privacy - General legal and regulatory compliance - Legal disputes: insurance, corporate, contractual and real estate- Legal corporate - Management of investments - Administration and Financial Statements services - Purchases and general services - IT - Logistics)	UnipolSai Assicurazioni S.p.A.	Unipol Gruppo Finanziario S.p.A.
Management of financial resources	UnipolSai Assicurazioni S.p.A.	Unipol Gruppo Finanziario S.p.A.
Tutoring	UniSalute S.p.A.	Unipol Gruppo Finanziario S.p.A.
Call center in support of intermediaries and policyholders	Arca Inlinea S.c.ar.l.	Arca Assicurazioni S.p.A.
Design, implementation and management of computer applications	Arca Sistemi S.c.ar.l.	Arca Assicurazioni S.p.A.
Archiving of legally admissible optical documents	Arca Sistemi S.c.ar.l.	Arca Assicurazioni S.p.A.
Management of claims relating to reinsurance health policies	Unisalute S.p.A.	Arca Assicurazioni S.p.A.
Management of financial resources	UnipolSai Assicurazioni S.p.A.	Arca Assicurazioni S.p.A.
Personnel administration services	UnipolSai Assicurazioni S.p.A.	Arca Assicurazioni S.p.A.
Anti-terrorism	UnipolSai Assicurazioni S.p.A.	Arca Assicurazioni S.p.A.

[9] The classification as essential or important in this table is originated, for some contracts, by the analysis carried out at the time of the reporting required by the coming into force of the relevant Insurance Regulation or by later activations, in any case before the issue of the Group Outsourcing Policy, and may therefore sometimes depart from the criteria set by this.

Critical or important outsourced activities	Provider	Provider's registered office
Actuarial function	UnipolSai Assicurazioni S.p.A.	Arca Assicurazioni S.p.A.
Control Governance (Audit - Risk Management - Compliance)	UnipolSai Assicurazioni S.p.A.	Arca Assicurazioni S.p.A.
Call center in support of intermediaries and policyholders	Arca Inlinea S.c.ar.l.	Arca Vita S.p.A.
Design, implementation and management of computer applications	Arca Sistemi S.c.ar.l.	Arca Vita S.p.A.
Archiving of legally admissible optical documents	Arca Sistemi S.c.ar.l.	Arca Vita S.p.A.
Management of financial resources	UnipolSai Assicurazioni S.p.A.	Arca Vita S.p.A.
Personnel administration services	UnipolSai Assicurazioni S.p.A.	Arca Vita S.p.A.
Anti-money Laundering and Anti-terrorism	UnipolSai Assicurazioni S.p.A.	Arca Vita S.p.A.
Actuarial function	UnipolSai Assicurazioni S.p.A.	Arca Vita S.p.A.
Control Governance (Audit - Risk Management - Compliance)	UnipolSai Assicurazioni S.p.A.	Arca Vita S.p.A.
Certain Risk Management Activities	Group Risk Management	Arca Vita International DAC
Internal Audit	Group Internal Audit	Arca Vita International DAC
Management of financial resources	UnipolSai Assicurazioni S.p.A.	BIM Vita S.p.A
Personnel administration	UnipolSai Assicurazioni S.p.A.	BIM Vita S.p.A
Operational services - (Anti-money Laundering and Anti-terrorism - Control pursuant to Law No. 231 - External selection - Training - Development - Remuneration policies and systems - Personnel administration - Industrial relations - Disputes - Safety - Organisation - Corporate affairs - Group Legal - Institutional response - Legal insurance consulting - Privacy - General legal and regulatory compliance - Legal disputes: insurance, corporate, contractual and real estate - Corporate legal - Complaints and Customer service - Fiscal services - Administration and Financial Statements services - Life business management control - Purchases and general services - IT - Distribution network regulations - Reinsurance - Life bancassurance Business unit)	UnipolSai Assicurazioni S.p.A.	BIM Vita S.p.A
Control Governance (Audit - Risk Management – Compliance)	UnipolSai Assicurazioni S.p.A.	BIM Vita S.p.A
Actuarial function	UnipolSai Assicurazioni S.p.A.	BIM Vita S.p.A
Personnel administration	UnipolSai Assicurazioni S.p.A.	Incontra Assicurazioni S.p.A.
Services for collection of reported claims, management and claim settlement	UnipolSai Assicurazioni S.p.A.	Incontra Assicurazioni S.p.A.
Operational services - (Anti-money Laundering and Anti-terrorism - Control pursuant to Law No. 231 - Corporate communication and Media relation - External selection - Training - Development and remuneration policies and systems - Personnel administration - Industrial relations, Disputes, Safety - Organisation - Corporate affairs - Group legal - Antifraud - Legal insurance consulting - Privacy - General legal and regulatory compliance - Corporate legal - Complaints and Customer service - Fiscal services - Administration and Financial Statements services - Management control - Purchases and general services - IT - Regulatory management of distribution network and Control of insurance processes - MV tariffs and portfolio management - Reisurance)	UnipolSai Assicurazioni S.p.A.	Incontra Assicurazioni S.p.A.
Control Governance (Audit - Risk Management - Compliance)	UnipolSai Assicurazioni S.p.A.	Incontra Assicurazioni S.p.A.

Critical or important outsourced activities	Provider	Provider's registered office
Actuarial function	UnipolSai Assicurazioni S.p.A.	Incontra Assicurazioni S.p.A.
Car repair	Auto Presto & Bene S.p.A.	Compagnia Assicuratrice Linear S.p.A
Call center for medical advice, assistance, addressing, bookings, claims management and settlement services	UniSalute S.p.A.	Compagnia Assicuratrice Linear S.p.A
Operational services (Anti-terrorism - Control pursuant to Law No. 231 - Innovation and new business solutions - Corporate communication and Media relations - External Relations - External selection - Personnel training - Personnel development - Remuneration policies and systems - Personnel management - Trade Unions relations - Personnel disputes - Personnel welfare - Safety - Organisation - Corporate affairs - Group Legal - Antifraud - Legal insurance consulting - Privacy - General legal and regulatory compliance - Legal disputes - Corporate legal - Administration and Financial Statements services - Fiscal services - Purchases - General services - IT - Logistics - Regulatory management of distribution network - Reinsurance)	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Operational services (ex Dialogo) (Anti-terrorism - Control pursuant to Law No. 231 - Innovation and new business solutions - Corporate communication and Media relations - External Relations - External selection - Personnel training - Personnel development - Remuneration systems - Personnel management - Trade Unions relations - Personnel disputes - Personnel welfare - Safety - Organisation - Corporate affairs - Group Legal - Antifraud - Legal insurance consulting - Privacy - General legal and regulatory compliance - Legal disputes - Corporate legal - Administration and Financial Statements services - Fiscal services - Purchases - General services - IT - Logistics - Regulatory management of distribution network - Reinsurance)	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Claims settlement	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Claims settlement (ex Dialogo)	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Finance	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Personnel administration	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Control Governance (Audit, Risk Management, Compliance)	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Actuarial function	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Management of financial resources	UnipolSai Assicurazioni S.p.A.	Pronto Assistance S.p.A.
Personnel administration	UnipolSai Assicurazioni S.p.A.	Pronto Assistance S.p.A.

Critical or important outsourced activities	Provider	Provider's registered office
Operational services - (Anti-money Laundering and Anti-terrorism - Control pursuant to Law No. 231 - Corporate communication and Media relations - External selection - Personnel training - Personnel development, Remuneration policies and systems - Personnel management - Industrial relations - Personnel disputes - Safety - Organisation - Corporate affairs - Group Legal - Antifraud - Legal insurance consulting - Privacy - General legal and regulatory compliance - Corporate legal - Complaints and customer service - Fiscal services - Administration and Financial Statements services - Management control - Purchases and General services - IT - Logistics - Regulatory management of distribution network and control of insurance processes - MV tariffs and portfolio Management - Reinsurance)	UnipolSai Assicurazioni S.p.A.	Pronto Assistance S.p.A.
Control Governance (Audit - Risk Management - Compliance)	UnipolSai Assicurazioni S.p.A.	Pronto Assistance S.p.A.
Actuarial function	UnipolSai Assicurazioni S.p.A.	Pronto Assistance S.p.A.
Operational services - (Anti-money Laundering and Anti-terrorism - Accounting, Administration and Financial Statements services - Management of the Treasury Office and printing of general ledger and VAT registers - Administrative compliance and Segregated accounts control, unit linked, index linked and pension funds - Segregated funds financial support, unit linked, index linked, pension funds and provision of ALM service - Tax advisory activities - IT - Corporate - Legal advices - Actuarial assistance - Designing of Insurance products , coordination, planning, development and management of Life products - Management control - Index closing - Selection, management and administrtion of personnel - General services - Reinsurance - Privacy obligations management support - Pension funds financial management - Management of claims received from Institutions - Personnel safety and health care - Management of Open Pension fund contractual documents - IVASS obligations concerning outsourcing - Advertising consultancy and periodic publications on media - Organisation - Intragroup operations - Management of web insurance relations)	UnipolSai Assicurazioni S.p.A.	Popolare Vita S.p.A.
Control Governance (Audit – Risk Management - Compliance)	UnipolSai Assicurazioni S.p.A.	Popolare Vita S.p.A.
Actuarial function	UnipolSai Assicurazioni S.p.A.	Popolare Vita S.p.A.
Personnel admistration	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Real estate management	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Management of financial resources	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Claims settlement of Assistance	Pronto Assistance Servizi Scarl	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Services for collection of claims reported, management and claim settlement	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.

Critical or important outsourced activities	Provider	Provider's registered office
Operational services - (Anti-money Laundering and Anti-terrorism - Control pursuant to Law No. 231) - Innovation and new business solutions - Corporate communication and Media relations - External selection - Personnel training - Personnel development, Remuneration policies and systems - Personnel management - Industrial relations - Personnel disputes - Safety - Organisation - Corporate affairs - Group Legal - Antifraud - Legal insurance consulting - Privacy - General legal and regulatory compliance - Legal disputes: insurance, corporate, contractual and real estate - Corporate legal - Complaints and customer service - Fiscal services - Administration and Financial Statements services - Purchases and General services - IT - Logistics - MV tariffs and portfolio Management - Regulatory management of distribution network and control of insurance processes)	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Control Governance (Audit – Risk Management – Compliance)	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Actuarial function	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Investment Management	UnipolSai Assicurazioni S.p.A.	UnipolRe dac.
Car repair	Auto Presto & Bene S.p.A.	Unipolsai Assicurazioni S.p.A.
Technical assistance in handling and stipulation - Portfolio management - Administrative management of Goods in Transit	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.	Unipolsai Assicurazioni S.p.A.
IT and Other Services	UnipolSai Assicurazioni S.p.A.	The Lawrence Life Assurance Company dac.
Reinsurance	UnipolRe dac.	The Lawrence Life Assurance Company dac.
Reinsurance Risk carrier and service provider	UnipolRe dac.	Unipolsai Assicurazioni S.p.A.
Call center for medical advice, assistance, addressing, bookings, claims management and settlement services	UniSalute S.p.A.	Unipolsai Assicurazioni S.p.A.
Finance	UnipolSai Assicurazioni S.p.A.	UniSalute S.p.A.
Personnel administration	UnipolSai Assicurazioni S.p.A.	UniSalute S.p.A.
Operational services - (Anti-terrorism - Control pursuant to Law No. 231 - Innovation and new business solutions - Corporate communication and Media relations - External relations - External selection - Personnel training - Personnel development - Personnel remuneration - Personnel management - Trade Unions relations - Personnel disputes - Personnel welfare - Safety - Organisation - Corporate affairs - Group Legal - Antifraud - Institutional response - Legal insurance consulting - Privacy - General legal and regulatory compliance - Legal disputes: insurance, corporate, contractual and real estate - Corporate legal - Administration and Financial Statements services - Fiscal services - Purchases -General services - IT - Logistics - Regulatory management of distribution network - Reinsurance)	UnipolSai Assicurazioni S.p.A.	UniSalute S.p.A.
Control Governance (Audit - Risk Management - Compliance)	UnipolSai Assicurazioni S.p.A.	UniSalute S.p.A.
Actuarial function	UnipolSai Assicurazioni S.p.A.	UniSalute S.p.A.

B.8. Any other information

The Board has reviewed the suitability of the organisation, administrative and accounting structure and, in particular, of the Internal Control and Risk Management system of the Company and its main Subsidiaries, on the basis of regular reports of the Chief Executive Officer and Group CEO, as well as the Director in charge of the internal control system, the Control and Risk Committee and the Corporate Control Functions.
There is no other significant information on the company's system of governance.

RISK PROFILE

C.1. Underwriting risk

Non-Life and Health Technical Insurance Risk

Non-Life and Health Technical Insurance Risk is represented through the following risk sub-modules:

- Premium Risk: risk deriving from fluctuations concerning the timing, frequency and seriousness of insurance events related to contracts in force at the date of evaluation or that will be underwritten in the year after the date of evaluation t ("next year"). It is assessed using the Standard Formula, based on the use of volatility parameters defined by the Regulator or specific to the Undertaking and expressed as a percentage of a volume measure. The volume measure for premium risk is represented by an estimate of the premiums attributable to the year subsequent to the assessment date;
- Reserve Risk: risk deriving from fluctuations concerning the timing and amount of future payments for claims already made at the date of evaluation. It is assessed using the Standard Formula, based on the use of volatility parameters defined by the Regulator or specific to the Undertaking and expressed as a percentage of a volume measure. The volume measure for reserve risk is represented by the best estimate of the claims provisions;
- Catastrophe Risk: risk of losses or unfavourable changes in the value of the insurance liabilities due to extreme or exceptional events. It is valued with the Standard Formula.
- Lapse Risk: risk of early extinction – on the initiative of the policyholder – of multi-year contracts. It is valued with the Standard Formula.

For the calculation of the capital requirement for the Premium and Reserve sub-modules using the Standard Formula, the specific parameters of the Company (Undertaking Specific Parameters, or USP) were used for the segments object of specific authorisation by the supervisory authorities; the Market Wide parameters were used in all other cases. The authorisation concerns the following segments of the insurance and re-insurance obligations as specified in Annex II to the Delegated Regulation EU 2015/35, 10 October 2014:

- Segment 1: Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles (Motor Vehicle Liability Insurance - MVL);
- Segment 4: Proportional insurance and reinsurance against fire and other damage to property (Fire and other damage to property insurance - FDP);
- Segment 5: Proportional insurance and reinsurance on general TPL (General Liability Insurance - GLI).

The following table provides volume measures for Non-Life and Health Premium and Reserve Risk. The data are reported for each LoB in which the Group operates.

Volume measure for Non-Life and Health premium and reserve risk

Amounts in €k	Volume measure and premium risk	% on total	Volume measure and premium risk	% on total
Motor vehicle liability insurance	3,635,678	44.3%	6,000,914	53.0%
Fire and other damage to property insurance	1,221,519	14.9%	688,390	6.0%
General Liability Insurance	784,515	9.6%	3,471,278	31.0%
Total LOB USP	**5,641,713**	**68.7%**	**10,160,583**	**90.0%**
Other motor insurance	638,546	7.8%	115,233	1.0%
Marine, aviation and transport insurance	55,395	0.7%	106,618	1.0%
Credit and suretyship insurance	29,640	0.4%	211,690	2.0%
Legal expenses insurance	37,099	0.5%	43,378	0.0%
Assistance	137,629	1.7%	22,454	0.0%
Miscellaneous financial loss	75,852	0.9%	23,507	0.0%
Non-proportional property reinsurance accepted	13,608	0.2%	8,091	0.0%
Non-proportional casualty reinsurance accepted	26,409	0.3%	33,903	0.0%
Non-proportional marine, aviation and transport reinsurance	9	0.0%	562	0.0%
Income protection insurance	831,759	10.1%	312,860	3.0%
Medical expense insurance	718,256	8.8%	291,933	3.0%
Non-proportional health reinsurance accepted	513	0.0%	1,697	0.0%
Total	**8,206,429**	**100.0%**	**11,332,508**	**100.0%**

The SCR of the Non-Life and Health Technical Insurance risk module for the Group calculated with the Standard Formula, using USP parameters at 31 December 2016, was equal to €2,274,646k.

Non-Life and Health SCR with USP use

Amounts in €k

Risk sub-module	Non-Life and Health SCR - MIP
Non-Life	**2,240,061**
Non-Life premium and reserve	*2,105,058*
Non-Life surrender	*1,698*
Non-Life CAT	*403,014*
Health	**395,146**
Total Non-Life and Health SCR	**2,274,646**

Concentration of risks
According to the provisions of Chapter III of IVASS Regulation No. 30 of 26 October 2016, risk concentrations are assessed at the Group level and measured in line with what is set forth within the specific policy approved by the Board of Directors of the Parent Company UGF S.p.A. This policy envisages that the concentration of non-life and health technical risks is measured with respect to:

- insurance liabilities in financial statements:
  - values of provision per individual claim;
- potential liabilities outside the financial statements:
  - natural catastrophe exposures[10] grouped by risk factor and appropriate territorial clusters;
  - exposures by risk or policy on individual insured party or group of related parties;
  - exposures for the Bond class grouped by sector.

With reference to 31 December 2016, the Group's risk portfolio has significant risk concentrations in relation to the natural disasters of earthquakes, floods and hail, several Bond class sectors and certain exposures for individual insured counterparties. Re-insurance and other risk transfer techniques are the main tools used by the Group to mitigate the exposures or the concentration of exposures that could lead to a divergence of the current risk profile from the one desired.

Risk mitigation techniques
The Group uses outwards reinsurance as a risk mitigation technique.
With regard to the Premium and Reserve risks, the calculation of the capital requirement at 31 December 2016 was carried out by taking into account the outwards reinsurance agreements, both for their effect on the measures of volume and, if appropriate, for their impact on the USP estimates, as specified by legal and regulatory provisions.

For the calculation of the capital requirement at 31 December 2016 for the Catastrophe Risk sub-module using the Standard Formula, the outwards reinsurance agreements were applied in line with the provisions of IVASS Regulation No. 31, 9 November 2016.

Pursuant to Art. 9 of IVASS Regulation No. 33 of 6 December 2016, the Group has transferred, through a reinsurance agreement of the subsidiary UnipolSai, a portion of its Earthquake Risk to the Special Purpose Vehicle Azzurro Re I Ltd., with legal office in Dublin, which was authorised to exercise re-insurance activities by the Central Bank of Ireland on 2 June 2015 (authorisation number C139799). Azzurro Re I Ltd ensures the full and constant funding of the commitments deriving from the reinsurance agreement concluded with UnipolSai and meets the requirements set by Delegated Regulation (EU) 2015/35, so that the risk mitigation technique may be taken into account in calculating the Solvency Capital Requirement.

Life Technical Insurance Risk

The underwriting risk for Life insurance represents the risk deriving from Life insurance commitments, keeping into account the perils covered and the procedures used in the exercise of the activity.

The Life portfolio of the Unipol Group consists mostly of revaluable products, related to the financial returns of the Segregated Accounts (LoB1).
The table below shows the details of the composition of the portfolio in terms of Best Estimate of Life liabilities.

[10] Considered significant on the basis of the analysis of the portfolio risks of the Group.

Life portfolio at 31 December 2016

Amounts in €k

Best Estimate of Liabilities (BEL)	Amount at 31/12/2016
Insurance with profit participation	41,900,736
Index-linked and unit-linked insurance	9,935,493
Other life insurance	(128,659)
Indirect business	12,784
Total	**51,720,354**

The portfolio of the Group is exposed to the following risk factors:

- 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;
- 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 Group assesses life technical insurance risk with the Standard Formula. With reference to the year ended 31 December 2016, we provide a breakdown for the individual SCR sub-modules of the Life Technical Insurance risk.

Life SCR - Standard Formula

Amounts in €k

Risk sub-module	Life SRC
Mortality	*36,023*
Longevity	*128,834*
Disability	
Surrender	*472,122*
Life expenses	*106,753*
Revision	
Life catastrophe	*37,370*
Sub-modules sum	**781,101**
Diversification effect	*187,495*
Total Life SCR	**593,607**

The main source of risk is represented by surrenders, the SCR of which is equal to 60% of the non-diversified Life Technical Insurance risk.

Concentration of risks
According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at the Group level.
With reference to risk concentrations, special attention is paid to surrender and mortality risks.
The Group aims at mitigating the concentration of surrender risk exposure by limiting the assumption of large contracts, in particular in the corporate segment.
With regard to mortality risk, re-insurance and other risk transfer techniques are the main tools used by the Group to mitigate the exposures or the concentration of exposures that could lead to a divergence of the current risk profile from the one desired.
We note that within the setting of Risk Appetite levels, Life Technical Insurance Risk is measured in terms of capital at risk. Notably, the capital at Life Technical Insurance Risk takes into account all risks and all exposures related to the Life portfolio, including those exposures classified as being at risk of concentration.

Risk mitigation techniques
With regard to Life Technical Insurance Risk, mitigation is carried out through "Management Actions", that is, corrective measures applied to the ordinary financial portfolio management strategy used by the Group.
The mitigation action is quantified in the "Adjustment for Loss Absorbing Capacity of Technical Provisions" (ALAC TP), calculated in compliance with the Regulation.
Additional mitigation actions may be taken through re-insurance, with the transfer of a portion of mortality risk.

C.2. Market risk

Market risk includes all those risks that result in the deterioration of financial or real estate investments because of the adverse evolution of important market variables.

The Market Risk modules identified are the following:
- Interest rate risk: the risk of a possible loss in the value of a financial asset in the portfolio in relation to changes in market interest rates;
- Equity Risk: the risk linked to losses due to movements in share prices;
- Currency Risk: the risk of possible losses on foreign currency items in the portfolio as a result of exchange rate trends;
- Spread Risk: the risk connected to a possible increase in spreads requested from a debtor by the market;
- Property Risk: the risk linked to losses due to movements in real estate prices;
- Concentration Risk: the additional risk deriving from a limited diversification of the financial asset portfolio, or a high exposure to the default of a single issuer.

The Group as a whole assesses market risk using the Standard Formula.

The financial portfolio at 31 December 2016 consisted for 87.3% of bonds and, in particular, 62.9% of financial assets consisted of government bonds.

Composition of the financial portfolio

Amounts in €k	Solvency II value	Exposure % on total PTF
Property, plant & equipement held for own use	1,793,047	2.80%
Investments (other than assets held for index-linked and unit-linked contracts)	2,401,443	3.80%
Holdings in related undertakings, including participations	1,319,827	2.10%
Equities	619,936	1.00%
Equities - listed	444,799	*0.70%*
Equities - unlisted	175,137	*0.30%*
Bonds	55,208,162	87.30%
Government Bonds	39,768,507	*62.90%*
Corporate Bonds	14,116,589	*22.30%*
Structured notes	1,271,682	*2.00%*
Collateralised securities	51,385	*0.10%*
Collective Investments Undertakings	1,536,408	*2.40%*
Derivatives	99,139	0.20%
Deposits other than cash and cash equivalents	246,465	0.40%
Total portfolio	**63,224,427**	**100.00%**

All assets, in particular those set against the minimum capital requirement and the Solvency Capital Requirement, are invested in a way to ensure the safety, quality, liquidity and profitability of the portfolio as a whole.

Given the composition of the financial portfolio, we provide below the SCR figures calculated with the Standard Formula for the year ended 31 December 2016:

Market SCR

Amounts in €k

Risk sub-module	Market SCR
Interest Rate	198,849
Equity	553,849
Property	1,094,141
Spread	2,113,220
Exchange	50,805
Concentration	0.0
Sub-modules sum	*4,010,864*
Diversification effect	(570,374)
Total Market SCR	**3,440,490**

Market Risk mainly depends on Spread and Property Risk, which are the sub-modules with the greater incidence. This predominance is due to the high incidence of financial and corporate securities in the portfolio and the real estate investments held by the Group, respectively.

Concentration of risks

According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at the Group level.

The risk concentration policy of the Group specifies a "Limit of concentration on investments and loans", which includes, as well as loans and credits, also any exposure in equity or debt securities. The concentrations are recognised mainly at the level of counterparty or group of related counterparties, sector, geographic area and currency.

Risk mitigation techniques
To mitigate Market Risk, the Group has set up a series of controls to ensure that the risk mitigation techniques maintain their effectiveness. Specifically, monthly tests are carried out to assess the effectiveness of the derivative hedges taken out by the Company. In order to mitigate current or future risk not in line with the risk objectives specified, financial transactions to mitigate the risks may be carried out. These mitigation transactions are carried out on the derivative markets The objectives of the use of derivatives are:

- to reduce the risk of the investment;
- to achieve an effective portfolio management by improving the level of quality, safety, liquidity or profitability of the portfolio without significant reduction for any of these characteristics.

These transactions do not have speculative purposes; short selling is not allowed.
Moreover, the Investment Policy specifies Market Risk limits and Sensitivity limits.
With regard to Market Risk limits, a warning threshold is specified for the companies, keeping into account the resolutions taken by the respective Administrative Bodies on Risk Appetite and in particular the economic capital component allocated by the Parent Company and by the individual companies to Market Risk.

This warning threshold is set at 95% of the Risk Appetite specified for Market Risk using the Standard Formula methodology.

With regard to Sensitivity limits, the following limits related to the sensitivity of the financial asset portfolios for different risk factors are specified:

a) for widening of the credit spreads of +100 bps;
b) for change in equity prices of -45%.

C.3. Credit risk

Credit risk (Counterparty Default Risk) identifies the risk that a borrower or an enforced guarantor may fail to meet, fully or in part, his monetary obligations towards the Group. Credit risk reflects, therefore, the likely loss generated by an unexpected default of the counterparties and the debtors of the insurance and re-insurance companies in the next 12 months.

The methodological system adopted to assess default risk is represented by the Solvency II Standard Formula. At 31 December 2016, the portfolio exposed to Counterparty Default Risk consists primarily of liquidity deposited at banks and exposure to reinsurers as well as exposure to insurance intermediaries (agencies and brokers) and policyholders.

We provide below the value of the Solvency Capital Requirement for Credit Risk for the year ended 31 December 2016:

Credit SCR at 31/12/2016

Amounts in €k

Exposure type	Exposure	Total PTF %	SCR
Internal Model (IM)	2,661,635	58.0%	112,405
Standard Formula (STDF)	1,924,528	42.0%	307,941
Credit SCR	**4,586,163**		**399,228**

The standard formula integrates risk relating to Type 1 counterparties (basically Banks and Insurance and Reinsurance Companies), assessed on the basis of public parameters such as the rating or the Solvency II Ratio, and the risk relating to Type 2 counterparties (all counterparties not included in Type 1), assessed based on standard weightings. The total requirement of the Group is calculated by adding the two SCR components calculated separately, using a fixed diversification factor.

Concentration of risks

According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at the Group level.

With regard to the management of Credit Risk, the Group has been applying limits based on both operational exposures (deposits and receivables from Insurance and Re-insurance companies), and financial exposures in securities or derivatives to counterparties or groups of counterparties (as well as traditional limits by individual name and risk category). These limits are monitored on an ongoing basis through a process that involves both operating committees and the administrative body.

Moreover the Group Credit Policy, which specifies the Credit Risk assumption practices, sets limits to the assumption of risk towards counterparties with an inadequate credit rating: this credit rating is assessed and constantly monitored, using both external indicators (e.g. market rating or parameters), and indicators specified internally (parameters used also for Partial Internal Model purposes).
With regard to risk concentrations, the individual Companies must comply with the management principles specified in the Risk Concentration Policy.

The Risk Concentration Policy sets a "Concentration limit on investments and receivables", which includes, for each counterparty or group of related parties, in addition to loans and receivables, any exposure to equity or debt securities.

The concentrations are recognised mainly at the level of counterparty or group of related counterparties, sector, geographic area and currency. At 31 December 2016, the Group was mainly exposed to counterparties operating in the financial sector and that exposure consisted primarily of liquidity deposited with banks and exposure to reinsurers.

Risk mitigation techniques

The risk mitigation techniques adopted to mitigate the exposures to Credit Risk are the following:

- *exposures towards re-insurers*: deposits with the Group for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depends 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. The re-insurance agreements may also be subject to downgrade clauses, which specify the obligation to provide additional guarantees if the counterparty fails to meet the minimum credit rating requirements set in the Credit Policy.
- *exposures in derivatives*: derivative contracts are taken out with counterparties subject to ISDA contracts with corresponding Credit Support Annex, which specify the full collateralisation of the Marked to Market exposures.
- *exposures towards intermediaries*: portfolio indemnities are the main forma of mitigation for exposures towards agencies. These are in fact amounts due to the terminated agent in the case of termination of the relation with the Company (for the broker category, indemnities are specified exclusively at the level of CONSAP fund). The right of the Company to offset the indemnity due to the terminated agencies against any debit balance is recognised in Art. 34 of A.N.A. Moreover, Par. 4 deals with the case of withdrawal for just cause. The indemnity is therefore used as form of mitigation of the risk, with a view to reducing exposure.

C.4. Liquidity risk

Liquidity risk is the risk of not having the cash needed to meet the commitments taken, on and off-balance sheet, without incurring financial losses deriving from forced sale of assets in the case of adverse developments.

In order to assess the liquidity profile of the Group and its ability to meet commitments without incurring significant losses, also under stressed conditions, specific analyses are carried out; these analyses include the calculation of the liquidity gap between the cash outflows and the cash inflows on maturities up to 12 months, of the cumulated liquidity gap and the liquidity buffer, which includes any contingency instrument, both in normal condition and in scenarios of stress of the technical variables.

Expected profits in future premiums
The total amount of the expected profits in future premiums calculated pursuant to Art. 260, Par. 2 of the Delegated Regulation (EU) 2015/35 was equal to €313,381k for the life business and €21,438k for the non-life business.

C.5. Operational Risk

Operational Risk is the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources and internal systems, or from external events. Operational Risk includes, from the point of view of the identification and the quantitative evaluation, legal risk, compliance risk (non-compliance with laws and regulations) and IT risk, while it does not include strategic and reputational risk.

The operational risk management system is also applied by the Parent Company using risk-based assessments to the unregulated Subsidiaries included within the scope of additional supervision.

As an integral part of the Internal Control and Risk Management System, the risk management system for Operational Risk contributes to the achievement of the following high-level targets:

- to preserve the assets of the Group and the individual companies in it, ensuring that the exposure to operational risk is consistent with the Risk Appetite specified;
- to improve the overall efficiency of the processes of the Group ensuring that operational risk is identified, measured, controlled and managed according to methodologies specified and consistent within the Group.

The Group calculates the capital requirement for operational risk by using the Standard Formula specified in the Delegated Regulation (EU) 2015/35.

We provide below the capital requirement for Operational Risk calculated by using the Standard Formula for 2016.

Operational SCR

Amounts in €k

Risk module	Operational SCR
Operational SCR	**633,412**

The identification of Operational Risk is based on the collection of information on potential or historical events from all significant sources of information, consistently classified, to represent and feed on an ongoing basis a global Operational Risk database.
The activity of identification consists in the collection of the largest information set possible on the risk event and its possible cause and effects, to increase the knowledge of the specific exposure of the different corporate areas. This activity has also the objective to assess the suitability of the controls and identify the best management solutions to any issue identified.
The collection of business expert opinions, through the RSA (Risk Self Assessment), takes place through interviews of process managers carried out to identify and assess the potential Operational Risk events that may occur within a process, as well as to obtain an assessment of the suitability of the system of controls and identify the best management solutions to any issue identified.

The information gathered through the RSA includes an estimate of the financial impact of the risk event and an estimate of the expected frequency of the event expressed on an annual basis. This estimate also takes into account any historical Operational Risk event actually occurred, with the corresponding loss incurred.

The information gathered on the Operational Risk events is classified using the cause - event - effect framework, to provide a truthful description of the chain of events that have produced the financial impact from the risk event.

The stages in which the activities of identification of the Operational Risk may be divided may be summarised as follows:

- analysis of the processes, verification of applicable laws and regulations and collection of the information deriving from previous analyses or analysis carried out by the control functions;
- identification of the possible Operational Risk events, possible causes and controls in place;
- verification of the completeness of the analysis with respect to the Event Type model[11];
- validation of the data gathered and control of the quality of the analysis carried out.

Within Operational Risk, a significant risk is continuity risk, or defined as the risk of a suspension of corporate processes, as a result of disaster.

To this purpose, the Group has acquired an Operating Continuity Policy, which sets guidelines on operating continuity, to reduce to a minimum the impact of disaster events on the significant services, whether resulting from events at the sector, corporate, local or global level (Business Continuity Management System).

C.6. Other material risks

With regard to the other risk categories, the Group identifies as material the following categories of risk:

- Reputational risk: risk of current or future decrease in profit or assets deriving from a negative opinion of the Group by its main Stakeholders. A corporate reputation management system was developed at the Group level, to build and safeguard the reputational capital and integrate this asset in the business planning processes.
- Strategic Risk: risk of current or future decrease in profit or assets deriving from external elements, such as changes in the operational context and/or limited reactivity to changes in the competitive context, or internal elements, such as incorrect corporate decisions and/or inadequate implementation of decisions. A Reputational & Emerging Risk Observatory was set up at the Group level, to provide a structured control on emerging and reputational risk factors with a strategic and proactive approach, anticipating the trends to prevent emerging risk and identifying future business opportunities.
- Risk of inclusion in a Group: the risk related to the inclusion in a Group, or "contagion" risk, understood as the risk that, because of the relations of the company with the other companies of the Group, difficulties for one of these companies may have negative effects on the solvency of the company itself; it also includes the risk of conflict of interest. This risk is controlled at the Group level through the policies and procedures that regulate the execution of the transactions with "related" parties, pursuant to the current regulations issued by the supervisory authorities of the sector.
- Compliance Risk: the risk of judicial or administrative sanctions, losses or reputational damages resulting from a failure to observe external laws and regulations or internal regulations such as by-Laws, codes of conduct or corporate governance codes; also risk of unfavourable developments in the legislative framework or case law decisions. The Compliance Function assesses the suitability of the organisation and the internal procedures for the prevention of this risk and sets its level.

[11] The Event Type model consists of a classification of risk events based on the banking perimeter model specified by Basel II.

C.7. Any other information

C.7.1 Sensitivity analysis

To monitor the sensitivity to risk factors and important events, the Group carried out some sensitivity analyses.

We list below the sensitivity analyses carried out, with their description.

Interest rates curve sensitivity analysis
To analyse the impact of a (upward/downward) shock to the yield curve, two sensitivity analyses were carried out on the dynamics of the interest rates curve, more precisely, two single financial factor analysis assessing the impact of an upward and downward parallel shift of the entire yield curve (Euro, Serbia, and rest of the world), a shift respectively equal to +50 bps and -10 bps.

Bond yield sensitivity analysis
To analyse the impact of a shock to bond yields, a sensitivity analysis was carried out, assessing the joint impact of an increase in interest rates equal to +25bps and an increase in all government, financial and corporate bond spreads, for all rating classes, all issuers in the portfolio, and all rankings (senior and sub), equal to +50 bps. For the purposes of the calculation of this sensitivity, we estimated the value of the Volatility Adjustment following the shock to the spreads on government and corporate bonds. In particular, in the scenario considered, the Volatility Adjustment was estimated to increase from 13 bps to 36 bps.

Stock market prices sensitivity analysis
To analyse the impact of a shock to stock market prices, a single financial factor sensitivity analysis was carried out, assessing the impact of a downward shock to stock prices, equal to -20%.

Real estate market prices sensitivity analysis
To analyse the impact of a shock to real estate market valuations, a single financial factor sensitivity analysis was carried out, assessing the impact of a downward shock to the value of real estate and real estate funds, equal to -15%.

We provide below the results of the sensitivity analyses carried out at Group level by applying the assumptions and the methodologies described previously. The analyses refer to the year in question and take, as Base Scenario, the risk profile calculated according to the Standard Formula.

Sensitivities

Description	Impact with respect to central scenario	Impact on Solvency II Ratio
Shift upward of the interest yield curve	+50 bps	+3 bps
Shift downward of the interest yield curve	-10 bps	-1 bps
Shock on yield	interest rate: +25 bps credit spread: +50bps	-4 bps
Shock on equity market	-20%	-3 bps
Shock on property market	-15%	-5 bps

VALUATION
FOR SOLVENCY PURPOSES

Introduction

The solvency capital requirement envisaged in the Directive is determined as the economic capital that insurance and reinsurance companies must hold so as to guarantee that the "default" event does not occur more than once in every 200 cases or, alternatively, that the companies in question will still be able to honour their obligations, with a probability of at least 99.5%, to contracting parties and beneficiaries in the next twelve months. The capital is assessed on the basis of a financial prepared according to the "Market Consistent" criteria specifically identified in the Regulation. These criteria generally follow the fair value measurement as defined in international accounting standards (IFRS 13), to be determined on the basis of the following hierarchy:

I. prices listed on active markets for the same assets and liabilities;
II. prices listed on active markets for similar assets and liabilities, suitably adjusted to take into account differences compared to the listed assets and liabilities;
III. values taken from internal "Mark to Model" valuation models. The data used in such models must as far as possible be taken from information implicit in the market assessments referred to in the previous points.

A consolidated balance sheet is therefore prepared using Solvency II criteria, referred to as the Market Consistent Balance Sheet (MCBS), by following the steps below:

- aggregation of the MCBSs of the entities consolidated line-by-line in accordance with the Solvency II scope of consolidation;
- determination of consolidation adjustments;
- preparation of the Group MCBS.

The values of the Market Consistent Balance Sheet prepared with reference to 31 December 2016 are reported below in the "Solvency II Value" column, accompanied by a comparison with:

- the values determined for the Consolidated Financial Statements, reclassified on the basis of the MCBS items ("Consolidated Financial Statements Value - IFRS Scope" column);
- the values determined for the Consolidated Financial Statements, reclassified on the basis of the MCBS items and adjusted to represent a line-by-line consolidation scope uniform with that used to prepare the MCBS ("Consolidated Financial Statements Value - Solvency II Scope" column).

Statement of financial position (MCBS) - current values

Assets

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Consolidated FS value – IFRS Scope
Goodwill		1,581,794	1,591,665
Deferred acquisition costs		90,468	90,468
Intangible assets		417,444	427,317
Deferred tax assets	1,148,873	801,302	1,007,413
Pension benefit surplus			
Property, plant & equipment held for own use	1,793,047	1,694,329	1,923,290
Investments (other than assets held for index-linked and unit-linked contracts)	61,431,380	60,933,117	61,224,559
Property (other than for own use)	2,401,443	2,324,041	2,394,350
Holdings in related undertakings, including participations	1,319,827	1,164,696	85,567
Equities	619,936	624,165	689,927
Bonds	55,208,162	54,938,305	56,133,746
Collective Investments Undertakings	1,536,408	1,536,306	1,582,333
Derivatives	99,139	99,139	99,172
Deposits other than cash equivalents	246,465	246,465	239,464
Other investments			
Assets held for index-linked and unit-linked contracts	9,966,493	9,966,149	9,963,216
Loans and mortgages	459,003	459,003	10,309,920
Loans on policies	34,653	34,653	34,653
Loans and mortgages to individuals	307,140	307,140	307,140
Other loans and mortgages	117,209	117,209	9,968,127
Reinsurance recoverables from:	780,655	878,009	878,009
Non-life and health similar to non-life	701,927	799,281	799,281
Non-life excluding health	674,289	799,281	799,281
Health similar to non-life	27,639		
Life and health similar to life, excluding health, index-linked and unit-linked	78,728	78,728	78,728
Health similar to life			
Life, excluding health, index-linked and unit-linked	78,728	78,728	78,728
Life index-linked and unit-linked			
Deposits to cedants	20,650	20,650	20,650
Insurance and intermediaries receivables	1,497,993	1,497,993	1,497,993
Reinsurance receivables	99,636	99,636	99,636
Receivables (trade, not insurance)	167,617	167,617	187,994
Own shares (held directly)	29,402	27,781	27,781
Amounts due in respect of own fund items or initial fund called up but not yet paid in			
Cash and cash equivalents	1,907,844	1,907,844	503,053
Any other assets, not elsewhere shown	1,900,158	1,900,158	2,109,111
Total assets	**81,202,749**	**82,443,293**	**91,862,074**

Liabilities

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Consolidated FS value – IFRS Scope
Technical provisions – non-life	15,262,488	15,861,747	15,861,747
Technical provisions – non-life (excluding health)	14,311,158	15,861,747	15,861,747
Technical provisions calculated as a whole			
Best Estimate	13,698,738		
Risk margin	612,420		
Technical provisions - health (similar to non-life)	951,330		
Technical provisions calculated as a whole			
Best Estimate	897,519		
Risk margin	53,811		
Technical provisions - life (excluding index-linked and unit-linked insurance contracts)	42,188,578	41,075,003	41,075,003
Technical provisions - health (similar to life)			
Technical provisions – life (excluding health and index-linked and unit-linked insurance contracts)	42,188,578	41,075,003	41,075,003
Technical provisions calculated as a whole			
Best Estimate	41,804,980		
Risk margin	383,598		
Technical provisions – index-linked and unit-linked	9,967,489	9,988,118	9,988,118
Technical provisions calculated as a whole			
Best Estimate	9,935,493		
Risk margin	31,996		
Other technical provisions			
Contingent liabilities			
Provisions other than technical provisions	1,023,988	1,023,988	480,730
Pension benefit obligations	107,382	107,382	124,562
Deposits from reinsurers	233,105	233,105	233,105
Deferred tax liabilities	31,693	35,845	35,866
Derivatives	408,942	408,942	411,730
Debts owed to credit institutions	284,829	284,829	964,451
Financial liabilities other than debts owed to credit institutions	1,716,382	1,632,227	9,916,469
Insurance and intermediaries payables	150,425	150,425	150,425
Reinsurance payables	76,416	76,416	76,416
Payables (trade, not insurance)	170,402	170,402	217,256
Subordinated liabilities	2,146,334	2,027,295	2,518,655
Subordinated liabilities not included in Basic Own Funds			
Subordinated liabilities included in Basic Own Funds	2,146,334	2,027,295	2,518,655
Any other liabilities, not elsewhere shown	1,255,270	1,255,270	1,646,171
Total liabilities	**75,023,722**	**74,330,993**	**83,700,703**
Excess of assets over liabilities	**6,179,027**	**8,112,300**	**8,161,371**

The following paragraphs illustrate the main differences in assessments for MCBS purposes and Solvency II scope consolidated financial statement purposes.

Please refer to Chapter A for a description of the Solvency II scope of consolidation and the main differences with the scope of consolidation for the purposes of the Consolidated Financial Statements.

Below, the differences, classified in accordance with the MCBS layout, are described between the values reported in the Consolidated Financial Statements and the values obtained by consolidating, with other international accounting standard criteria remaining the same, the Group companies on the basis of what is set forth in the Regulation for the preparation of the MCBS. This statement makes it possible to identify the effects deriving from the different methods of consolidation of the investee entities of the parent company Unipol adopted to prepare the Consolidated Financial Statements with respect to those used for the preparation of the MCBS. As mentioned previously, such differences derive from the lack of line-by-line consolidation of the subsidiaries belonging to the financial sector and the subsidiary entities that are not instrumental companies within the scope of the Unipol Insurance Group.

The "Consolidated Financial Statements Value - IFRS Scope" column reclassifies the balances based on the scope of consolidation set forth for the Consolidated Financial Statements, reclassified according to the layout required for the MCBS.

The "Consolidated Financial Statements Value - SII Scope" column reclassifies the balances of the Consolidated Financial Statements based on the Solvency II scope of consolidation.

The central column shows the adjustments due to the differnt consolidation methods.

Assets

Amounts in €k	Consolidated FS value – IFRS Scope	Adjustments for different consolidation methods	Consolidated FS value – Solvency II Scope
Goodwill	1,591,665	(9,871)	1,581,794
Deferred acquisition costs	90,468		90,468
Intangible assets	427,317	(9,873)	417,444
Deferred tax assets	1,007,413	(206,111)	801,302
Pension benefit surplus			
Property, plant & equipment held for own use	1,923,290	(228,961)	1,694,329
Investments (other than assets held for index-linked and unit-linked contracts)	61,224,559	(291,441)	60,933,117
Property (other than for own use)	2,394,350	(70,309)	2,324,041
Holdings in related undertakings, including participations	85,567	1,079,129	1,164,696
Equities	689,927	(65,762)	624,165
Bonds	56,133,746	(1,195,441)	54,938,305
Collective Investments Undertakings	1,582,333	(46,027)	1,536,306
Derivatives	99,172	(32)	99,139
Deposits other than cash equivalents	239,464	7,001	246,465
Other investments			
Assets held for index-linked and unit-linked contracts	9,963,216	2,933	9,966,149
Loans and mortgages	10,309,920	(9,850,917)	459,003
Loans on policies	34,653		34,653
Loans and mortgages to individuals	307,140		307,140
Other loans and mortgages	9,968,127	(9,850,917)	117,209
Reinsurance recoverables from:	878,009		878,009
Non-life and health similar to non-life	799,281		799,281
Life and health similar to life, excluding health, index-linked and unit-linked	78,728		78,728
Life index-linked and unit-linked			
Deposits to cedants	20,650		20,650
Insurance and intermediaries receivables	1,497,993		1,497,993
Reinsurance receivables	99,636		99,636
Receivables (trade, not insurance)	187,994	(20,377)	167,617
Own shares (held directly)	27,781		27,781
Amounts due in respect of own fund items or initial fund called up but not yet paid in			
Cash and cash equivalents	503,053	1,404,792	1,907,844
Any other assets, not elsewhere shown	2,109,111	(208,953)	1,900,158
Total assets	**91,862,074**	**(9,418,780)**	**82,443,293**

Liabilities

Amounts in €k	Consolidated FS value – IFRS Scope	Adjustments for different consolidation methods	Consolidated FS value – Solvency II Scope
Technical provisions – non-life	15,861,747		15,861,747
Technical provisions - life (excluding index-linked and unit-linked insurance contracts)	41,075,003		41,075,003
Technical provisions - health (similar to life)			
Technical provisions – life (excluding health and index-linked and unit-linked insurance contracts)	41,075,003		41,075,003
Technical provisions – index-linked and unit-linked	9,988,118		9,988,118
Other technical provisions			
Contingent liabilities			
Provisions other than technical provisions	480,730	543,258	1,023,988
Pension benefit obligations	124,562	(17,180)	107,382
Deposits from reinsurers	233,105		233,105
Deferred tax liabilities	35,866	(21)	35,845
Derivatives	411,730	(2,788)	408,942
Debts owed to credit institutions	964,451	(679,622)	284,829
Financial liabilities other than debts owed to credit institutions	9,916,469	(8,284,242)	1,632,227
Insurance and intermediaries payables	150,425		150,425
Reinsurance payables	76,416		76,416
Payables (trade, not insurance)	217,256	(46,855)	170,402
Subordinated liabilities	2,518,655	(491,360)	2,027,295
Subordinated liabilities not included in Basic Own Funds			
Subordinated liabilities included in Basic Own Funds	2,518,655	(491,360)	2,027,295
Any other liabilities, not elsewhere shown	1,646,171	(390,901)	1,255,270
Total liabilities	**83,700,703**	**(9,369,710)**	**74,330,993**
Excess of assets over liabilities	**8,161,371**	**(49,070)**	**8,112,300**

The differences in the balances of the individual asset and liability items are due to the change in the consolidation method from line-by-line to the equity method for certain Group companies (the “Companies with different consolidation methods”).

In particular, the different consolidation method entailed:

a) an increase in “Shares held in investee companies, including equity investments”, in relation to the shareholders' equity pertaining to the group of Companies with different consolidation methods;[12]
b) the decrease in other asset and liability items, due to the individual assets and liabilities included in the balance sheets of the Companies with different consolidation methods;
c) the cancellation of the intra-group receivable/payable elimination entries relating to transactions between entities consolidated line-by-line within the scope of Solvency II and the Companies with different consolidation methods.

[12] Based on the criteria laid out in IAS 28, consolidation with the equity method constitutes a “synthetic method” that represents the effects on shareholders’ equity of the investor only in the equity investments item, rather than in all asset and liability items as instead is required in the case of line-by-line consolidation in application of IFRS 10. In general, line-by-line consolidation or consolidation with the equity method should not result in changes with reference to the consolidated shareholders’ equity pertaining to the group of the investor company.

With reference to the difference between assets and liabilities (inclusive of the value of own shares[13]), the effect of the different method of consolidation is equal to €49,070k, which corresponds to the share of equity pertaining to non-controlling interests of the Companies with different consolidation methods, consisting predominantly of the share pertaining to non-controlling interests of the shareholders' equity of the Unipol Banca Group, equal to €34,150k.

The paragraphs below comment on the differences in value deriving from the different valuation of assets and liabilities in the Consolidated Financial Statements and the MCBS with a like-for-like scope of consolidation using method 1 set forth in the Solvency II regulation.

D.1. Assets

D.1.1 Valuation criteria

This section illustrates the criteria, methods and models used by the Group to identify and measure assets in the MCBS.

Intangible assets

The valuation criteria defined in the Regulation generally envisage that intangible assets are attributed a zero value. Exceptions are intangible assets that can be sold separately from the rest of the Group's assets and for which a price is available on an active market for similar assets. The Group does not hold any assets of this type.

Financial assets and liabilities (excluding participations) and properties

Financial assets and liabilities are measured at fair value on the basis of the hierarchy defined in the Regulation. The fair value measurement criteria as adopted by the Unipol Group in application of IFRS 13 are provided below.
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 participations, ETFs	Reference market	
	Unlisted shares and participations		DCF DDM Multiples
	Listed derivatives	Reference market	
	OTC derivatives		Mark to Model
	UCITS	Net Asset Value	
Receivables			Other receivables (Carrying amount)
Property			Appraisal value

In compliance with IFRS 13, the market price (Mark to Market) is used to determine the fair value of financial instruments, in the case of instruments traded in an active market.
"Active market" means:

[13] The total consolidated shareholders' equity (group and non-controlling interests) resulting from the IFRS consolidated financial statements of the Unipol Group is equal to €8,133.6m, corresponding to the item "Excess of assets over liabilities" net of the amount of "own shares". Own shares constitute an identifiable asset in the MCBS but not in the IFRS financial statements.

- the regulated market in which the instrument subject to measurement is traded and regularly listed;
- the multilateral trading facility (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 an 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.

<u>Mark to Market valuations</u>
With reference to listed shares, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the reference market.
In relation to bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:

a) the primary source is the CBBT price provided by data provider Bloomberg;
b) where the price referred to in 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.

<u>Mark to Model valuations</u>
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 separate 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 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 each reference currency;
- interest rate volatility surface for each reference currency;
- CDS spread or Asset Swap spread curves of the issuer;

- inflation curves for each 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.

Note that, 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 specific 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 OTC derivatives for which there is a collateralisation agreement (Credit Support Annex) between the 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 year end almost all derivative positions represent collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

With reference to unlisted shares for which a market price or an appraisal drafted by an independent expert is not available, valuations are performed mainly on the basis of:

- equity methods;
- 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;
- 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 recognition 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.
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.

<u>Fair value measurement for structured bonds and structured SPV bonds.</u>
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 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 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 make 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.

As regards the valuation of other (non-technical) financial liabilities, the fair value is measured by taking into account the credit rating of the company "at inception", without considering any subsequent changes in the company's credit rating.

Participations

The recognition value of participations[14] in the MCBS is determined on the basis of the following hierarchy:

- prices listed on active markets for the same assets and liabilities;
- percentage interest in the investee's equity determined on the basis of MCBS valuation criteria;
- percentage interest in the investee's equity determined on the basis of international accounting standards, taking into account the measurement criteria for intangible assets;
- internal valuation models.

In particular, pursuant to the Regulation:

- participations in subsidiaries are measured on the basis of the investor's percentage interest in the equity, determined according to the MCBS preparation criteria adopted by the subsidiary concerned;
- participations in companies such as credit institutions, investment firms and financial institutions, UCITS management companies are measured based on the proportional share of own funds of the company calculated pursuant to the pertinent sector regulations;
- participations in associates are measured on the basis of the investor's percentage interest in the equity, determined according to IFRS (less any intangible assets of the investee).

Based on the criteria for preparing the Consolidated Financial Statements, the participations held are measured based on the share of equity, determined on the basis of the same criteria as those used to prepare the Consolidated Financial Statements.

[14] The participations are identified by the Regulation and the Directive as investments in associates or subsidiaries or for which the Group holds at least 20% of the voting rights or capital.

Deferred tax assets and liabilities

The deferred tax calculation recognised in the MCBS was performed by applying the criteria identified in international accounting standards (IAS 12), suitably supplemented with the provisions of Articles 20-22 of IVASS Regulation no. 34 of 7 February 2017.

Other assets

For all other assets and liabilities not included in the categories of previous paragraphs, taking into account the related characteristics, the recognition value in the MCBS is consistent with their value determined for the Consolidated Financial Statements.

D.1.2 Quantitative information on asset valuation

Intangible assets

In line with the regulatory provisions of the Directive, for solvency purposes the Group does not assign a value to goodwill, or to other intangible assets, as a listing of similar assets on an active market is not available.

Intangible assets

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Goodwill		1,581,794	(1,581,794)
Deferred acquisition costs		90,468	(90,468)
Intangible assets		417,444	(417,444)
Total		**2,089,706**	**(2,089,706)**

Following the necessary adjustments to the three items indicated above in the MCBS, the Group recorded a decrease in shareholders' equity in the Solvency II scope consolidated financial statements for €2,089,706k, gross of related tax effects.

Land, buildings and other tangible fixed assets

Land and buildings were recognised in the MCBS at fair value, determined on the basis of expert independent appraisal reports. The value recognised in the Consolidated Financial Statements corresponds to the purchase cost systematically amortised over the life of the asset, adjusted if necessary for any impairment losses.

Tangible assets

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Property, plant & equipment held for own use	1,793,047	1,694,329	98,718
Property (other than for own use)	2,401,443	2,324,041	77,401
Total	**4,194,490**	**4,018,371**	**176,119**

Note that in reference to other tangible assets (e.g. equipment, plant, machinery, vehicles, etc.), the recognition value in the MCBS is consistent with the recognition value in the Consolidated Financial Statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

Following the fair value measurement of those assets, the Group recorded an increase in assets by €176,119k in the MCBS compared to the Consolidated Financial Statements, gross of the related tax effect.

Financial assets for which investment risk is borne by policyholders

The MCBS item "*Assets held for index-linked and unit-linked contracts*" includes all the financial assets for which investment risk is borne by the policyholders (unit-linked, index-linked and pension funds).

Financial assets when the investment risk is borne by policyholders

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Assets held for index-linked and unit-linked contracts	**9,966,493**	**9,966,149**	**343**

These assets were also measured at fair value in the Consolidated Financial Statements. The difference recognised is due to the fact that, in the Consolidated Financial Statements, the fair value measurement method used for financial instruments classed as unit-linked was consistent with the valuation of liabilities payable to the policyholders and the NAV for unit-linked products. This fair value measurement method for financial assets differs slightly to that used for the purpose of MCBS preparation. Also considering that for preparation of the MCBS the valuation of financial assets classed as unit-linked is in any event fully consistent with the measurement criteria for the corresponding liabilities to the policyholders, the slight differences in fair value measurement methods have no appreciable impact on the total difference between assets and liabilities in the MCBS and in the Consolidated Financial Statements.

Other investments (excluding participations)

As a general principle, all investments are measured at fair value as required by the SII Directive. The value recognised in the Consolidated Financial Statements instead depends on the category in which the financial instruments are classified:

- held-to-maturity investments (recognised at amortised cost, written down if necessary for any impairment losses);
- loans and receivables (recognised at amortised cost, written down if necessary for any impairment losses);
- available-for-sale financial assets (measured at fair value);
- financial assets at fair value through profit or loss (measured at fair value).

With reference to investments formed by deposits with financial institutions ("*Deposits other than cash equivalents*") and by "*Loans and mortgages*", the recognition value in the MCBS is consistent with the recognition value in the Consolidated Financial Statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

Other financial investments

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Equities	619,936	624,165	(4,229)
Bonds	55,208,162	54,938,305	269,857
Collective Investments Undertakings	1,536,408	1,536,306	101
Derivatives	99,139	99,139	
Deposits other than cash equivalents	246,465	246,465	
Loans and mortgages	459,003	459,003	
Total	**58,169,112**	**57,903,383**	**265,730**

The fair value measurement resulted in an increase in MCBS assets compared to the Consolidated Financial Statements by €265,730k, gross of the related tax effect.

Participations

Participations

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Holdings in related undertakings, including participations	**1,319,827**	**1,164,696**	**155,131**

The different criteria for calculating the value of Participations led to an increase in assets by €155,131k in the MCBS compared to the Consolidated Financial Statements, gross of the related tax effect. This increase is attributable primarily to the method of consolidation laid out by the Solvency II regulation of Unipol Banca and its subsidiaries, which requires an assessment of participations in credit institutions based on the proportional share of own funds of the investee companies calculated pursuant to pertinent sector rules (Basel III). The main difference between the IFRS shareholders' equity of the Unipol Banca Group and the own funds determined on a sub-consolidated basis based on the Basel III regulation consists of the subordinated liabilities issued by Unipol Banca which, although they are not equity instruments pursuant to IFRS, are partially eligible for calculation in the amount of own funds pursuant to prudential supervision regulations applicable to credit institutions.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount of assets and liabilities in the MCBS and their value recognised for tax purposes.

Deferred tax assets and liabilities

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Deferred tax assets	1,148,873	801,302	347,570
Deferred tax liabilities	(31,693)	(35,845)	4,151
Net total	**1,117,179**	**765,457**	**351,722**

The differences compared to the Consolidated Financial Statements are associated with the deferred tax effect of temporary differences deriving from adjustments to the asset and liability valuations commented on in paragraphs D.1, D.2 and D.3.

The main differences are due:

- to intangible assets represented by goodwill implicit in the carrying amount of the participations, the reversal of which is expected in 10 years as of 2018;
- to financial investments, consisting primarily of bonds. The temporary differences relating to such securities will be cancelled out progressively as maturity approaches or when the securities are disposed of. Please note that the average duration of the Unipol Group's financial investments portfolio is 5.37 years;
- to Life and Non-Life technical provisions. Please note that the duration of the Best Estimates of the Unipol Group is 6.19 years;

At the reporting date there are no tax losses eligible to be carried forward or unused tax credits and consequently the corresponding deferred tax assets have not been recognised.

Other assets

The differences recognised between other assets in the MCBS and their corresponding valuations in the Consolidated Financial Statements are provided below.

Other assets

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Deposits to cedants	20,650	20,650	
Insurance and intermediaries receivables	1,497,993	1,497,993	
Reinsurance receivables	99,636	99,636	
Receivables (trade, not insurance)	167,617	167,617	
Own shares (held directly)	29,402	27,781	1,621
Cash and cash equivalents	1,907,844	1,907,844	
Any other assets, not elsewhere shown	1,900,158	1,900,158	
Total	**5,623,299**	**5,621,678**	**1,621**

The difference in the value of own shares is attributable to the valuation of the Parent Company's own shares at listed price.

In reference to the other assets in the above table, the recognition value in the MCBS is consistent with the recognition value in the Consolidated Financial Statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

Leasing and rental agreements - assets

Please note that there were no significant lease agreements in place at 31 December 2016.

D.2. Technical provisions

The valuations for solvency purposes of the group's technical provisions were all analogous with those carried out for the same purpose by each individual company. The consolidated values were obtained from the corresponding "solo" values, also making the appropriate adjustments to deduct components relating to intra-group transactions.

D.2.1 Valuation criteria

In accordance with the Directive, the Solvency II technical provisions (Life and Non-Life) are calculated for each company within the scope as the sum of the Best Estimate of Liabilities (BEL) and a Risk Margin.

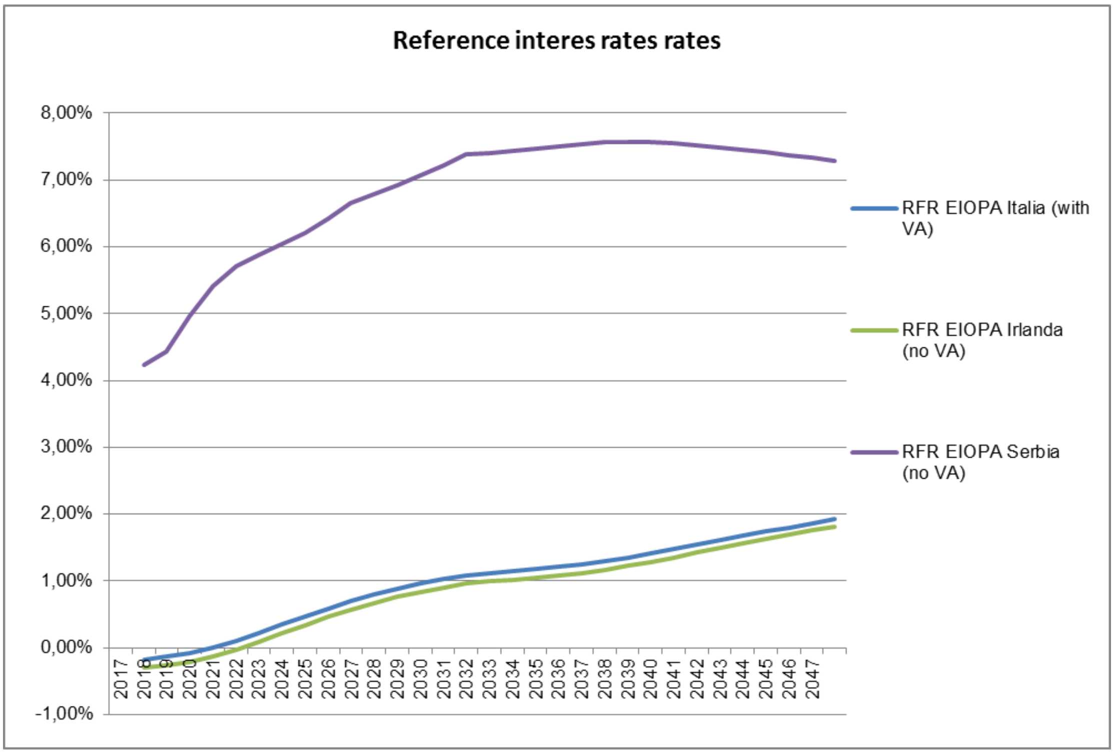
The main difference compared to the current applicable regulations for preparation of the financial statements (e.g. ISVAP Regulation no. 22 of 4 March 2008, amended and supplemented by IVASS Measure 53/2016), which establish that the valuation must comply with the principle of prudence, is represented by the adoption of a "market" value. The value of the technical provisions, in fact, must correspond with "*the amount that an insurance or reinsurance company would have to pay if its contractual rights and obligations were immediately transferred to another company*".

In this sense, the risk margin assumes the meaning of risk premium or, in actuarial terms, safety loading, whereas the prudence is included in the retention of an adequate level of capital.

These principles are satisfied in the adoption of a Discounted Cash Flow (DCF) method for the BEL valuation, eliminating all forms of prudence (e.g. final cost valuation for claims provisions, inclusion of provisions for unexpired risks and supplementary provisions for the premium provision) and including - in the valuation - all variables that could affect the amount of future cash flows.

The BEL corresponds to the present estimated value of future cash flows calculated on the basis of the relevant due dates structure of risk-free interest rates, taking into account the volatility adjustment referred to in Art. 77-*quinquies* of the Directive, when applied.

The structures by maturity of the risk-free interest rates used in calculating the BEL are differentiated based on the country in which each Group company is located.
The volatility adjustment is adopted only for the Italian Companies and is determined on the basis of EIOPA specifications with reference to a benchmark portfolio representing the assets covering the technical provisions in which the insurance and reinsurance companies invest.
The figures below show the rate curves adopted for the assessment of the BELs at 31 December 2016 for each reference country.



Best Estimate Liability Non-Life

The Best Estimate Liability, equal to the sum of the claims BEL and premiums BEL, was calculated in accordance with the principles stated in the regulation, by applying suitable statistical/actuarial models and net of amounts recovered from the policyholders and from third parties for the portion not already recognised as assets in the statement of financial position.

The value of the group's Claims BEL is obtained based on the calculation of the individual Claims BELs for each Company.
Details on their calculation and on the methodologies and models used are described in the reports prepared for the individual companies. For the companies DDOR and DDOR-Re, simplified approaches based on financial statement values are adopted.

The amount of the Claims Best Estimates for the Group is based on the sum of the "solo" values adjusted for intra-group transactions:

$$BE^{Group} = \sum_{i=1}^{N} BE_i^{(No\ Infr)} = \sum_{i=1}^{N} \frac{BE_i}{RS_i} RS_i^{(No\ Infr)}$$

The adjusted BEs ($BE_i^{(No\ Infr)}$) are determined based on the claims provisions net of intra-group movements ($RS_i^{(No\ Infr)}$) calculated for the purpose of the Consolidated Financial Statements. Indeed, the incidence of the Claims BEs on the Claims Provision in the financial statements for each stand-alone company is applied to this amount.

The premiums BEL was calculated in a manner fully analogous with the calculation made at individual company level, based on the cash flows obtained from the projection of each company's historic ratios (loss ratio and expense ratio, estimated by considering an average for the last three years, or in certain cases the growth trend), applied to the existing portfolio values at the time of valuation, separately for each business line, but net of intra-group transactions. The total estimated cost is attributed to the settlement period based on the pattern of claims experience (from current business) to obtain the correct cash flow, the present value of which constitutes the Premiums BE. The cash flows take into account all the items, incoming and outgoing, generated by the combination of future premiums, claims not yet received, allocated and unallocated settlement expenses, commissions and administrative expenses deriving from existing contracts.

Analogous with the calculation made by individual company, the total liabilities recognised in the consolidated financial statements against the provisions for profit-sharing and ageing were considered a reasonable estimate of the corresponding liabilities for recognition in the Market Consistent Balance Sheet (MCBS). These provisions were also recorded in the premiums BEL.

The comparison between Non-Life technical provisions measured for the Market Consistent Balance Sheet and those calculated for the Consolidated Financial Statements shows different approaches relating to the assumptions adopted for the calculation and the underlying risks. The main differences between the two regulatory regimes are summarized below:

	Solvency II	Consolidated Financial Statements
Valuation approach	Matching adjustment concept	Prudent assumption concept
Time value of money	Discounted cost	Final cost
Handling of recoveries	Net recoveries	Gross recoveries

As the Best Estimate Liability is a present value of estimated future cash flows, it is by definition an estimate subject to uncertainty in the final cost projection and in the assumed due dates structure for interest rates. In order to assess the main sources of uncertainty in the BEL calculation, a number of sensitivity analyses were carried out. The following, for example, shows the change in BEL as the interest rate structure changes.

BEL (Net of reins.) Discount curve sensitivity analysis

Amounts in €k	Claims BEL	Premiums BEL	TOTAL
Curve - 2015 - without VA	(0.42)%	(0.38)%	(0.41)%
Curve - 2015 - basic	(1.06)%	(0.98)%	(1.05)%
Curve - 2016 - without VA	0.39%	0.36%	0.38%
Curve - 2016 - basic	11,332,508	2,561,822	13,894,329
Curve - 2016 - basic + 1%	(2.90)%	(2.75)%	(2.87)%

Compared to the curve used, a volatility adjustment of zero would lead to an upward change in BEL by around 0.38%. A 1% increase in the curve would result in a reduction of approximately 2.9%. Lastly, if the curve remained unchanged compared to 31 December 2015, the BEL would be lower by around 1%.

Best Estimate Liability Life

The value of the group's Life BEL is obtained based on the calculation of the individual BELs for each Company. Details on their calculation and on the methodologies and models used are described in the reports prepared for the individual companies. For the companies UnipolRe and DDOR-Life, simplified approaches based on financial statement values are adopted.

The Life BEL valuation method uses an ALM-type stochastic approach which allows an integrated "fair value" measurement of assets and liabilities.

The most significant product category within the portfolio of Group Companies, particularly those based in Italy, consists of revaluable products linked to returns of the Segregated Accounts. In this case, the typical quantities for the calculation of the Life BELs are projected at "point" level deriving from the non-destructive aggregation of information on individual policies that have the same characteristics, including the individual Company's technical and actuarial assumptions and also making use of standard stochastic simulation approaches for the financial variables.

ALM logic simulates the actions performed by each individual Company based on the future growth of amounts representing the policies portfolio (liabilities) and the underlying portfolio of financial securities (assets). In the specific case of products with performances that can be revalued in terms of separate management returns, ALM logic envisages a circuitry that can be summarised in the following logical steps, repeated for every instant on the reference time horizon (monthly or annual):

- calculation of the returns for every separately managed account, according to the rules envisaged in the separate management regulations;
- revaluation of the benefits provided to the policyholders based on the returns calculated in the previous step;
- calculation of the net balance of liability items: tariff premiums collected - benefits - operating expenses for the period on the securities portfolio.

If the balance is negative, the model draws upon the liquidity in the assets portfolio, and if this is still not sufficient to cover commitments to the policyholders, the sale of financial securities in the portfolio is arranged, with subsequent gains/losses realised with an impact on separate management returns for the next instant and therefore on subsequent indexed benefits.

In the projection, the model also makes use of information related to “management actions”, which translates into suitable conditioning factors for the simulation process, the strategic guidelines for financial portfolio management used by each Company.

The process of determining the BELs connected to Segregated Accounts takes place through Montecarlo simulation models, i.e. simulating the returns of funds underlying the insurance contract. For this purpose an Economic Scenario Generator (ESG) is used, which makes use of specific projection models for sources of market risk and which is also adopted to measure the Life Insurance Technical risks. This approach allows the inclusion in technical provisions of a valuation of the cost of financial guarantees and options, if any.

In relation to linked type products, including pension funds belonging to Class VI, for which the value of the Group Companies’ commitments to the policyholders is linked to the market value of the underlying financial portfolios, the characteristic amounts are projected for each policy based on the development of a benchmark representing the financial portfolio. As for revaluable products, also for the assessment of class III and VI policies technical and actuarial assumptions are used for each individual Company and standard techniques are used for the stochastic simulation of the financial variables.
For each portfolio segment, the BEL calculations are also based, aside from on the economic assumptions described above, on a series of operating assumptions relating mainly to:

- Development of biometric risk factors;
- Operating expenses;
- Exercise frequency of options granted to the customer.

These assumptions are determined as the best possible estimate at the valuation date on the basis of the historic experience of the individual Group Companies, if available, or of appropriate market benchmarks.

For many reasons, associated for example with the unavailability of all the necessary detailed and/or series of information which proves inefficient for tariffs with immaterial portfolio volumes, a part of the Group’s Life portfolio is not accurately modelled in the actuarial platform adopted for the projection of cash flows. However, it is included in the overall estimation of the BEL, albeit approximately, through assimilation with products in the same sub-portfolio of reference, accurately assessed by the actuarial platform. The percentage of the portfolio not accurately modelled, subject to simplified valuation, is overall less than 5%.

In order to assess the main sources of uncertainty in the BEL calculation, a number of sensitivity analyses were carried out on the main scenarios affecting the financial and non-financial value. Each valuation was performed by keeping all other scenarios unchanged, including the management actions.

It should be emphasised that the scenarios subject to sensitivity analysis are often correlated, and therefore it is unlikely that the impact of two events occurring simultaneously would be the sum of the impacts of the two respective sensitivities.

The following table illustrates the sensitivity analyses of the Life BEL, recorded in the MCBS at 31 December 2016 of the Group's Italian Companies. The BEL considered amounted to €49,066,545k and constituted 94.8% of the Group portfolio; the percentage changes with respect to the base calculation are reported below.

Sensitivity	Sensitivity description	
IR -20bps	Downward shift of 20 base points of the curve with no risk reference	1.36%
IR +20bps	Upward shift of 20 base point of the curve with no risk reference	(1.31)%
Surrenders -50%	50% decrease of redemption rates (multiplier factor, ie 50% of the best estimate redemption assumption)	0.69%
Surrenders +50%	50% increase of redemption rates (multiplier factor, ie 150% of the best estimate redemption assumption)	(0.66)%
Mortality +15%	15% increase in mortality (multiplier factor, i.e 115% of death probabilities is considered)	(0.11)%
Mortality -20%	20% decrease of mortality (multiplier factor, i.e. 80% of death probabilities is considered)	0.19%
Expenses +10%	10% increase of management costs and 1% increase of the expected inflation rate	0.22%
No volatility adjustment	Reduction of the reference rate curve equal to the amount of volatility adjustment	0.69%
No FS restrictions	Cancellation of the budget constraint (i.e. the reallocation, for each financial portfolio at year end, of the projection of the book value of the securities to the amount of the mathematical reserve)	(0.04)%
No yeild target	The management rule for targeting a performance for each projection year is deactivated	0.04%

The sensitivity with the greatest impact on the BEL is that relating to a 20 bps change in the reference rate curve. The impact of the sensitivity analysis to a 20 bps decrease in the reference curve leads generally to an increase in the BEL.

The sensitivity analysis of technical variables shows that the amount of the BEL would increase following a decrease in surrenders, a decline in the mortality rate and obviously on increase in the operating expense of contracts.

The cancellation of financial statement restrictions and likewise cancellation of the operating rule concerning target returns in this economic scenario has a rather limited impact on the BEL total.

Provisions - Reinsurers' share

LIFE

As regards the calculation of the reinsurers' share of provisions for the Life business, note that in view of the reduced ceding of Life business through the reinsurance channel it was not necessary to develop a specific BEL valuation of the reinsurers' share, which was therefore posted as equal to the reinsurers' share of provisions indicated in the financial statements of each individual Company, net of intra-group transfers. Again in consideration of the very limited volumes, the same approach is applied to the BEL for indirect business.

NON-LIFE

Calculation of the reinsurers' share of provisions for the Non-Life and Health businesses was performed, like the calculation carried out at individual company level, by applying - on direct and indirect business volumes ceded (net of any intra-group components) - the results obtained for the gross direct business, and then estimating expected losses due to reinsurance counterparty default calculated on the basis of the volumes of provisions divided into reinsurer rating classes using the probability of default (PD) and the estimated loss given defaults (LGD).

In particular, for each individual company:

- the claims BEL for premiums ceded was calculated by applying to the corresponding financial statements aggregate the ratios between the BEL and financial statements provisions and the breakdown of provisions patterns estimated - for each business segment - on the gross premiums figures;
- the premiums BEL for premiums ceded was calculated using the loss ratios (net of indirect settlement expenses), withdrawal rates and the time allocation percentages estimated on gross premiums figures.

Methodology of valuation of the Risk Margin

The Risk Margin represents the cost of holding an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) needed to support insurance and reinsurance obligations assumed throughout their contractual life.

The method adopted involves calculating the Risk Margin of each group company separately for Non-Life and Life business, so as to take into account the specific features of the two businesses, and calculating the total Risk Margin as the sum of the figures indicated previously.
The Group's consolidated Risk Margin is equal to the sum of the values obtained for the individual companies within the scope.

The Risk Margin is calculated for each company on the basis of the following input data:
- SCR related to operational risk;
- SCR related to credit risk;
- SCR related to Non-Life and Health technical insurance risks (including CAT risk) or Life technical insurance risks quantified according to the different risk assessment methods;
- SCR related to Ring Fenced Funds;
- settlement speed estimate for the best estimate component of technical liabilities;
- risk-free rate curve.

To estimate the Solvency Capital Requirement for future instants, the simplified method number 2 described in the EIOPA document "Guidelines on technical provisions valuation" (no. 62), which envisages the option of approximating the SCR for all future years based on the ratio between the BEL for each future year and the BEL at the valuation date, is adopted.

D.2.2 Quantitative information on the valuation of the technical provisions

Non-Life technical provisions

The MCBS recognition value of Non-Life technical provisions corresponds to their fair value determined using the methods described above in paragraph D.2.1.

The values of Non-Life technical provisions broken down by line of business (LoB) are illustrated below.

Segmentation of Non-Life technical provisions by Line of Business

	Amounts in €k	Best estimate (gross)	Risk Margin	Recoverable amounts from reinsurance	TOTAL
	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	**14,549,957**	**652,959**	**(705,508)**	**14,497,408**
1	Medical expense insurance	405,178	19,488	(481)	424,185
2	Income protection insurance	490,663	34,257	(27,158)	497,763
3	Workers' compensation insurance				
4	Motor vehicle liability insurance	7,294,612	262,623	(89,910)	7,467,326
5	Other motor insurance	302,425	14,733	(1,433)	315,725
6	Marine, aviation and transport insurance	264,960	7,355	(137,247)	135,068
7	Fire and other damage to property insurance	1,253,664	95,419	(97,590)	1,251,493
8	General liability insurance	3,818,412	185,083	(73,831)	3,929,663
9	Credit and suretyship insurance	475,559	19,605	(190,901)	304,264
10	Legal expenses insurance	83,662	4,500	(32,157)	56,006
11	Assistance	53,946	4,353	(579)	57,720
12	Miscellaneous financial loss	106,875	5,542	(54,221)	58,196
	Line of business for: accepted non-proportional reinsurance	**46,299**	**13,272**	**3,581**	**63,152**
13	Non-proportional health reinsurance	1,678	65		1,743
14	Non-proportional casualty reinsurance	35,783	8,677	501	44,961
15	Non-proportional marine, aviation and transport reinsurance	562	15		577
16	Non-proportional property reinsurance	8,276	4,514	3,080	15,870
	Total	**14,596,257**	**666,230**	**(701,927)**	**14,560,560**

At 31 December 2016 there were no amounts recoverable from SPVs.

The following table summarises the differences in value found between the valuation for Solvency purposes and the valuation for the Group's consolidated financial statements of the Non-Life technical provisions (direct and indirect business), net of amounts ceded to reinsurers.

Non-Life technical provisions

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Technical provisions - Non-life	15,262,488	15,861,747	(599,260)
Other technical provisions			
Reinsurance recoverables from: Non-life and health similar to Non-life	(701,927)	(799,281)	97,354
Total	**14,560,560**	**15,062,466**	**(501,906)**

For further information on the existing differences between the technical provisions calculation methods for the Non-Life segment for the MCBS and that recorded in the Consolidated Financial Statements, reference should be made to the comments in paragraph D.2.1 above.

The overall difference between the Technical Provisions in the financial statements and the Solvency II value, net of reinsurance, amounted to €501,906k.

The difference totalled approximately €172m on the Premiums BE and €996m on the Claims BE. These effects were partly offset by the addition of the Risk Margin (€666m).

Life technical provisions

The MCBS recognition value of Life technical provisions corresponds to their fair value determined using the methods described above in paragraph D.2.1.

The values of Life technical provisions broken down by LoB (line of business) are illustrated below.

Segmentation of Life technical provisions by Line of Business

	Amounts in €k	Best estimate (gross)	Risk Margin	Recoverable amounts from reinsurance	Total
	Direct business	**51,727,211**	**415,415**	**(71,673)**	**52,070,953**
1	Health insurance				
2	Insurance with profit participation	41,920,376	364,730	(62,003)	42,223,103
3	Index-linked and unit-linked insurance	9,935,493	31,996		9,967,489
4	Other life insurance	(128,658)	18,689	(9,670)	(119,639)
5	Annuities stemming from non-life insurance contracts and relating to health insurance obligations				
6	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health				
	Indirect business	**13,262**	**179**	**(7,055)**	**6,386**
	Total	**51,740,473**	**415,594**	**(78,728)**	**52,077,340**

The following table summarises the differences in value found between the valuation for Solvency II purposes and the valuation for the Group's Consolidated Financial Statements of the Life technical provisions (direct and indirect business, net of reinsurance).

Life technical provisions

Amounts in €k	Solvency II Value	Consolidated FS value – Solvency II Scope	Difference
Technical provisions - Life (excluding Index-linked and unit-linked)	42,188,578	41,075,003	1,113,575
Technical provisions - Index-linked and unit-linked	9,967,489	9,988,118	(20,629)
Recoverables from reinsurance: Life and health similar to Life, excluding Health, Index-linked and unit-linked	(78,728)	(78,728)	
Recoverables from reinsurance: Life Index-linked and unit-linked			
Total	**52,077,340**	**50,984,393**	1,092,947

The table below provides the details for each individual Company and also highlights adjustments for intra-group activities.

Life technical provisions broken down by company

Company - (Amounts in €k)	Solvency II techcnical provisions	IFRS provisions	Difference
UnipolSai Assicurazioni	32,051,217	30,996,348	1,054,870
Popolare Vita	8,689,706	8,689,320	386
Arca Vita	7,999,237	7,931,329	67,908
Bim Vita	736,696	746,457	(9,761)
Lawrence Life	2,030,346	2,037,912	(7,566)
Arca Vita International	628,583	641,227	(12,644)
DDOR	19,657	19,641	16
UnipolRE	2,340	2,601	(260)
Infragroup transactions	(1,715)	(1,715)	
Totale	**52,156,067**	**51,063,120**	**1,092,947**

The comparison between Life technical provisions measured for the Market Consistent Balance Sheet and those calculated for the IFRS financial statements shows different approaches relating to the assumptions adopted for the calculation and the underlying risks.

Deviation between the two quantities is particularly significant for traditional tariffs and for those envisaging benefits linked to the performance of separately managed accounts (i.e. revaluable). In summary, the methodological approach used to value the above-mentioned products in the IFRS financial statements does not allow full expression of the cost of financial guarantees granted to the policyholders, or a possible unfavourable development in the options granted to the policyholders.

The main factors due to which the two valuation metrics differ may be summarised as:

- financial impacts, or the set of assumptions relating to the risk-free reference rate level, market volatility and the adoption of risk-neutral valuation methodologies;
- the adoption of best estimates relating to estimated mortality levels (against prudent assumptions adopted in the calculation of provisions for the financial statements);
- the modelling of policyholder behaviour expected in the year for the various contractual options offered (surrender, reduction, withdrawal, additional payments, etc.), which are not specifically considered in the calculation of provisions for the financial statements;
- the explicit inclusion of the Risk Margin in the calculation of the Technical Provisions, a component not envisaged in financial statements provisions.

The Solvency II technical provisions for the *Reinsurance recoverables* segment, given the low degree of materiality of the total volume, as previously mentioned, were considered to be equal to the value in the Consolidated Financial Statements, without further valuation.

D.2.3 Information on the effects of the application of volatility adjustment

For the fair value measurement of Non-Life and Life technical provisions, the Group has applied the option envisaged in Art. 77-*quinquies* of the Directive, defined as the volatility adjustment (VA).

The table below summarises the effect that non-application of the VA would have on technical provisions (net of the effect of reinsurance) on the Solvency Capital Requirement, basic own funds and eligible own funds to cover the Solvency Capital Requirement.

Volatility Adjustment

Amounts in €k	With VA (a)	Without VA (b)	Difference (b)-(a)
Technical provisions	66,637,900	67,028,106	390,206
Basic own funds	7,975,021	7,704,633	(270,388)
SCR	4,723,429	4,743,044	19,615
Eligible amount of own funds to meet SCR	6,664,447	6,482,068	(182,379)
SCR coverage ratio	1.41	1.37	(0.04)

The overall difference in technical liabilities, net of the related tax effect, resulted in a decrease in basic own funds of €270,388k.

D.3. Other liabilities

D.3.1 Valuation criteria

Financial liabilities

The fair value of other (non-technical) financial liabilities is measured by taking into account the credit rating of the company "at inception", without considering any subsequent changes in that credit rating.

Other liabilities

For all other assets and liabilities not included in the categories of previous paragraphs, taking into account the related characteristics, the recognition value in the MCBS is consistent with their value determined for the Consolidated Financial Statements.

D.3.2 Quantitative information on the valuation of other liabilities

The fair value of other (non-technical) financial liabilities is measured by taking into account the credit rating of the company "at inception", without considering any subsequent changes in that credit rating.

Other liabilities

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Provisions other than technical provisions	1,023,988	1,023,988	
Pension benefit obligations	107,382	107,382	
Deposits received from reinsurers	233,105	233,105	
Derivatives	408,942	408,942	
Debts owed to credit institutions	284,829	284,829	
Financial liabilities other than debts owed to credit institutions	1,716,382	1,632,227	84,155
Insurance and intermediaries payables	150,425	150,425	
Reinsurance payables	76,416	76,416	
Payables (trade, not insurance)	170,402	170,402	
Subordinated liabilities	2,146,334	2,027,295	119,039
Any other liabilities, not elsewhere shown	1,255,270	1,255,270	
Total	**7,573,473**	**7,370,280**	**203,193**

The difference in the valuation of financial liabilities other than payables to credit institutions derives from the fair value measurement primarily of debt securities issued by the Parent Company, which are valued at amortised cost in the Consolidated Financial Statements.

As regards subordinated liabilities, as indicated previously, these were measured at fair value (without considering the post-issue change in credit rating) for MCBS purposes. Such liabilities were instead measured at amortised cost in the Consolidated Financial Statements.

The total liabilities for defined benefit plans due to employees after termination was €107,382k, consisting primarily of post-employment benefits and obligations deriving from the post-retirement policy for managers. There are no assets serving such defined benefit plans.

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.

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.

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.

Leasing and rental agreements - liabilities

At 31 December 2016 the Group has no significant finance leases.

D.4. Alternative methods for valuation

As reported in the previous paragraphs, with reference to the valuation method for assets, technical provisions and other liabilities, for some of these alternative valuation methods were used, based on the premises stated in Art. 10 of the Regulation (absence of listed prices on active markets of assets and liabilities identical or similar to those under valuation, or other valuation methods defined in Articles 11 (contingent liabilities), 12 (intangible assets), 13 (participations), 14 (financial liabilities) and 15 (deferred taxes) and in CHAPTER III (technical provisions) of the Regulation.

The description of the methods used and the valuation uncertainties is given in the comments on valuation criteria in paragraphs D.1.1 and D.3.1.

Based on past experience, no significant deviations emerged between the estimated valuation based on alternative valuation methods and the corresponding values deduced, for example, from subsequent market transactions involving these assets and liabilities.

D.5. Any other information

Note that there is no significant information to report in addition to that already illustrated in previous paragraphs.

CAPITAL MANAGEMENT

E Capital Management

E.1. Own funds

E.1.1. Introduction

Own funds (OF) represent the financial resources steadily acquired by the Group and available to it to absorb losses and to overcome risks generated by business activities on a going concern basis.

The Directive divides available Own Funds into basic OF and ancillary OF.

The basic OF are formed from the surplus of assets over liabilities, both measured at fair value pursuant to Art. 75 of the Directive, and subordinated liabilities. The elements are classified in 3 tiers (Tier 1, Tier 2 and Tier 3) based on the technical characteristics and the objectives of stability and loss absorption.

Note that, among the Tier 1 elements, the reconciliation provision is equal to the amount representing the total excess of assets over liabilities, less the value of:

- own shares of the parent company;
- expected dividends;
- Tier 2 and Tier 3 own funds;
- Tier 1 elements other than the reconciliation provision;
- the excess of own funds over and above the notional SCR of Ring Fenced Funds;
- other own funds not available to the Group. Note that this category includes any assets not considered eligible for SCR cover based on specific Supervisory Authority instructions.

Pursuant to Article 330 of the Regulation, subsequent to the identification of basic own funds, it is necessary to evaluate whether specific own funds eligible for covering the solvency capital requirement of an investee company may be made effectively available to cover the group's solvency capital requirement.

The basic own funds which, following this evaluation, are actually unavailable to cover the group's solvency capital requirement are calculated within the group's own funds for a maximum amount equal to the contribution of the issuing company to the Group's SCR.

The ancillary OF, not present at 31 December 2016, are the elements other than basic that can be used to absorb losses.
The above category can include:

- share capital or initial funding not paid and not called;
- letters of credit and guarantees;
- any other legally binding commitment received by the Group Companies.

These elements, whose inclusion among ancillary OF is subject to Supervisory Authority approval, cannot be calculated in Tier 1 and are not eligible for MCR cover.

In order to obtain the own funds eligible to cover the SCR and the MCR, the available own funds are restated in accordance with the eligibility criteria.

The eligibility limits used are those established in Art. 82 of the Regulation, which envisages the following criteria to meet the Solvency Capital Requirement (SCR):

- the Tier 1 percentage must be at least 50% of the SCR;
- the total of Tier 3 elements must be less than 15% of the SCR;
- the sum of Tier 2 and Tier 3 elements cannot be higher than 50% of the SCR.

Within the above limits, Tier 1 subordinated liabilities (defined as "Tier 1 restricted") cannot exceed 20% of the total Tier 1 elements. The elements that should be included in the upper Tiers, but are in excess of the above limits, can be reclassified to the lower Tiers until those lower Tiers are completely saturated.

As regards compliance with the Minimum Capital Requirement (MCR), the eligibility limits used are the most stringent established in the Regulation:

- the Tier 1 percentage must be at least 80% of the MCR;
- the total of Tier 2 elements, therefore, cannot be higher than 20% of the MCR.

Own funds classifiable as Tier 3 are eligible as MCR cover.

E.1.2. Capital management policy

The Group's capital management strategies and objectives are set out in the "Capital Management and Dividend Distribution Policy", which describes the reference framework and process for capital management and dividend distribution also in terms of the roles and responsibilities of the players involved. The document also identifies the principles for capital management and dividend distribution or other elements of own funds, consistent with the objectives of return on capital and with the risk appetite defined by the Board of Directors.

The general aims pursued by the "Capital Management and Dividend Distribution Policy" are to:

- define in advance the allocated return on capital objectives, consistent with profitability objectives and in line with the risk appetite;
- maintain a solid and efficient capital structure, considering the growth targets and risk appetite;
- outline the capital management process for the definition of procedures to guarantee that:
    - the elements of own funds, at the time of issue and subsequently, satisfy the applicable capital regime and are correctly classified;
    - the terms and conditions for each element of own funds are clear and undeniable;
- define in advance a sustainable flow of dividends, in line with the profit generated, available cash and the risk appetite, identifying and documenting any situations where postponement or cancellation of distributions due to an element of own funds is expected;
- outline the dividend distribution process for the definition of procedures to guarantee a solid and efficient capital structure, considering that growth targets and profitability objectives are in line with the risk appetite;
- define the roles, responsibilities and reporting on capital management, distribution of dividends and other elements of own funds.

The capital management and dividend distribution process is divided into five steps, closely associated with other corporate processes:

- final measurement of available capital and capital requirement;
- formulation of the medium-term capital management plan;
- monitoring and reporting;
- management actions on capital, including any contingency measures;
- distribution of dividends and other elements of own funds.

E.1.3. Information on available and eligible own funds

The table below illustrates the position for the Group's available and eligible own funds, divided into the Tiers, between the date of first-time application of the Solvency II regime (1/1/2016) and the position at 31 December 2016.

Amounts in €k	1/1/2016	Issued	Redeemed	Movements in valuation	Regulatory action	31/12/2016
Total available own funds to meet the SCR	**7,212,834**			**(548,388)**		**6,664,447**
of which tier 1 unrestricted	*5,386,308*			*(959,468)*		*4,426,840*
of which tier 1 restricted	*1,000,465*			*69,667*		*1,070,132*
of which tier 2	*729,277*			*43,136*		*772,413*
of which tier 3	*96,784*			*298,278*		*395,062*
Adjustments for eligibility restrictions						
of which tier 1 unrestricted						
of which tier 1 restricted				*(176,097)*		*(176,097)*
of which tier 2				*176,097*		*176,097*
of which tier 3						
Total eligible own funds to meet the SCR	**7,212,834**			**(548,388)**		**6,664,447**
of which tier 1 unrestricted	*5,386,308*			*(959,468)*		*4,426,840*
of which tier 1 restricted	*1,000,465*			*(106,429)*		*894,036*
of which tier 2	*729,277*			*219,232*		*948,509*
of which tier 3	*96,784*			*298,278*		*395,062*

Taking into account that the Group has no ancillary OF, the own funds available as SCR cover coincide with the basic own funds.

Details are provided below of the annual changes in elements of the basic own funds, broken down by Tier:

Annual movements on basic own funds

Amounts in €k	1/1/2016	Issued	Redeemed	Movements in valuation	Regulatory action	31/12/2016
Paid-in ordinary share capital	3,365,292					3,365,292
Share premium account related to ordinary share capital	1,314,393					1,314,393
Reconciliation reserve	2,100,555			(1,386,246)		714,309
Other own fund items approved by the supervisory authority as basic own funds						
Own funds which are not available because of transferability, fungibility and minority interest (insurance sector)	(1,318,190)			380,344		(937,846)
Deduction of participations in financial and credit institutions	(915,049)			35,044		(880,005)
Total "Tier 1 unrestricted"	**4,547,001**			**(970,859)**		**3,576,142**
Own funds relating to participations in financial and credit institutions	839,307			11,391		850,697
Total "Tier 1 unrestricted" financial sector	**839,307**			**11,391**		**850,697**
Total "Tier 1 unrestricted"	**5,386,308**			**(959,468)**		**4,426,840**
Called up but unpaid ordinary share capital						
Subordinated liabilities	1,255,772			(9,202)		1,246,570
Own funds which are not available because of transferability, fungibility and minority interest (insurance sector)	(255,307)			78,869		(176,437)
Total "Tier 1 restricted"	**1,000,465**			**69,667**		**1,070,132**
Subordinated liabilities	915,380			(15,616)		899,764
Own funds which are not available because of transferability, fungibility and minority interest (insurance sector)	(186,103)			58,752		(127,351)
Total "Tier 2"	**729,277**			**43,136**		**772,413**
Subordinated liabilities						
Net deferred tax assets	104,173			330,520		434,693
Own funds which are not available because of transferability, fungibility and minority interest (insurance sector)	(7,389)			(32,243)		(39,631)
Total "Tier 3"	**96,784**			**298,278**		395,062
Total basic own funds	**7,212,834**			**(548,388)**		6,664,447

There were no elements of own funds issued or reimbursed in 2016.
Changes in the period are the result of adjustments due to changes in valuation.

Composition and characteristics of the Group's own funds

Basic own funds gross of adjustments for transferability and fungibility - insurance sector

The individual elements of the Group's own funds and the relative classification in Tiers, also illustrated to the Supervisory Authority, are commented on below.

The ordinary share capital and share premium reserve correspond to the amount paid in by the shareholders of the parent company Unipol Gruppo S.p.A.. Based on their level of stability and their loss absorption capacity, they qualify as "Tier 1 unrestricted" own funds.
The reconciliation reserve, based on Art. 69 of the Regulation, represents the residual amount of the Group's own funds eligible as an element of Tier 1 unrestricted own funds, determined by making suitable adjustments to the total obtained as the difference between assets and liabilities recorded in the MCBS. Details of the calculation of the reconciliation reserve are provided below.

Reconciliation reserve

Amounts in €k	Tier 1 unrestricted
Excess of assets over liabilities from MCBS (A)	6,179,027
Own shares (held directly and indirectly) (B)	29,402
Foreseeable dividends, distributions and charges (C)	278,168
Other basic own fund items (D)	5,114,378
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds (E)	0.0
Other non available own funds	42,770
Reconciliation reserve (A-B-C-D-E)	**714,309**

The item "Other own-funds items" includes the amount of the share capital paid in and the share premium reserve autonomously classified as Tier 1 unrestricted (€4,679,685k) and the total Tier 3 own funds (€434,693k), corresponding to the value of deferred tax assets the recoverability of which depends on future income. Additional adjusting items of the reconciliation reserve are:

- the total of own shares held directly and indirectly by the parent company;
- the total of foreseeable dividends, distributions and charges;
- the total of own funds not available because they refer to segregated funds ("Ring fenced funds"). This amount was calculated as any positive excess resulting from the difference between net assets and liabilities referring to ring-fenced funds and the corresponding Solvency Capital Requirement of each separate fund. This excess was zero at 31 December 2016;
- the amount of other own funds not available. This category includes the excess (equal to €42,770k at 31/12/2016) of financial assets pledged compared to the corresponding positions in derivative liabilities in application of Art. 23 of IVASS Regulation no. 24 of 6 June 2016.

The reconciliation reserve included deferred tax assets the recoverability of which does not depend on future income, as they may be transformed into tax credits, for an amount equal to €714,179k.

Included in the available Tier 1 restricted own funds are the subordinated liabilities indicated below, totalling €1,246,570k. All the subordinated liabilities in question were classified as elements of Tier 1 restricted own funds following application of the transitional provisions of Art. 308-*ter* of the Directive.

Subordinated liabilities - Tier 1

Amounts in €k	Issue date	Maturity date	First call date*	Further call dates*	Nominal issue value	SII Market value (clean price) A	Accrued interests B	SII Value (accrued interests included) C = A+B
Hybrid 2014 750M	18/06/2014	undated	18/06/2024	Every 3 months	750,000	808,275	23,158	831,433
Subordinated 2003 400M	24/07/2003	24/07/2023	24/07/2013	Every 6 months	400,000	412,240	2,897	415,137
Total					**1,150,000**	**1,220,515**	**26,055**	**1,246,570**

* Early repayment notification shall be made on the basis of the timing provided for in the relevant contracts

With reference to the Group's available Tier 2 own funds (indicated in the following table), note that all the subordinated liabilities in question can be recorded in this tier on the basis of the transitional provisions of Art. 308-*ter* of the Directive and are included among the Group's eligible basic own funds for a total of €899,764k.

Subordinated liabilities - Tier 2

Amounts in €k	Issue date	Maturity date	First call date*	Further call dates*	Nominal issue value	SII Market value (clean price) A	Accrued interests B	SII Value (accrued interests included) C = A+B
Subordinated 2001 300M	15/06/2001	15/06/2021	15/06/2011	Every 3 months	300,000	311,400	291	311,691
Subordinated 2003 300M	28/07/2003	28/07/2023	28/07/2013	Every 3 months	256,689	270,833	998	271,831
Subordinated 2005 100M	30/12/2005	30/12/2025	30/12/2015	Every 6 months	100,000	104,720	4	104,724
Subordinated 2006 150M	14/07/2006	14/07/2026	14/07/2016	Every 6 months	150,000	157,500	1,139	158,639
Subordinated 2006 50M	14/07/2006	14/07/2026	14/07/2016	Every 6 months	50,000	52,500	380	52,880
Total					**856,689**	**896,953**	**2,811**	**899,764**

* Early repayment notification shall be made on the basis of the timing provided for in the relevant contracts

All subordinated and hybrid loans noted above were issued by the subsidiary UnipolSai and constitute the total amount of the item "*Subordinated liabilities in basic own funds*" recognised in the Group's MCBS.

Please note that the elements of own funds issued by other companies consolidated line-by-line by the Group consist of Tier 1 unrestricted instruments.

Own funds gross of adjustments for transferability and fungibility - financial sector

As illustrated in chapter A, in order to calculate the capital adequacy of the Unipol Conglomerate, the Group uses method 1 (standard method based on the consolidated financial statements) as defined in Art. 230 of the Solvency II Directive and Art. 335 of the Regulation.
In application of this methodology, financial sector entities are consolidated synthetically based on the interest held by the Parent Company in the own funds of such companies calculated by applying the relative reference regulation.

The portion pertaining to the Unipol Group of own funds relating to Unipol Banca (determined on a sub-consolidated basis) and UnipolSai Investimenti SGR (at individual level) was equal to €869,277k and €10,728k, respectively.

Taking into account the fact that the participations held by the Group in such entities refer exclusively to Common Equity Tier 1 instruments (CET1, based on applicable sector regulations - "Basel III"), the relative own funds were classified in the corresponding "Tier 1 unrestricted" category set forth in the Solvency II regulation.

Adjustments for limits of transferability and fungibility and for non-controlling interests

As mentioned above, subsequent to the identification of basic own funds described in the previous paragraph, it is necessary to evaluate whether specific own funds eligible for covering the solvency capital requirement of an investee insurance or reinsurance company or an insurance holding company or a mixed financial holding company may be made effectively available to cover the group's solvency capital requirement (Article 330 of the Regulation).

The Unipol Group determines the unavailable own funds at consolidated level by adding, for each investee, the positive difference between:

i) the amount of own funds of the individual investees that do not meet the conditions of free transferability and fungibility pursuant to par. 1 of Art. 330 of the Regulation. In particular, the unavailable own funds of the individual investee insurance companies were determined by deeming the own funds consisting of subordinated liabilities and net deferred tax assets not transferable/interchangeable;

ii) the contribution of each investee entity to the group's solvency requirement determined pursuant to part. 6 (a) of Art. 330 of the Regulation.

Lastly, Art. 330, paragraph 4 of the Regulation establishes that the following is deducted from consolidated own funds:

i) an amount equal to the non-controlling interests held by third parties in subsidiary insurance or reinsurance companies, insurance holding companies or mixed financial holding companies that are subsidiary companies of the parent company exceeding the contribution of each subsidiary company to the group's solvency capital requirement;
ii) all non-controlling interests in subsidiary instrumental companies.

With reference to the investee entities in the financial sector, the sum of the following elements was considered available at the level of the holding company Unipol S.p.A.:

1) minimum level of the capital requirement of the financial entities, determined on a sub-consolidated basis (with reference to Unipol Banca and its subsidiaries) and an individual basis (with reference to UnipolSai Investimenti SGR) on the basis of the applicable regulations, taking into consideration the effects on such capital requirements deriving from intra-group transactions;

2) excess share of own funds of the individual entities with respect to the minimum limits pursuant to point 1) within the limits in which such excess amounts consist of own funds that are actually transferable within the Unipol Group.

The table below summarises the results of the calculation steps completed to determine the share of own funds deducted due to the lack of transferability and fungibility requirements as well as with reference to the non-controlling interests not eligible for calculation described just above.

Own funds which are not available because of transferability, fungibility and minority interest

Amounts in €k	Basic own funds before adjustments for transferability and fungibility	Adjustments for transferability and fungibility	Adjustments for minority interests of subsidiaries exceeding the corresponding contribution to Group's SCR	Own funds ("available")
Tier 1 unrestricted	4,513,988		(937,846)	3,576,142
Tier 1 restricted	1,246,570		(176,437)	1,070,132
Tier 2	899,764		(127,351)	772,413
Tier 3	434,693	(10,919)	(28,713)	395,062
Totale OF insurance sector	**7,095,015**	**(10,919)**	**(1,270,347)**	**5,813,749**
Tier 1 unrestricted	880,005	(29,308)		850,697
Total OF financial sector	**880,005**	**(29,308)**		**850,697**
Total OF				**6,664,447**

Eligible own funds

As stated in the introduction, in order to identify the total eligible own funds to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), it is necessary to apply the rules of Art. 82 of the Regulation to the available own funds relating to the insurance sector.
The following table illustrates the structures and amounts of OF to meet SCR and MCR, determined for 2016:

Available and eligible own funds to meet the SCR

Amounts in €k	Available own funds	Adjustments for eligibility	Eligible own funds
Tier 1 unrestricted	3,576,142		3,576,142
Tier 1 restricted	1,070,132	(176,097)	894,036
Tier 2	772,413	176,097	948,509
Tier 3	395,062		395,062
Total OF insurance sector	**5,813,749**		**5,813,749**
Tier 1 unrestricted	850,697		850,697
Total OF financial sector	**850,697**		**850,697**
Total OF	**6,664,447**		**6,664,447**
Total SCR			**4,723,429**
Surplus/(shortage)			**1,941,018**

Available and eligible own funds to meet the MCR

Amounts in €k	Available own funds	Adjustments for eligibility	Eligible own funds
Tier 1 unrestricted	3,576,142		3,576,142
Tier 1 restricted	1,070,132	(176,097)	894,036
Tier 2	772,413	(373,194)	399,219
Total OF	**5,418,687**	**(549,290)**	**4,869,397**
Total MCR			**1,996,096**
Surplus/(shortage)			**2,873,301**

As seen from the above tables, the rules envisaged in the Regulation for the identification of own funds eligible to meet SCR and MCR resulted in:

- for SCR cover purposes, a transfer of own funds between Tier 1 restricted and Tier 2, as the total amount of available Tier 1 restricted is higher than the limit of 20% of the total amount of Tier 1 own funds. This surplus was calculated in Tier 2;
- to meet MCR, a decrease in Tier 2 following application of the more stringent eligibility rules summarised in the introduction.

Reconciliation with shareholders' equity from the consolidated financial statements

The MCBS at 31 December 2016 shows that assets exceeded liabilities by €6,179,027k, €1,982,343k lower than the shareholders' equity recorded in the consolidated financial statements at the same date. This difference is due:

- to the different methods of consolidation of the investee entities of the parent company Unipol Gruppo S.p.a. adopted to prepare the consolidated financial statements with respect to those used for the preparation of the MCBS, as already reported in chapter D;
- to the different valuation of shareholders' equity components;

The table below provides the reconciliation between consolidated shareholders' equity in the IFRS financial statements and shareholders' equity in the MCBS.

Statement of reconciliation between Financial Statements and MCBS Shareholders' equity

A	**Shareholders' equity (Financial Statements)**	**8,161,371**
B	Adjustments for different consolidation methods	(49,071)
C=A+B	**Shareholders' equity (Consolidated Financial Statement) - SII Perimeter**	**8,112,300**
D	Adjustments by assets/liabilities type	(1,933,274)
	Intangible assets	*(2,089,706)*
	Properties and tangible assets for investment and for own use	*176,119*
	Other financial investments	*421,204*
	Non-life technical provisions	*599,260*
	Non-life reinsurance recoverables	*(97,354)*
	Life technical provisions	*(1,092,947)*
	Financial Liabilities	*(203,193)*
	Other assets	*1,621*
	Deferred taxes	*351,722*
E=C+D	**Shareholders' equity (MCBS)**	**6,179,027**

Section D above illustrates the valuation criteria adopted for preparation of the MCBS, as well as more detailed quantitative information on the comparison with financial statements values.

Methods for eliminating intra-group transactions for the calculation of Own Funds

The Group determines the Consolidated MCBS in compliance with Article 335 of the Regulation which, particularly with reference to the Unipol Group companies, establishes that the consolidated figures include:

i. full consolidation of the data of all participations in insurance or reinsurance companies, non-EU insurance or reinsurance companies, insurance holding companies, mixed financial holding companies and instrumental companies;

ii. synthetic consolidation, based on the proportional share of own funds of the company calculated pursuant to the pertinent sector regulations, relating to participations in credit institutions and financial institutions;

iii. synthetic consolidation in compliance with Article 13 of the Regulation, of all investee companies other than those mentioned in the previous points.

The methods of eliminating intra-group transactions were applied in line with ordinary consolidation techniques adopted to prepare the Consolidated Financial Statements (IAS 27 and IAS 28), taking into consideration the different scope of consolidation as described above.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As reported above, the Group solvency is determined by applying method 1 (method based on the consolidated financial statements described in Articles 230 to 232 of the Directive), which envisages that own funds as well as the solvency requirement must be calculated based on consolidated figures.

The Group calculates its solvency capital requirement using the Standard Formula with the application of Undertaking Specific Parameters (USP) for Non-Life premium and reserve risks of the business lines: (i) MV TPL, (ii) General Liability and (iii) Fire and other damage to property. The Group does not carry out simplified calculations for the valuation of the risk modules and sub-modules.

The valuations were performed by applying the Volatility Adjustment (VA) as the long-term guarantee measurement envisaged in the Solvency II regulations, the precise value of which as communicated by EIOPA at the reference date of 31 December 2016 was 13 basis points.

The SCR total for the Group at the end of the reference period was €4,723,429k.

The MCR total for the Group at the end of the reference period was €1,996,096k; this amount is calculated according to the specifications defined in Art. 248 of the delegated regulation.

The SCR total for each risk module is shown below:

SCR - Standard Formula

amounts in €k

Risk categories	2016
Non-life and health underwriting risk[1]	2,274,646
Life underwriting risk	593,607
Market risks	3,440,490
Credit risk	399,228
Diversification	*(1,710,691)*
BSCR	**4,997,280**
Operational risk	633,412
Ring Fenced Funds	33,547
ALAC TP	(707,666)
ALAC DT	(1,105,323)
Diversified SCR	**3,851,249**
SCR of other related undertakings (SCR OT)	96,808
Banking Group's capital requirement	775,371
SCR	**4,723,429**

[1] It should be noted that the representation used in the current table for Non-life and Health underwriting risk includes the diversification between Non-life and Health modules, whereas the QRT S.25.01.22 (attached) does not.

The presentation used in the summary statement that identifies the main components of the solvency capital requirement separately specifies, for greater clarity, the amount of the solvency capital requirement relating to ring fenced funds.

This presentation differs from that used in the attached QRT S.25.01.22, in which the above-mentioned amount is reallocated to the risk modules. The loss of diversification benefit relating to ring fenced funds at 31 December 2016 amounted to €18,425k. This amount can be deduced from QRT S.25.01.21 as the difference between the Solvency Capital Requirement field (R0200-C0100) and the sum of the following fields: Basic Solvency Capital Requirement (R0100-C0110), Operational Risk (R0130-C0100), Loss-absorbing capacity of deferred taxes (R0150- C0100), Loss-absorbing capacity of technical provisions (R0140- C0100).

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Group does not use the equity risk sub-module pursuant to Art. 304 of the Regulation to calculate the SCR.

E.4. Differences between the standard formula and any internal model used

The disclosure of this paragraph is not applicable to the Group.

E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

At no time during the year did the Group fail to meet its Solvency Capital Requirement or its Minimum Capital Requirement.

E.6. Any other information

There is no significant additional information to report on the Group's capital management.

QRT
MODELS

S.02.01.02
Balance sheet

		Solvency II
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	1.148.873
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	1.793.047
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	61.431.380
Property (other than for own use)	R0080	2.401.443
Holdings in related undertakings, including participations	R0090	1.319.827
Equities	R0100	619.936
Equities - listed	R0110	444.799
Equities - unlisted	R0120	175.137
Bonds	R0130	55.208.162
Government Bonds	R0140	39.768.507
Corporate Bonds	R0150	14.116.589
Structured notes	R0160	1.271.682
Collateralised securities	R0170	51.385
Collective Investments Undertakings	R0180	1.536.408
Derivatives	R0190	99.139
Deposits other than cash equivalents	R0200	246.465
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	9.966.493
Loans and mortgages	R0230	459.003
Loans on policies	R0240	34.653
Loans and mortgages to individuals	R0250	307.140
Other loans and mortgages	R0260	117.209
Reinsurance recoverables from:	R0270	780.655
Non-life and health similar to non-life	R0280	701.927
Non-life excluding health	R0290	674.289
Health similar to non-life	R0300	27.639
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	78.728
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	78.728
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	20.650
Insurance and intermediaries receivables	R0360	1.497.993
Reinsurance receivables	R0370	99.636
Receivables (trade, not insurance)	R0380	167.617
Own shares (held directly)	R0390	29.402
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	1.907.844
Any other assets, not elsewhere shown	R0420	1.900.158
Total assets	R0500	81.202.749

		Solvency II
Liabilities		
Technical provisions – non-life	R0510	15.262.488
Technical provisions – non-life (excluding health)	R0520	14.311.158
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	13.698.738
Risk margin	R0550	612.420
Technical provisions - health (similar to non-life)	R0560	951.330
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	897.519
Risk margin	R0590	53.811
Technical provisions - life (excluding index-linked and unit-linked)	R0600	42.188.578
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	42.188.578
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	41.804.980
Risk margin	R0680	383.598
Technical provisions – index-linked and unit-linked	R0690	9.967.489
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	9.935.493
Risk margin	R0720	31.996
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	1.023.988
Pension benefit obligations	R0760	107.382
Deposits from reinsurers	R0770	233.105
Deferred tax liabilities	R0780	31.693
Derivatives	R0790	408.942
Debts owed to credit institutions	R0800	284.829
Debts owed to credit institutions resident domestically	ER0801	
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	
Debts owed to credit institutions resident in rest of the world	ER0803	
Financial liabilities other than debts owed to credit institutions	R0810	1.716.382
Debts owed to non-credit institutions	ER0811	
Debts owed to non-credit institutions resident domestically	ER0812	
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	
Debts owed to non-credit institutions resident in rest of the world	ER0814	
Other financial liabilities (debt securities issued)	ER0815	
Insurance & intermediaries payables	R0820	150.425
Reinsurance payables	R0830	76.416
Payables (trade, not insurance)	R0840	170.402
Subordinated liabilities	R0850	2.146.334
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	2.146.334
Any other liabilities, not elsewhere shown	R0880	1.255.270
Total liabilities	R0900	75.023.722
Excess of assets over liabilities	R1000	6.179.027

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	577.810	680.300		3.608.413	635.135	140.360	1.095.673	690.321	66.089	65.508	148.261	87.516					7.795.387
Gross - Proportional reinsurance accepted	R0120	1.431	165		24.930		1.021	1.361	1.998	(910)			1.697					31.693
Gross - Non-proportional reinsurance accepted	R0130														8.776		5.260	14.036
Reinsurers' share	R0140	(5.213)	48.355		36.335	1.451	84.649	63.785	20.842	37.804	50.310	5.333	29.224	120	3.313	603	6.567	383.478
Net	R0200	584.454	632.110		3.597.009	633.685	56.732	1.033.248	671.477	27.375	15.198	142.927	59.990	(120)	5.463	(603)	(1.307)	7.457.638
Premiums earned																		
Gross - Direct Business	R0210	585.299	677.849		3.633.403	624.388	139.770	1.093.111	703.006	74.842	65.557	145.241	88.277					7.830.743
Gross - Proportional reinsurance accepted	R0220	1.243	139		18.791	(7)	103	845	1.805	(100)			3.650					26.469
Gross - Non-proportional reinsurance accepted	R0230														7.893		5.344	13.237
Reinsurers' share	R0240	(4.516)	39.436		36.756	1.422	84.015	65.392	21.470	52.525	48.568	11.383	18.273	120	3.167	603	5.792	384.404
Net	R0300	591.057	638.552		3.615.438	622.960	55.858	1.028.564	683.341	22.217	16.989	133.859	73.654	(120)	4.726	(603)	(448)	7.486.045
Claims incurred																		
Gross - Direct Business	R0310	306.972	282.719		2.525.955	371.765	55.411	556.711	404.067	43.089	18.973	49.259	26.305					4.641.225
Gross - Proportional reinsurance accepted	R0320	(458)	(54)		(3.220)	()	3.327	(1.473)	(506)	(684)	108	36	(902)					(3.825)
Gross - Non-proportional reinsurance accepted	R0330													(506)	13.577	44	224	13.338
Reinsurers' share	R0340	(9.281)	12.262		14.922	1.651	39.695	22.093	14.117	31.469	15.516	5.910	5.567		2.890	856	519	158.187
Net	R0400	315.795	270.403		2.507.813	370.114	19.043	533.145	389.444	10.936	3.564	43.385	19.836	(506)	10.687	(812)	(296)	4.492.550
Changes in other technical provisions																		
Gross - Direct Business	R0410	(7.821)	(1.005)		776	(289)	21	859	33	4.002		5	3					(3.416)
Gross - Proportional reinsurance accepted	R0420							(928)										(928)
Gross - Non- proportional reinsurance accepted	R0430																(202)	(202)
Reinsurers'share	R0440																	
Net	R0500	(7.821)	(1.005)		776	(289)	21	(68)	33	4.002		5	3				(202)	(4.546)
Expenses incurred	R0550	169.174	237.424		1.131.767	207.261	37.638	470.328	309.606	26.336	(3.234)	65.244	22.407	8	1.451	4	969	2.676.384
Other expenses	R1200																	
Total expenses	R1300																	2.676.384

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410		5.180.167	993.810	125.359				507	6.299.843
Reinsurers' share	R1420		3.302	58	11.921				135	15.417
Net	R1500		5.176.865	993.752	113.438				372	6.284.426
Premiums earned										
Gross	R1510		5.185.782	993.810	126.751				799	6.307.142
Reinsurers' share	R1520		15.118	58	11.900				135	27.212
Net	R1600		5.170.664	993.752	114.850				664	6.279.930
Claims incurred										
Gross	R1610		3.573.918	1.464.520	24.714				2.506	5.065.658
Reinsurers' share	R1620		17.582	23	1.386				1.401	20.392
Net	R1700		3.556.336	1.464.497	23.328				1.105	5.045.266
Changes in other technical provisions										
Gross	R1710		(2.419.800)	368.763	(4.259)				3.002	(2.052.294)
Reinsurers' share	R1720		(2.105)		1.241				1.115	251
Net	R1800		(2.417.695)	368.763	(5.500)				1.886	(2.052.545)
Expenses incurred	R1900		295.954	63.473	15.026				174	374.627
Other expenses	R2500									
Total expenses	R2600									374.627

S.22.01.22
Impact of long term guarantees

		Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	66.637.900			390.206	
Basic own funds	R0020	7.975.021			(270.388)	
Eligible own funds to meet SCR	R0050	6.664.447			(182.379)	
SCR	R0090	4.723.429			19.615	

S.23.01.22
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	3.365.292	3.365.292			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030	1.314.393	1.314.393			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	714.309	714.309			
Subordinated liabilities	R0140	2.146.334		1.246.570	899.764	
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	434.693				434.693
The amount equal to the value of net deferred tax assets not available at the group level	R0170	10.919				10.919
Other items approved by supervisory authority as basic own funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210	1.270.347	937.846	176.437	127.351	28.713
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	880.005	880.005			
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	R0270	1.281.266	937.846	176.437	127.351	39.631
Total deductions	R0280	2.161.272	1.817.851	176.437	127.351	39.631
Total basic own funds after deductions	R0290	5.813.749	3.576.142	1.070.132	772.413	395.062
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Own funds of other financial sectors						
Reconciliation reserve	R0410	850.697	850.697			
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440	850.697	850.697			
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and a combination of method net	R0460					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A	R0520	5.813.749	3.576.142	1.070.132	772.413	395.062
Total available own funds to meet the minimum consolidated group SCR	R0530	5.418.687	3.576.142	1.070.132	772.413	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A	R0560	5.813.749	3.576.142	894.036	948.509	395.062
Total eligible own funds to meet the minimum consolidated group SCR	R0570	4.869.397	3.576.142	894.036	399.219	
Minimum consolidated group SCR	R0610	1.996.096				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	2,44				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	6.664.447	4.426.840	894.036	948.509	395.062
Group SCR	R0680	4.723.429				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1,41				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	6.179.027
Own shares (included as assets on the balance sheet)	R0710	29.402
Forseeable dividends, distributions and charges	R0720	278.168
Other basic own fund items	R0730	5.114.378
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Other non available own funds	R0750	42.770
Reconciliation reserve before deduction for participations in other financial sector	R0760	714.309
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	313.381
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	21.438
Total EPIFP	R0790	334.819

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
Market risk	R0010	3.458.113		None
Counterparty default risk	R0020	399.228		
Life underwriting risk	R0030	599.296	None	None
Health underwriting risk	R0040	395.146	Standard deviation for non–life premium risk, Standard deviation for non–life reserve risk	None
Non-life underwriting risk	R0050	2.240.061	Standard deviation for non–life premium risk, Standard deviation for non–life reserve risk	None
Diversification	R0060	(2.077.343)		
Intangible asset risk	R0070	.		
Basic Solvency Capital Requirement	R0100	5.014.502		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	633.523
Loss-absorbing capacity of technical provisions	R0140	(709.877)
Loss-absorbing capacity of deferred taxes	R0150	(1.105.323)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	.
Solvency capital requirement excluding capital add-on	R0200	3.851.249
Capital add-on already set	R0210	.
Solvency capital requirement	R0220	4.723.429
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	.
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	3.825.183
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	26.066
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Minimum consolidated group solvency capital requirement	R0470	1.996.096
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	775.371
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	775.371
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	.
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	R0530	.
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	96.808
Overall SCR		
SCR for undertakings included via D and A	R0560	.
Solvency capital requirement	R0570	4.723.429

S.32.01.22
Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
IT	SC/815600E31C4E7006AB54IT0U688	SC	NUOVE INIZIATIVE TOSCANE - SOCIETA' A RESPONSABILITA' LIMITATA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/8156005CE5E7340CCA86IT0U006	SC	UNIPOL FINANCE SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U642	SC	CASA DI CURA VILLA DONATELLO - SPA	Other	SOCIETA' PER AZIONI
LU	SC/815600E31C4E7006AB54LU0U633	SC	ISOLA SCA	Other	SOCIETE' EN ACCOMANDITE PAR ACTIONS
IT	LEI/815600235DAE5FB1B596	LEI	PRONTO ASSISTANCE SPA	Non-life insurer	SOCIETA' PER AZIONI
IT	LEI/815600B565A41FE01B06	LEI	GRECALE ABS SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U010IT0U964	SC	ASSICOOP EMILIA NORD SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U658	SC	PRONTO ASSISTANCE SERVIZI SCARL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U709	SC	TIKAL R.E. FUND	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	OICR
IT	LEI/81560015C1F0098C2455	LEI	UNIPOL BANCA SPA	Credit institutions, investment firms and financial institutions	SOCIETA' PER AZIONI
IT	LEI/8156003C3933E8671303	LEI	ATLANTE FINANCE SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
IT	LEI/81560066ED58493ED764	LEI	UNISALUTE SPA	Non-life insurer	SOCIETA' PER AZIONI
IT	LEI/815600DD1E9CA9984832	LEI	GRECALE RMBS 2015 SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U010IT0U337	SC	ASSICOOP GROSSETO SPA IN LIQUIDAZIONE	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U635	SC	FIN.PRIV. SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U649	SC	TENUTE DEL CERRO SPA - SOCIETA' AGRICOLA	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U663IT0U719	SC	GOLF CLUB POGGIO DEI MEDICI SPA SOCIETA' DILETTANTISTICA SPORTIVA	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U703	SC	BORSETTO SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U944	SC	HOTEL VILLAGGIO CITTA' DEL MARE SPA IN LIQUIDAZIONE	Other	SOCIETA' PER AZIONI
RS	SC/815600E31C4E7006AB54CS0U610RS0U653	SC	DDOR AUTO - LIMITED LIABILITY COMPANY	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	DRUTVO SA OGRANIENOM ODGOVORNOU-D.O.O.

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Non-mutual		68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		100,00%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		68,26%	100,00%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		29,35%	29,35%	29,56%		Significant	29,35%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	95,32%	100,00%	10,00%		Dominant	95,32%	Included into scope of group supervision	.	Method 1: Sectoral rules
Non-mutual		34,13%	34,13%	50,00%		Significant	34,13%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		69,21%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		64,85%	100,00%	95,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	95,32%	100,00%	100,00%		Dominant	95,32%	Included into scope of group supervision	.	Method 1: Sectoral rules
Non-mutual	BANCA D'ITALIA	95,32%	100,00%	0,00%		Dominant	95,32%	Included into scope of group supervision	.	Method 1: Sectoral rules
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	98,53%	100,00%	98,53%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	95,32%	100,00%	0,00%		Dominant	95,32%	Included into scope of group supervision	.	Method 1: Sectoral rules
Non-mutual		34,13%	34,13%	50,00%		Significant	34,13%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		19,50%	19,50%	28,57%		Significant	19,50%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		27,52%	27,52%	40,32%		Dominant	27,52%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		30,67%	30,67%	44,93%		Significant	30,67%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		33,45%	33,45%	49,00%		Significant	33,45%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	68,26%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
IE	LEI/635400WSNBUMPRJJTI53	LEI	ARCA VITA INTERNATIONAL DAC	Life insurer	DESIGNATED ACTIVITY COMPANY
IT	SC/81560015C1F0098C2455IT0U617	SC	FINITALIA SPA	Credit institutions, investment firms and financial institutions	SOCIETA' PER AZIONI
IT	SC/8156003503546F1E8952IT0U503	SC	ARCA DIRECT ASSICURAZIONI SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
IT	LEI/8156005639B46B40D888	LEI	SME GRECALE SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/8156005CE5E7340CCA86IT0U637	SC	UNIPOLSAI INVESTIMENTI SGR SPA	Credit institutions, investment firms and financial institutions	SOCIETA' PER AZIONI
IT	LEI/815600736EECC8421448	LEI	UNIPOL INVESTMENT SPA	Other	SOCIETA' PER AZIONI
IT	LEI/815600D523F9906A1566	LEI	ARCA ASSICURAZIONI SPA	Non-life insurer	SOCIETA' PER AZIONI
IT	LEI/815600E0E11B18BBD212	LEI	INCONTRA ASSICURAZIONI SPA	Non-life insurer	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U010IT0U084	SC	ASSICOOP TOSCANA SPA	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U010IT0U962	SC	ASSICOOP MODENA & FERRARA SPA	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U210	SC	FONDAZIONE UNIPOLIS	Other	FONDAZIONE
IT	SC/815600E31C4E7006AB54IT0U641	SC	AUTO PRESTO & BENE SPA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U643	SC	CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA SRL IN LIQUIDAZIONE	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U651	SC	SOGEINT SOCIETA' A RESPONSABILITA' LIMITATA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U663IT0U670	SC	HOTEL TERME DI SAINT VINCENT - SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U679	SC	MARINA DI LOANO SPA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U694	SC	SOCIETA' EDILIZIA IMMOBILIARE SARDA - S.E.I.S. SOCIETA' PER AZIONI	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U707	SC	METROPOLIS SPA - IN LIQUIDAZIONE	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U717	SC	ALFAEVOLUTION TECHNOLOGY SPA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' PER AZIONI
LU	LEI/5299006HW5PIE1OFJK48	LEI	BUTTERFLY AM SA'RL	Other	SOCIT A' RESPONSABILIT LIMITE

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Non-mutual	CENTRAL BANK OF IRELAND	63,39%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	95,32%	100,00%	100,00%		Dominant	95,32%	Included into scope of group supervision	.	Method 1: Sectoral rules
Non-mutual		63,39%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	95,32%	100,00%	0,00%		Dominant	95,32%	Included into scope of group supervision	.	Method 1: Sectoral rules
Non-mutual	BANCA D'ITALIA	84,45%	100,00%	100,00%		Dominant	84,45%	Included into scope of group supervision	.	Method 1: Sectoral rules
Non-mutual		100,00%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	62,20%	100,00%	98,12%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	34,81%	100,00%	51,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		31,93%	31,93%	46,77%		Significant	31,93%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		29,87%	29,87%	43,75%		Significant	29,87%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	68,26%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		68,26%	100,00%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		68,26%	68,26%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		35,27%	100,00%	51,67%		Dominant	35,27%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		20,28%	20,28%	29,71%		Significant	20,28%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		19,50%	19,50%	28,57%		Significant	19,50%	Included into scope of group supervision	.	Method 1: Adjusted equity method

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
NL	SC/815600E31C4E7006AB54NL0U625	SC	UNIPOLSAI NEDERLAND BV	Insurance holding company as defined in Art. 212 section [f] of Directive 2009/138/EC	BESLOTEN VENNOOTSCHAP
RS	SC/815600E31C4E7006AB54RS0U610	SC	DDOR NOVI SAD	Non-life insurer	AKCIONARSKO DRUTVO-A.D.O.
IE	LEI/635400UQ9HQGZGZ2MH31	LEI	UNIPOLRE DAC	Reinsurance undertaking	DESIGNATED ACTIVITY COMPANY
IE	LEI/635400XMIMUCWVKSX570	LEI	THE LAWRENCE LIFE ASSURANCE COMPANY DAC	Life insurer	DESIGNATED ACTIVITY COMPANY
IT	SC/81560015C1F0098C2455IT0U231	SC	SCS AZIONINNOVA SPA	Other	SOCIETA' PER AZIONI
IT	SC/81560015C1F0098C2455IT0U981	SC	PROMOREST SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	LEI/8156003503546F1E8952	LEI	GRECALE RMBS 2011 SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/8156003503546F1E8952IT0U504	SC	ARCA INLINEA SCARL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
IT	LEI/81560041CABA0313DB78	LEI	POPOLARE VITA SPA	Composite insurer	SOCIETA' PER AZIONI
IT	LEI/8156005CE5E7340CCA86	LEI	UNIPOL GRUPPO FINANZIARIO SPA	Mixed financial holding company as defined in Art. 212 section1 [h] of Directive 2009/138/EC	SOCIETA' PER AZIONI
IT	SC/8156005CE5E7340CCA86IT0U203	SC	AMBRA PROPERTY SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	LEI/8156005E316B69E09270	LEI	BIM VITA SPA	Life insurer	SOCIETA' PER AZIONI
IT	SC/81560066ED58493ED764IT0U051	SC	UNISALUTE SERVIZI SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
IT	LEI/81560092D4267A9B8C84	LEI	COMPAGNIA ASSICURATRICE LINEAR SPA	Non-life insurer	SOCIETA' PER AZIONI
IT	LEI/815600BE5A1B5E5BEC79	LEI	CASTORO RMBS SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600D523F9906A1566IT0U506	SC	ARCA SISTEMI SCARL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
IT	LEI/815600DF2A01122A9547	LEI	ARCA VITA SPA	Life insurer	SOCIETA' PER AZIONI
IT	LEI/815600E31C4E7006AB54	LEI	UNIPOLSAI ASSICURAZIONI SPA	Composite insurer	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U010IT0U012	SC	ASSICOOP IMOLA SPA	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U010IT0U086	SC	PEGASO FINANZIARIA SPA	Other	SOCIETA' PER AZIONI

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Non-mutual		68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	NATIONAL BANK OF SERBIA	68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	CENTRAL BANK OF IRELAND	68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	CENTRAL BANK OF IRELAND	34,13%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		40,85%	40,85%	42,85%		Significant	40,85%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		47,58%	47,58%	49,92%		Significant	47,58%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual	BANCA D'ITALIA	95,32%	100,00%	0,00%		Dominant	95,32%	Included into scope of group supervision	.	Method 1: Sectoral rules
Non-mutual		62,92%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	34,13%	100,00%	50,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE/BANCA D'ITALIA	100,00%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		100,00%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	34,13%	100,00%	50,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		98,53%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	100,00%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	95,32%	100,00%	0,00%		Dominant	95,32%	Included into scope of group supervision	.	Method 1: Sectoral rules
Non-mutual		63,19%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	63,39%	100,00%	63,39%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	68,26%	100,00%	68,81%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		32,31%	32,31%	47,33%		Significant	32,31%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		30,72%	30,72%	45,00%		Significant	30,72%	Included into scope of group supervision	.	Method 1: Adjusted equity method

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
IT	SC/815600E31C4E7006AB54IT0U010IT0U941	SC	ASSICOOP BOLOGNA SPA	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U010IT0U963	SC	ASSICOOP ROMAGNA FUTURA SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U133	SC	MIDI SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U223	SC	UCI - UFFICIO CENTRALE ITALIANO	Other	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U638	SC	SAI MERCATI MOBILIARI SPA IN LIQUIDAZIONE	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U641IT0U639	SC	APB CAR SERVICE SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U642IT0U646	SC	FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U648	SC	UNIPOLSAI SERVIZI CONSORTILI SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U650	SC	UNIPOLSAI SERVIZI PREVIDENZIALI SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U656	SC	FUNIVIE DEL PICCOLO SAN BERNARDO SPA	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U663	SC	ATAHOTELS - COMPAGNIA ITALIANA AZIENDE TURISTICHE	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U663IT0U678	SC	ITALRESIDENCE SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U677	SC	ITAL H&R SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U685	SC	MERIDIANO SECONDO SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U688IT0U669	SC	CONSORZIO CASTELLO	Other	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U700	SC	VILLA RAGIONIERI SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
IT	SC/815600E31C4E7006AB54IT0U705	SC	SERVIZI IMMOBILIARI MARTINELLI SPA	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U708	SC	PENTA DOMUS SPA	Other	SOCIETA' PER AZIONI
IT	SC/815600E31C4E7006AB54IT0U710	SC	ATHENS R.E. FUND	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	OICR
IT	SC/815600E31C4E7006AB54IT0U718	SC	LEITHÀ SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Non-mutual		34,13%	34,13%	50,00%		Significant	34,13%	Included into scope of group	.	Method 1: Adjusted
Non-mutual		34,13%	34,13%	50,00%		Significant	34,13%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		25,89%	25,89%	37,94%		Significant	25,89%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	68,26%	Included into scope of group	.	Method 1: Adjusted
Non-mutual		47,78%	100,00%	70,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		68,26%	100,00%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,38%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		16,08%	16,08%	23,55%		Significant	16,08%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	68,26%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		67,97%	100,00%	99,57%		Dominant	67,97%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		13,65%	13,65%	20,00%		Significant	13,65%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		16,83%	16,83%	24,66%		Significant	16,83%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		60,52%	100,00%	89,59%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		68,26%	68,26%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
IT	LEI/815600FD1C2C2E80F866	LEI	SIAT-SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI	Non-life insurer	SOCIETA' PER AZIONI
LU	SC/815600E31C4E7006AB54LU0U632	SC	GARIBALDI SCA	Other	SOCIETE' EN ACCOMANDITE PAR ACTIONS
LU	SC/815600E31C4E7006AB54LU0U634	SC	FINSAI INTERNATIONAL SA	Other	SOCIETE' ANONYME
RS	SC/635400UQ9HQGZGZ2MH31RS0U611	SC	DDOR RE	Reinsurance undertaking	AKCIONARSKO DRUTVO-A.D.O.
RS	SC/815600E31C4E7006AB54CS0U610RS0 U661	SC	DDOR GARANT	Other	AKCIONARSKO DRUTVO-A.D.
IT	SC/815600E31C4E7006AB54IT0U010	SC	UNIPOLSAI FINANCE SPA	Other	SOCIETA' PER AZIONI

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	64,64%	100,00%	94,69%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		32,77%	32,77%	32,00%		Significant	32,77%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual	NATIONAL BANK OF SERBIA	68,26%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision	.	Method 1: Full consolidation
Non-mutual		27,30%	27,30%	40,00%		Significant	27,30%	Included into scope of group supervision	.	Method 1: Adjusted equity method
Non-mutual		68,26%	100,00%	100,00%		Dominant	68,26%	Included into scope of group supervision	.	Method 1: Adjusted equity method

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 47-SEPTIES, PARAGRAPH 7 OF DLGS 7 SEPTEMBER 2005, No 209 AND PARAGRAPH 10 OF IVASS LETTER TO THE MARKET OF 7 DECEMBER 2016

UNIPOL GRUPPO SPA

TEMPLATES "S.02.01.02 BALANCE SHEET" AND "S.23.01.22 OWN FUNDS" AND RELATED DISCLOSURES INCLUDED IN THE GROUP SOLVENCY AND FINANCIAL CONDITION REPORT AS AT 31 DECEMBER 2016

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 47-SEPTIES, PARAGRAPH 7 OF LEGISLATIVE DECREE No 209 OF 7 SEPTEMBER 2005 AND PARAGRAPH 10 OF THE IVASS LETTER TO THE MARKET OF 7 DECEMBER 2016

To the Board of Directors of
Unipol Gruppo SpA

TEMPLATES "S.02.01.02 BALANCE SHEET" AND "S.23.01.22 OWN FUNDS" AND RELATED DISCLOSURES INCLUDED IN THE GROUP SOLVENCY AND FINANCIAL CONDITION REPORT AS AT 31 DECEMBER 2016

We have audited the accompanying Templates (the "Templates") attached to the Solvency and Financial Condition Report of Unipol Gruppo SpA and its subsidiaries ("Unipol Group") as at 31 December 2016 (the "SFCR"), prepared in accordance with article 47-septies of Legislative Decree No 209/2005:

- "S.02.01.02 Balance Sheet";
- "S.23.01.22 Own Funds";

and of the related disclosures included in the sections "D. Valuation for Solvency purposes" and "E1. Own Funds" of the SFCR.

As required by paragraphs no 9 and no 10 of the IVASS Letter to the Market of 7 December 2016:

- our activities on the Template "S.02.01.02 Balance Sheet" have not covered the technical provisions related to the Risk Margin (lines R0550, R0590, R0640, R0680 and R0720);
- our activities on the Template "S.23.01.22 Own Funds" have not covered the Solvency Capital Requirement (line R0680) and the Minimum Capital Requirement (line R0610);

that are out of scope from our opinion.

Directors' responsibility

The Directors are responsible for the preparation of the Templates and of the related disclosures in accordance with the applicable EU requirements and the Italian laws for the insurance business and for such internal control as Directors determine is necessary to enable the preparation of the Templates and of the related disclosures that are free from material misstatements, whether due to fraud or unintentional behaviour or events.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Auditors' responsibility

Our responsibility is to express an opinion on these Templates as at 31 Decembre 2016 and related disclosures based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Templates and related disclosures. The audit procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatements of the Templates and related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Templates and related disclosures, 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 Templates and related disclosures.

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 Templates "S.02.01.02 Balance Sheet" and "S.23.01.22 Own Funds" and related disclosures included in the sections "D. Valuation for Solvency purposes" and "E.1 Own Funds" of the Solvency and Financial Condition Report of Unipol Group as at 31 December 2016 have been prepared, in all material respects, in accordance to the applicable EU requirements and to the Italian laws for the insurance business.

Basis of accounting, purposes and restriction of use

The Templates and related disclosures have been prepared in accordance with the basis of accounting described in the section "D. Valuation for Solvency purposes" and for solvency supervisory requirements. As a result, they may not be suitable for other purposes.

Other matters

Our audit report prepared in accordance with the articles 14 and 16 of Legislative Decree no 39/2010 on the Consolidated Financial Statements of Unipol Group as at 31 December 2016 has been issued by us on 5 April 2017.

Milan, 30 June 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.

Unipol Gruppo S.p.A.

Registered Office
Via Stalingrado, 45
40128 Bologna (Italy)
unipol@pec.unipol.it
Tel. +39 051 5076111
Fax +39 051 5076666

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

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

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

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Registered Office
Via Stalingrado, 45
40128 Bologna (Italy)