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

95th year of business

Consolidated financial report as at 31 December 2016

Board of Directors' meeting of 15 March 2017

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

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BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

GENERAL MANAGEMENT

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

INDEPENDENT AUDITOR

Deloitte & Touche S.p.A.

APPOINTMENTS AND REMUNERATION COMMITTEE

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

INTERNAL CONTROL COMMITTEE

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

FINANCE COMMITTEE

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

REAL ESTATE COMMITTEE

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

RELATED PARTIES COMMITTEE

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

STRATEGIES COMMITTEE

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

Form and contents of report

As required by Article 3 of Italian Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements have been prepared in compliance with the international financial reporting standards (IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union (EC regulation no.1606/2002). IFRSs include all revised international accounting standards (IASs), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly called the Standing Interpretations Committee (SIC).

The present set of year-end financial statements is also presented in compliance with the formats defined by ISVAP Regulation no. 7 of 13 2007 July (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows, and accounting schedules), and includes additional detailed tables as necessary to complete disclosure as required by IFRSs or useful for better understanding of the year-end financial statements.
The accounting schedules required by the IVASS in terms of minimum disclosure content are shown in the specific chapter "Appendices to Consolidated Financial Statements," which is an integral part of the present set of year-end financial statements.

The disclosures presented take into account the specific items contained in Italian Legislative Decree no. 209 of 7 September 2005 (Private Insurance Code), as modified and integrated by Italian Legislative Decree no. 74 of 12 May 2015 and in CONSOB memorandum no. 6064293 of 28 July 2006.

The accounting and classification policies used to prepare year-end financial statements are detailed in the explanatory notes to accounts.

All amounts in this document are shown in thousand euros unless otherwise indicated.

Other relevant information

The Vittoria Assicurazioni Group was officially registered with the Register of Insurance Groups envisaged in Article 85 of the Italian Code of Private Insurance Companies (with registration number 008).
The Vittoria Assicurazioni Group operates in the insurance sector solely through its parent company and, as part of its strategy to streamline its risk/reward profile, has made some of its investments in the real estate sector (trading, development, and real estate brokering and property management services) through Vittoria Immobiliare S.p.A. and other equity holdings, and in the private equity sector. Certain Group companies provide services primarily in support of insurance activities.
Yafa S.p.A., controls Vittoria Assicurazioni through the chain of investors comprised of Yafa Holding S.p.A. and Vittoria Capital S.p.A..
Until the date of preparation of this Report, the parent companies do not engage in management and coordination of the Group, insofar as they solely serve as holding companies.

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

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

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

Directors' report

Economic and insurance scenario

According to the latest forecasts published by the International Monetary Fund (IMF) indicate an overall growth for 2017 was 3.4%, slightly better than last year (+3.1%). This growth should be driven mainly by emerging economies (4.6% vs. 4.2%) and the US recovery (2.2% vs. 1.6%). The Euro Area and the United Kingdom should record lower growth rates than 2016 (1.5% against 1.7% and 1.1% vs. 1.8% respectively).

Since November 2016, the economic data have also surprised positively in all areas and significantly also in the Eurozone. The global GDP growth is gradually going up from the lows of the beginning of this year. This improvement reflects several parallel processes affecting the Eurozone, China, United States and the countries producing raw materials (especially oil).

In Europe, the economic recovery is continuing at a rate above potential (estimated at 1% by the European Commission in the spring of 2016). Recent data point to an acceleration of GDP thanks to the recovery in the manufacturing and overall growth in global demand. The estimate for 2017 is now slightly higher than the IMF's forecast (+1.6%). The growth performance in the Euro Area remains varied, but has spread to almost all member countries.
The main contributors to this trend may be represented by the monetary policies which the ECB implemented (even special support), by the foreign demand and also by a favorable trend in domestic consumption expected to grow even though less than in 2016 because of the rising in energy prices. Conversely, in the absence of fiscal policies difficult to implement because of budgetary imbalances of some European countries, the projected employment growth will not be enough to counter the loss of purchasing power associated with the increase in inflation in the absence of salary increases.
However, considerable uncertainty remains about the growth dynamics in particular due to the uncertainty in the political scene. The busy electoral calendar of the coming months will involve the Netherlands, France, Germany and possibly Italy. In addition, they could be initiated negotiations for the release of the UK from the EU. In all countries called to renew the national parliaments, the discontent of voters increases the risk that governments will emerge less favorable to the reform process of the European institutions, and more focused on national interests. The uncertainty could slow the recovery in private investment, another important growth driver albeit modest in 2016.
The last meeting of 2016, the ECB has extended the purchase program (so called Quantitative Easing) reducing it from 80 to 60 billion per month. Markets now await the next central bank's move that could lead to a more restrictive monetary policy in the face, however, a revival of inflationary pressures (not only related to energy prices) and a solid path of growth.

Finally, the government's announcement last January 2017, confirmed the intention of the United Kingdom to activate the exit procedure by the European Union in March without compromise and with full respect of the vote expressed by the citizens. It is moving towards the opening of negotiations that will see many points to be solved (like regular trade, how to ensure the free movement of people, etc.). The impacts of the decision have yet to be fully respected by European countries.

The United States has for some time now to full employment, with inflation that has exceeded 2% and is preparing to receive a large fiscal stimulus promised by the new administration Trump even if the entity, the manner and timing have not been determined yet.
The Federal Reserve (FED) will be called upon to play a fundamental role in avoiding an excessive overheating due precisely to the tax maneuvers expectations and on the other hand not to implement

highly restrictive measures increasing more than necessary rates. Particular attention will be given to exchange rate trends, since a too strong dollar could undermine the growth process.
The new administration will be called upon to seek a legislative compromise on reforms promised during the election campaign and any signals of protectionism. However it is expected a probable increase in government spending on defense and infrastructure, and a decrease in taxation for companies and households, which should result in higher consumption and investment and thus to a more than 2% growth.
The trend in energy prices, as well as possible economic stimulus, could favor a recovery in non-residential fixed investment, another engine of recovery. The foreign sector should contribute negatively to growth, especially in 2017, on the wake of the appreciation of the dollar.
The further growth due to the new shares is also difficult to estimate because of protectionist positions on trade and immigration, and the maintenance of relationships between the new administration and Congress that, although Republican majority, may oppose an excessive budget deficit.
In any case the current context of growth of the economy, the employment level reached and the rate of inflation now above 2% and wage pressures are expected to produce a lasting rise in inflation.

As for the data recorded by the European financial markets over the course of 2016, we note the positive performance of both the main equity index Euro Stoxx 600 (+2.34%), thanks mainly to the recovery of prices in the latter part of the year, that of the government bond JPM EMU government Bond (+3.77%) and corporate (IBOXX Euro Corporates Overall index Total Return Index +4.72%).

Regarding the trend of the European currency in 2016 there has been a depreciation of 3.12% and 6.20%, respectively, to the dollar and the yen and a significant appreciation of the British pound (+ 15.73%), due to the outcome of the referendum on the *Brexit* from the European Union.

In Italy, 2016 ended with the economy growth of around 1%, mainly driven by domestic demand (+ 1.36%), helped mainly by a fall in oil prices, however the limited use of tax lever (already started in 2014 with the Irpef bonus), but also by the drop in interest rates, and in particular on the component consumer credit. Positive was also the recovery in employment, which started as early as 2014, but in 2016 recorded a significant increase (Eurostat Employment Index Italy +1.1%), and industrial production (Industrial production index Eurostat former Italy Construction + 5.84%) .
The forecasts for 2017 confirm a growth trend of the gross domestic product of 0.9%. It also expects a moderate private consumption growth of around 0.8% (average Bloomberg) compared to an increase in inflation (1.3% from 0.5% at end of 2016) due mainly to the recovery of oil prices.
In 2017 the baton of growth could then move from consumption to investment, thanks to the 2017 Stability Law which tends to strengthen measures already planned by the previous law of 2016. Finally, exports could record a positive trend in the wake of the recovery in world trade.
As for the data recorded by the financial markets during 2016, we note the negative performance of the stock market (-7.23% FTSE MIB) and the slightly positive bond market (+ 0.98% FTSE Italy Govt Performance) .

With regard to the Italian insurance market, it is noted that the premiums (based on Italian GAAP) as at 30 September 2016 (Ania Trends statistic) show, compared with the same period last year, a decrease of 11.9% for the Life business and a decrease in Non-Life business by 1.6% (including Third Party Liability -5.9%).
The comparison with the data of Vittoria Assicurazioni is as follows:

	Change	
Line of business	Market 30/09/16 - 30/09/15	Vittoria Assicurazioni 31/12/16 - 31/12/15
Life business	-11.9%	-13.2%
Non-Life business	-1.6%	+1.1%
Of wich: Motor TPL	-5.9%	-0.8%

REAL ESTATE SECTOR

Housing market trend, albeit limited to the main Italian cities, detects a certain excitement after years of obvious difficulties and the current macroeconomic scenario, in a still uncertain environment, confirming the signs of improvement recorded in the last two years.

The GDP growth forecast for the next three years (+ 0.9% in 2016), the moderate recovery in investment and the gradual rise in inflation, marginally negative on average in 2016, portend a stabilization of positive signs early detected here .

The Italian real estate market, as part of the trade, took over in 2016 a significant increase over the previous year, divided into two distinct time phases: during the first six months a growth more than 20% has been observed which slowed down in the second period of the year (recorded a +18.4% yoy and +16%) on average in only residential, tertiary and commercial categories (see table below presented), albeit with prices that are serving even slight declines, also confirming this year a substantial stagnation.

Changes in sales on real estate units in 2016 vs. 2015

Categories	IQ 16-15 Var.%	IIQ 16-15 Var.%	IIIQ 16-15 Var.%	IVQ 16-15 Var.%	FY 16-15 Var.%
Residential	20.7%	23.0%	17.5%	15.2%	18.9%
Tertiary	1.4%	14.9%	31.2%	5.9%	12.5%
Commercial	14.5%	13.0%	23.4%	16.2%	16.6%
Production	7.2%	28.8%	24.6%	25.4%	22.1%
Adjacent lot	17.3%	23.3%	17.3%	18.4%	19.2%
Others	8.5%	16.1%	18.4%	15.5%	14.8%
Total	17.3%	21.9%	17.9%	16.4%	18.4%

Source: OMI

The volume of real estate sales recorded in the residential market over the previous year showed a further recovery, going from around 449 thousand transactions in 2015 to around 530 thousand recovering part of the slowdown detected since 2006 and throughout 2014 (quantifiable in 50%, from 870 thousand units of about 2006 to about 420,000 in 2014).

The sales prices, referred to the average of the biggest Italian cities, have detected a substantial stabilization in the year compared to the previous year.

Summary of key performance indicators of the business

€/million

SPECIFIC SEGMENT RESULTS	31/12/2016	31/12/2015	Δ
Non Life business			
Gross Premiums written - direct Non Life business	1,081.1	1,069.1	1.1%
Non Life business pre-tax result	194.0	118.5	63.6%
(1) Loss Ratio - retained	64.6%	63.9%	0.7
(2) Combined Ratio - retained	89.4%	89.1%	0.3
(3) Expense Ratio - retained	24.7%	24.8%	(0.1)
Life business			
Gross Premiums written - direct Life business	184.7	212.4	(13.1)%
Life business pre-tax result	2.2	2.1	4.3%
(4) Annual Premium Equivalent (APE)	28.0	30.6	(8.5)%
Segregated funds portfolios	1,038.9	947.4	9.7%
Index/Unit - linked and Pension funds portfolios	56.9	59.4	(4.3)%
Segregated fund performance: Rendimento Mensile	3.03%	3.21%	(0.18)
Segregated fund performance: Valore Crescente	4.61%	3.84%	0.77
Total Agencies	430	413	17
Average of employees	610	610	-
Real Estate business			
Sales	29.9	23.5	27.2%
Trading and development margin	1.7	(1.8)	n.s.
Real Estate business pre-tax result	(4.5)	(12.0)	(62.6)%

CONSOLIDATED RESULTS	31/12/2016	31/12/2015	Δ
Total investments	3,348.9	3,226.1	3.8%
Net gains on investments	121.4	70.1	73.1%
Pre-tax result	188.6	117.8	60.1%
Consolidated profit (loss)	135.4	70.6	91.7%
Consolidated ROE	21.6%	13.1%	8.5
Group profit (loss)	135.4	70.6	91.7%
Equity attributable to the shareholders of the parent	745.6	691.2	7.9%
Equity attributable to the shareholders of the parent net of unrealised capital gains	687.0	566.1	21.4%

Legend

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

Technical data are determined in accordance with Italian accounting principles.

Performance of the Vittoria Assicurazioni Group

At 31 December 2016, Group net profit was 135,367 thousand euro, compared with 70,620 thousand euro in 2015 (+91.7%).
The result for the year benefited of about 47 million euro from extraordinary capital gains arising from the sale of Italian government bonds allocated to the Non-Life business, which took place in November 2016, and aimed at the diversification of the bond portfolio. The result for the insurance business, before taxes and intersegment eliminations amounted to 196,146 thousand euro (120,615 thousand euro as at 31 December 2015, with an increase of 62.6%).

This financial report also notes a positive Non-Life business technical performance and a positive Life business result. Non-Life business, in fact, shows an increase of 22.7% in gross profit (net of investment income) compared to 31 December 2015, thanks to a positive contribution continuously recorded in the Motor line of business and in the Non Marine line of business. It shows a turnaround in the Specialty line of business thanks to the efforts undertaken in previous years, targeted to the technical achievement of balance in the Credit and Bond lines of business.
The Life business recorded a positive result, broadly in line with last year (+ 4.3%).

Thanks to the continuous actions aimed at the consolidation and development of the existing portfolio, insurance premiums written stood at last year's levels: the total insurance premiums written in 2016 amounted to 1,265,913 thousand euro (1,281,632 thousand euro in 2015), with an increase of 1.1% in Non-Life business and a decrease of 13.1% in Life business, the latter due to the the revised growth strategies aimed at decreasing single premium products of segregated funds.

The persistence of the crisis brings the real estate segment to mark also for the 2016 a loss of 4,500 thousand euro. Compared to the previous year, where there has been a loss of 12,030 thousand euro, we can see a trend reversal: as at 31 December 2016 in fact, there are positive margins on sales of 1,725 thousand euro, compared to costs of management in reduction of 6.6%. The year end result takes into account prudent property valuations, performed to realign to a market contest which, although still in crisis, highlights some first timid signs of recovery.

The comprehensive income of the Group as at 31 December 2016 amounted to 68,632 thousand euro down by 24.3% compared to 31 December 2015, due to the increase in interest rates which negatively affected the changes in unrealized gains on bond portfolio.

Total investments recorded an increase of 3.8% compared to 31 December 2015, reaching the amount of 3,348,947 thousand euro, referring for 56,866 thousand euro (-4.3%) to investments with risk borne by policyholders and for 3,292,081 thousand euro (+4.0%) to investments with risk borne by the Group.
Net income from investments with risk borne by the Group increased by 73.1%, with a balance of 121,380 thousand euro against 70,106 thousand euro in the previous period. The significant improvement is mainly attributable to the capital gains realized during the year from the sale of debt securities classified as available for sale. The result also includes impairment of 40% related to the investment of the parent company in the “Fondo Atlante” for an amount of 1,623 thousand euro.

Group shareholders’ equity totalled 745,611 thousand euro, up 7.9% compared to the amount of 691,244 thousand euro reported as at 31 December 2015.

The following table shows the contributions of the Group's various businesses to net profit.

Reclassified Profit and Loss by business segment	31/12/16	31/12/15	(€/000) Δ
Non life business - Gross Result (excluding investments result)	110,524	90,110	+22.7%
Non life business - Gross Investments Result	83,467	28,439	+193.5%
Life business - Gross Result	2,155	2,066	+4.3%
Gross Insurance business Result	196,146	120,615	+62.6%
Elimination from consolidation	4,461.00	13,589	-67.2%
Insurance business: taxes	(61,213)	(53,431)	+14.6%
Insurance business net contribution to Profit attributable to parent company shareholders	139,394	80,773	+72.6%
Gains on property trading	1,725	(1,820)	n.s.
Real estate service revenues	2,812	2,353	+19.5%
Real estate business net costs	(16,601)	(17,783)	-6.6%
Gross Real estate business Result	(12,064)	(17,250)	-30.1%
Elimination from consolidation	(829)	(125)	+563.2%
Taxes and minority interests	8,062	6,698	+20.4%
Net Real estate business Result	(4,831)	(10,677)	-54.8%
Net profit attributable to Life business Policyholders net of tax	331	(1,353)	n.s.
Real estate business net contribution to Profit attributable to parent company shareholders	(4,500)	(12,030)	-62.6%
Service business net contribution to Profit attributable to parent company shareholders	473	1,877	-74.8%
Net Profit attributable to parent company shareholders	135,367	70,620	+91.7%
Other Comprehensive Income (Loss) net of tax	(66,735)	19,984	n.s.
Comprehensive Income attributable to parent company shareholders	68,632	90,604	-24.3%

At 31 December 2016 the Parent Company registered net profit – based on Italian GAAPs – of 139,487 thousand euro (66,269 thousand euro as at 31 December 2015).

Reconciliation between the data in the unconsolidated and consolidated statements is illustrated in note 15 of this report.

The companies that make up the Group are listed in the chapter “Explanatory notes” – Consolidation scope.

Insurance business

Profit for the insurance business, before taxes and intersegment eliminations, amounted to 196,146 thousand euro (+62.6% with respect to 120,615 thousand euro as at 31 December 2015). The key operating items contributing to the period's result are described below.

Total insurance premiums in 2016 amounted to 1,270,731 thousand euro (-1.3% with respect to 1,287,543 thousand euro in 2015), of which 1,265,913 thousand euro for insurance premiums written and 4,818 thousand euro for unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.

Direct Life insurance premiums amounted to 184,651 featuring a decrease of 13.1% vs. premiums in 2015.

Direct Non-Life premiums increased by 1.1%. Specifically:

- Motor premiums: +0.7%;
- Non-marine premiums: +3.2%;
- Specialty categories [i.e. marine & transport, aviation, credit & suretyship] premiums: -23.3%.

Overhead costs as a percentage of total direct insurance premiums decreased from 9.3% last year to 8.5%.

Non-Life business combined ratio and loss ratio retained at 31 December 2016, amounted respectively to 89.4% and 64.6% (Italian GAAP). The corresponding ratio at 31 December 2015 were respectively 89.1% and 63.9%.

Real Estate Business

The loss in the real estate business, before taxes and inter-segment eliminations, amounted to 12,064 thousand euro (against a loss of 17,250 thousand euro as at 31 December 2015) and featured contributions to the income statement that, before inter-segment eliminations, included:

- revenues from notarial deeds for 29,894 thousand euro (+27.2% compared to 23,494 thousand euro as at 31 December 2015);
- margins on properties from trading and development activities amounted to 1,725 thousand euro (-1,820 thousand euro as at 31 December 2015) resulting from margins from notarial deeds for 4,680 thousand euro and write-downs on real estate for 2,955 thousand euro;
- real estate brokerage and management service revenues of 1,575 thousand euro, administrative, contractual and technical service revenues of 1,237 thousand euro and rental income of 990 thousand euro for a total of 3,802 thousand euro (3,153 thousand euro as at 31 December 2015);
- interest expenses of 1,853 thousand euro (1,921 thousand euro as at 31 December 2015).

Capital redemption operations of the Company in the real estate business, initiated during last year and continued in 2016, allowed the extinction of almost all mortgage loans outstanding, bringing the net financial exposure of the real estate industry to a positive balance of 18,817 thousand euro (negative balance of 60,678 thousand euro as at 31 December 2015).

Service Business

This segment reported a profit, before tax and minority interests, of 239thousand euro, compared with a profit of 497 thousand euro as at 31 December 2015.
The services and the fees received by the Group companies, gross of intercompany services, amounted to 1,149 thousand euro (5,434 thousand euro as at 31 December 2015).
The reduction compared to the previous year, is primarily due to the deconsolidation of Aspevi Roma S.r.l. following the sale to third parties of 51% in November 2016 at a price of 401 thousand euro.

Equity and dividend policy

Group shareholders' equity totalled 745,611 thousand euro (+7.9%) and minority interests amounted to 194 thousand euro (-97.9%), 691.244 and 9,313 thousand euro respectively at 31 December 2015.

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

Proposed dividend per share

The board of directors of the parent company submits the following allocation of the year's earnings, equal to 139,486,646 euro, as follows:

To Legal Reserve	Euro	49,129
To Available Reserve	Euro	125,287,943
To Shareholders	Euro	14,149,574

corresponding to a dividend of Euro 0.21 for each of the 67,378,924 shares constituting the share capital (dividend equal to 13,475,785 in 2015).

After approval by shareholders, dividend distribution will be recognised in the 2017 statutory accounts.

Strategic goals

Vittoria Assicurazioni operates in all lines of insurance business, and founds its activities on a long experience in the insurance field, gained since 1921, for the protection of individuals, families and companies.
The main objective of the parent company is to honour in proper time contractual commitments to policyholders, realizing a reasonable profit margin.
This goal is supported by the achievement of technical profitability, a policy of consolidation of the portfolio acquired, the loyalty of existing customers, but also by the increase in market share in non-life and the acquisition of new production in the Life business.
In carrying out its insurance activities, the parent company pays attention to the management of its risk profile, principally through:

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

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

Insurance business

Review of operations

Premiums as up to 31 December 2016 amounted to 1,265,913 thousand euro. Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

COMPARISON BETWEEN GROSS PREMIUMS WRITTEN IN 2016 AND 2015
DIRECT AND INDIRECT BUSINESS

(€/000)

	Year 2016	Year 2015	YoY change %	% of total book 2016	% of total book 2015
Domestic direct business					
Life business					
I Whole- and term life	172,862	192,404	-10.2	13.7	15.0
IV Health (long-term care)	631	642	-1.7	0.0	0.1
V Capitalisation	11,158	19,370	-42.4	0.9	1.5
Total Life business	184,651	212,416	-13.1	14.6	16.6
Non-Life business					
Total non-marine lines (exc. specialty and motor)	296,310	287,226	3.2	23.3	22.4
Total specialty lines	7,686	10,020	-23.3	0.7	0.8
Total motor lines	777,149	771,868	0.7	61.4	60.2
Total Non-Life business	1,081,145	1,069,114	1.1	85.4	83.4
Total direct business	1,265,796	1,281,530	-1.2	100.0	100.0
Domestic indirect business					
Non-Life business	117	102	14.7	0.0	0.0
Total indirect business	117	102	14.7	0.0	0.0
Grand Total	1,265,913	1,281,632	-1.2	100.0	100.0

Revenues not qualified as premiums as defined by IFRS 4 (Unit Linked contracts and those relating to the Vittoria Formula Lavoro open-ended pension fund) amounted to 4,818 thousand euro (5,911 thousand euro in 2015).

Life business

Insurance and investment contracts in the Life business

The products currently offered by the parent company cover all insurance business lines, from savings (“revaluable” policies* relating to segregated accounts), to protection (policies covering risks of death, disability, and non-self-sufficiency (i.e. long-term care) and supplementary pension plans (individual pension schemes and open-ended pension fund). The product range also includes unit-linked financial policies and composite products, which represent a new investment solution that combines return potential resulting from equity funds (Class III) and the safety of segregated fund (Class I). The strategy of containment of the products in single premiums revaluable linked to segregated funds is going on.
The lines marketed include policies that envisage the possibility of converting the benefit accrued into an annuity. Conversion takes place at the conditions in force when the option is exercised. The types of insurance pricing used are those for endowment, whole-life and term-life policies, on both an annual and single-premium basis, and fixed term policies, plus group insurance pricing for whole/term life and/or disability policies. Contractual terms are updated constantly and are in line with those commonly offered by the market.

Premiums

Direct insurance business premiums in 2016 totalled 184,651 thousand euro (212,416 thousand euro in 2015) split as follows:

(€/000)

	Year 2016	Year 2015	YoY change %	% of total book 2016	% of total book 2015
Recurring premiums	55,746	57,896	-3.7	30.2	27.3
Annual premiums	128,905	154,520	-16.6	69.8	72.7
Total Life business	184,651	212,416	-13.1	100.0	100.0

In 2016 the funds relating to segregated funds achieved the following returns:

(€/000)

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

* Observation period: 01/10/2015 - 30/09/2016
** Active since: 31/03/2016

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

Claims, accrued capital sums & annuities, and surrenders

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

(€/000)

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

Non-life Business

Premiums

Direct premiums issued amounted 1,081,145 thousand euro (1,069,114 thousand euro as at 31 December 2015), for an increase of 1.1%.

Technical performance

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

NON MARINE BUSINESSES

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

The overall technical result remained positive.

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

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

Health: the line registered a 5.5% increase in premiums, with a technical result improved compared to last year (+34.6%), thanks to the effects of portfolio reforms implemented in previous years.

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

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

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

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

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

SPECIALTY BUSINESSES

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

In particular:

Credit: this line of business includes exclusively the risks related to the Salary-Backed Loans for which it has retained the right of recourse against the borrowers.
Also in 2016 we see a decrease in premiums written, a consequence of the continuation of the significant downsizing of the line of business process.
This reduced activity led to a negative technical result, even though with a significant improvement compared to the previous year.

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

Watercraft (sea, lake and river) hulls and railway rolling stock: this line of business recorded a decrease in premiums written (-7.3%), due also to the drop in sales in the watercraft.
The technical result was broadly in balance, recording an improvement compared to the previous year.

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

MOTOR BUSINESSES

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

The portfolio consolidation policy continued.

In particular:

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

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

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

Claims

Reported claims

The following chart, concerning reported numbers of claims, has been prepared using data from positions opened during the year. Data are compared with those for 2015:

Reported claims - direct business (€/000)

	Numer of Reported claims		YoY Change %	Numer of Reported claims without consequences		YoY Change %	Numer of Reported claims closed		YoY Change %
	31/12/2016	31/12/2015		31/12/2016	31/12/2015		31/12/2016	31/12/2015	
Total non-marine lines	48,516	46,966	3.3%	9,392	9,064	3.6%	29,864	28,469	4.9%
Total specialty lines	1,056	1,227	-13.9%	268	210	27.6%	146	179	-18.4%
Total motor lines	239,778	220,772	8.6%	20,827	19,089	9.1%	169,073	155,538	8.7%
Total Non-Life businesses	289,350	268,965	7.6%	30,487	28,363	7.5%	199,083	184,186	8.1%

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

Claims paid

The following table shows claims paid for direct business and the amount charged to reinsurers, with the data broken down by the period to which claims refer:

(€/000)

	Claims paid 31/12/2016			Claims recovered from reinsurers	Claims paid 31/12/2015			Claims recovered from reinsurers	Change gross claims %	Change claims recovered from reinsurers %
	Current year	Previous years	Total		Current year	Previous years	Total			
Total non-marine businesses	52,725	47,275	100,000	6,409	52,241	52,449	104,690	6,892	-4.5	-7.0
Total Special businesses	2,231	13,120	15,351	6,365	5,947	35,434	41,381	19,667	-62.9	-67.6
Total motor businesses	258,747	270,677	529,424	7,368	238,491	261,178	499,669	8,009	6.0	-8.0
Total non-life businesses	313,703	331,072	644,775	20,142	296,679	349,061	645,740	34,568	-0.2	-41.7

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

Claims settlement speed

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

(percentages)

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

Anti-fraud activities

Claims which are presumed to be possible cases of fraud are handled with anti-fraud criteria established by parent company's guidelines.
Savings for the year in relation to the Motor TPL business, quantified in accordance with Law 27/2012 implemented by Regulation ISVAP n. 44, amounted to 4.5 million euro.
As a result of the deepening in relation to fraud risk, savings of 3.9 million euro were achieved for claims that have been defined without result and 0.6 million euro for claims settled definitively, compared to the assessed value posted to technical reserves.

Reinsurance

LIFE BUSINESS

Outward reinsurance

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

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

Inward reinsurance

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

NON-LIFE BUSINESS

Outward reinsurance

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

The main treaties in place are the following:

- Excess claims: Accident, Motor vehicle Hulls, Marine Hulls, Cargo (goods in transit), Fire and natural events, Motor TPL and General TPL;
- Pure premium: Suretyship, Legal protection, Assistance and Miscellaneous damage in relation to Hail, Engineering risks and ten year guarantees.

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

Inward reinsurance

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

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

(€/000)

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

* provided by Moody's

Claims cost trend

As required in IFRS 4, paragraph 39, we present some information concerning the Non-Life claims trend.
The table below shows estimated costs of claims in the year when they were generated, from 2007 to 2016, and updates recorded in subsequent years following adjustment of claims and alignment of reserves based on the greater information received on the claims concerned and updating of observable historical series.
Each figure present on the triangle is the estimated generation cost at 31 December of the year observed. The total cost is the sum of the following components:

- Cumulative claim amounts paid from the year of the claim event up to 31 December of the year of observation
- Accrued provisions for open claims, as at 31 December of the year of observation
- Estimate of IBNR (incurred but not reported) claims of the event year as at 31 December of the year of observation

Cumulative claim amounts paid excludes the cost of the contribution to the road-accident victim guarantee fund.

This table shows the gross data; therefore, it does not report the amounts recovered and to be recovered from policyholders and third parties for recoupment, deductibles and, only in the Land Vehicle TPL line, claims settlements.

(€/000)

Year of event	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Totale
Cumulative claims cost											
At the end of year of event	324,196	349,709	403,347	440,586	520,561	567,376	614,689	651,383	684,774	699,983	5,256,605
1 year later	317,409	355,348	399,053	445,632	514,147	540,079	601,168	621,301	685,978		
2 years later	307,669	355,595	405,416	444,079	514,219	540,970	593,557	610,631			
3 years later	306,379	354,902	412,321	450,679	516,766	547,735	587,801				
4 years later	308,216	360,005	424,295	449,862	524,147	547,207					
5 years later	312,405	364,444	427,086	452,698	523,861						
6 years later	316,175	368,886	433,351	453,778							
7 years later	317,874	371,410	435,426								
8 years later	321,194	371,404									
9 years later	323,164										
Cumulative claims cost at 31/12/2016	323,164	371,404	435,426	453,778	523,861	547,207	587,801	610,631	685,978	699,983	5,239,233
Total cumulative claims paid in 2016	310,872	353,297	404,190	422,876	469,665	467,138	479,767	480,704	470,275	300,387	4,159,171
Claims paid in 2016	4,276	3,482	7,755	11,631	15,265	21,967	26,537	54,763	186,925	300,387	632,987
Claims reserve at 31 December 2016	12,292	18,107	31,237	30,901	54,196	80,070	108,034	129,927	215,703	399,596	1,080,063

From the comparison between what was posted in the first year of occurrence of claims - in the decade highlighted - amounting to 5,256,605 thousand euro and the evolution of the same at the date of the 2016 financial statements, amounting to 5,239,233 thousand euro, emerges a deviation equal to -0.3%.

For information purposes, we point out that the range of 1.0% in Loss Ratio, would lead to a result in profit and loss statement of approximately 10 million euros, before tax.

Commercial organisation

The development activity has resulted in the opening of 18 new agencies and the reorganization of other 27, while 1 agencies have been closed; as at 31 December 2016 Vittoria Assicurazioni was nationally present with 430 General Agencies (413 as at 31 December 2015) and 1,008 Sub-Agencies Professional (966 as at 31 December 2015).
The training activities are going on for the primary sales network (General Agencies), for those involved in the sale of "second level" (producers and sub-agents) and for employees of the agencies.
In particular, to the latter were dedicated training sessions to improve the knowledge Group's processes and tools.
During 2016, the training was delivered by the Parent Company's internal trainers and, for a selected number of agencies, was completed with the addition of a series of professional training courses, using external providers, selected on the basis of the requirements of Reg. 6/2014 art. 14.
The training plan was completed in 2016 with the release of modules to upgrade the products according to the following content: Non-Life - Motor, Non-Life - Accidents and Health, Multirisks commercial and travels business, and Life - Savings policies, in the insurance and reinsurance technical areas and administrative and management area.
In 2016, the parent company continued the training courses in the second edition (the first three-year period ended in 2013) of the Project Victory Academy, which aims to managerial development courses for Agents, sub-agents and Administrative Employees.

Products - Research and development

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

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

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

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

Overhead costs

Overhead costs – direct business

The total amount of insurance overhead costs (Non-Life and Life business) – consisting of personnel costs, various general expenses, plus depreciation of tangible assets and amortisation of intangible assets – totalled 107,520 thousand euro vs. 119,894 thousand euro in 2015, decreasing by 10.3%. Besides current operating expenses, these costs also include depreciation & amortisation costs for investments made in IT facilities and processes. These investments are intended to limit, in future years, the operating costs burdening corporate departments and the agency network, whilst at the same time improving services to policyholders as regards insurance coverage and claims settlement. Their breakdown is shown in the following table, where "Other costs" consist mainly of office running costs, IT costs, legal and legal-entity expenses, mandatory contributions, and association membership dues.

(€/000)

ANALYSIS OF COSTS	31/12/2016	31/12/2015	Change
Personnel expenses	54,056	51,670	4.6%
Other costs	41,551	42,223	-1.6%
Amortisation/Depreciation	11,913	26,001	-54.2%
Total cost by nature	107,520	119,894	-10.3%

Overhead costs as a percentage of total direct insurance premiums (direct business) decreased from 9.3% last year to 8.5%. The significant decrease in depreciation is attributable to the review of the remaining useful life of the application of management systems operated in the previous year.

Operating costs

The following table shows the total amount of insurance operating costs (Non-Life and Life business), as shown in the income statement, by activity.

(€/000)

	31/12/2016	31/12/2015	Change
Gross commissions and other acquisition costs	226,835	232,229	-2.3%
Profit participation and other commissions received from reinsurers	-4,614	-4,886	-5.6%
Investment management costs	1,552	1,657	-6.3%
Other administrative costs	42,695	31,316	36.3%
Total	266,468	260,316	2.4%

Real estate business

The Group's real estate business includes trading and development, brokerage, and management of own and third-party property. Below, we highlight the key operating results of the group companies.

Trading and development

The following companies operate in this segment:

Vittoria Immobiliare SpA – Milan
100% direct equity interest
This company operates in real-estate development and trading, both directly and via special-purpose real-estate companies. Revenues from the sale of property in 2016 amounted to 1,515 thousand euro (501 thousand euro in 2015). Closing inventory totalled 16,031 thousand euro (18,185 thousand euro in 2015).

Immobiliare Bilancia Srl - Milan
100% direct equity interest
This company is active in real-estate trading of properties in San Donato Milanese, Rome, Genoa and Padua and in the development of an area in Florence, Viale Michelangelo.
Revenues from the sale of property in 2016 amounted to 2,001 thousand euro (3,534 thousand euro in 2015). Closing inventory totalled 29,013 thousand euro (30,332 thousand euro in 2015).

Immobiliare Bilancia Prima Srl – Milan
100% direct equity interest
The company owns a building plot in the municipality of Parma, which is currently under development, a building complex with a prevalent use destination as offices in Via Adamello 19, Milan, building activity in Rome and a building complex in Corso Cairoli, Turin. In 2014, the Company purchased a building plot situated in the town of Peschiera Borromeo, on which four buildings are under construction.
The earnings during the financial year from the sale of property amounted to 1,783 thousand euro (346 thousand euro in 2015) and the final inventory amounted to 52,928 thousand euro (49,257 thousand euro in 2015).

Acacia 2000 Srl – Milan
71.60% direct equity interest and 28.40% indirect equity interest via Vittoria Immobiliare S.p.A.
In 2016 the company has finished development and building activities for the construction of a property complex with a residential use destination, made up of eight buildings and a two level underground car park in an area located in the "Portello" area of Milan. The complex is called "Residenze Parco Vittoria".
Income of the year from the sale of property amounted to 22,690 thousand euro (16,550 thousand euro in 2015) and the final inventory amounted to 209,912 thousand euro (224,096 thousand euro in 2015).

VRG Domus Srl. - Turin
100% indirect equity interest via Vittoria Immobiliare S.p.A.
The company, totalled a closing inventory of 12,306 thousand euro (11,952 thousand euro in 2015), related to the real estate operation named "Spina 1" in Turin and to a non-residential property in Rome, Via della Vignaccia.

Vaimm Sviluppo Srl – Milan
100% direct equity interest
The company owns building units located in Genoa Piazza De Ferrari, Via Orefici and Via Conservatori del Mare. The closing inventories amounted to 48,891 thousand euro, a decrease vs. 54,176 thousand euro in 2015, due to the reclassification to “tangible assets” of portion of buildings in Genoa, Piazza De Ferrari 4 and via Orefici 7, rented in the year.

Valsalaria Srl – Rome
51% indirect equity interest via Vittoria Immobiliare S.p.A.
The company is managing a real-estate project in the municipality of Rome. Revenues from the sale of property in 2016 amounted to 1,138 thousand euro (616 thousand euro in 2015). Closing inventory amounted to 2,685 thousand euro (3,677 thousand euro in 2015).

VP Sviluppo Srl – Milan
100% direct equity interest
The company is managing a real-estate project in the municipality of Peschiera Borromeo (MI). Revenues from the sale of property in 2016 amounted to 768 thousand euro (1,947 thousand euro in 2015) and the closing inventories amounted to 50,865 thousand euro (48,058 thousand euro in 2015).

Real Estate Brokerage Activities

In this segment the following company is active:

Interimmobili Srl - Rome
100% indirect equity interest via Vittoria Immobiliare S.p.A.
In its real-estate brokerage activities, the company achieved commission revenue of 2,172 thousand euro (2,191 thousand euro in 2015), before infragroup eliminations.
In 2016 the company continued to sell properties mainly in Rome, Turin and Milan based on sales mandates given by Group companies and premier institutional investors, social security & pension agencies, and building companies.
Project management contracts acquired by Interimmobili with Group companies generated revenues of 744 thousand euro (1,290 thousand euro as at 31 December 2015).

Property management

Gestimmobili Srl, based in Milan (100% indirect equity interest via Vittoria Immobiliare S.p.A.), is the company active in this segment, i.e. in the administrative and technical management of property assets.
Revenues achieved for this activity in 2016 totalled 1,544 thousand euro (1,478 thousand euro as at 31 December 2015).

Overhead costs

Overhead costs for the real estate business, before elimination of infra-group services, are as shown in the table below:

(€/000)

ANALYSIS OF COSTS	31/12/2016	31/12/2015	Change
Personnel expenses	5,236	4,096	27.8%
Other costs	8,574	9,168	-6.5%
Amortisation/Depreciation	862	868	-0.7%
Total cost by nature	14,672	14,132	3.8%

Personnel and Other costs are allocated to Operating Costs (specifically to "Other administrative costs"). Depreciation and amortisation costs are allocated to the "Other costs" caption in the income statement.

Service business

This segment showed a profit in the period, as shown in the income statement by business and business line, of 239 thousand euro (profit of 497 thousand euro in 2015).
Revenues for services rendered in 2016 by group companies, before elimination of infra-group services, amounted to 1,150 thousand euro. These revenues included 1,059 thousand euro for commissions and services rendered to the direct operating parent company (5,434 thousand euro and 5,345 thousand euro in 2015, respectively).

Overhead costs

The following table shows overhead costs for the service business, before intersegment eliminations:

(€/000)

ANALYSIS OF COSTS	31/12/2016	31/12/2015	Change
Personnel expenses	307	522	-41.2%
Other costs	411	1,003	-59.0%
Amortisation/Depreciation	1	37	-97.3%
Total cost by nature	719	1,562	-54.0%

The general reduction in costs compared to the previous year is mainly due to the deconsolidation of Aspevi Roma S.r.l. following the sale to third parties of 51% which took place in November 2016.
Personnel and Other costs are allocated to Operating Costs (specifically to "Other administrative costs"). Depreciation and amortisation costs are allocated to the "Other costs" caption in the income statement.

Investments – Cash & cash equivalents - Property

Investments, cash & cash equivalents, and property reached a value of 3,348,947 thousand euro with an increase of 3.8 % vs. 31 December 2015. The detailed breakdown is shown in the following table:

(€/000)

	INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/12/2016	31/12/2015	Change
A	Investments in subsidiaries and associates and interests in joint ventures	20,138	24,185	-16.7%
B	Held to maturity investments	44,268	44,483	-0.5%
	Loans and receivables	128,677	106,853	20.4%
	- Reinsurance deposits	149	175	
	- Other loans and receivables	128,528	106,678	
C	Financial assets available for sale	2,208,766	2,183,159	1.2%
	- Equity investments	103,058	106,938	
	- OEIC units	82,430	57,824	
	- Bonds and other fixed-interest securities	2,023,278	2,018,397	
	Financial assets at fair value through profit or loss	56,872	59,422	-4.3%
D	Financial assets held for trading	6	10	-40.0%
	- Bonds and other fixed-interest securities held for trading	6	10	
E	Financial assets at fair value through profit or loss	56,866	59,412	-4.3%
	- Investments where policyholders bear the risk	56,866	59,412	
	Cash and cash equivalents	262,936	167,137	57.3%
F	Total Property	627,290	640,866	-2.1%
	Investment property	89,428	85,584	4.5%
	Property	537,862	555,282	-3.1%
	Property under construction	47,376	315,050	
	Property held for trading	375,256	125,973	
	Owner-occupied property	115,230	114,259	
	TOTAL INVESTMENTS	3,348,947	3,226,105	3.8%
	of which			
	investments where the Group bears the risk	3,292,081	3,166,693	4.0%
	investments where policyholders bear the risk	56,866	59,412	-4.3%

The following table, shows a breakdown of investments, cash & cash equivalents and property by business type:

(€/000)

Investments - Cash and cash equivalents - Property	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Investment property	89,428	85,584	-	-	-	-	-	-	89,428	85,584
Investments in subsidiaries	506,609	419,362	-	-	-	-	-506,609	-419,362	-	-
Investments in associates	19,071	23,284	64,329	63,518	654	470	-63,916	-63,087	20,138	24,185
Held to maturity investments	44,268	44,483	-	-	-	-	-	-	44,268	44,483
Reinsurance deposits	149	175	-	-	-	-	-	-	149	175
Other loans and receivables	128,986	108,238	19,542	11,940	-	-	-20,000	-13,500	128,528	106,678
Financial assets available for sale										
Equity investments	102,993	106,899	39	39	26	-	-	-	103,058	106,938
OEIC units	82,430	57,824	-	-	-	-	-	-	82,430	57,824
Bonds and other fixed-interest securities	2,023,278	2,018,397	-	-	-	-	-	-	2,023,278	2,018,397
Financial assets at fair value through profit or loss: Investments where policyholders bear the risk	56,866	59,412	-	-	-	-	-	-	56,866	59,412
Financial assets held for trading: Bonds and other fixed-interest securities	6	10	-	-	-	-	-	-	6	10
Cash and cash equivalents	225,576	137,430	34,243	27,204	3,117	2,503	-	-	262,936	167,137
Property under construction	-	-	47,376	308,589	-	-	-	6,461	47,376	315,050
Property held for trading	-	-	366,163	123,341	-	-	9,093	2,632	375,256	125,973
Owner-occupied property	85,436	90,006	29,794	24,253	-	-	-	-	115,230	114,259
Total	3,365,096	3,151,104	561,486	558,884	3,797	2,973	-581,432	-486,856	3,348,947	3,226,105

Investments with risk borne by Group

Investments with risks borne by the Group totalled 3,292,081 thousand euro (3,166,693 thousand euro as at 31 December 2015).

The following transactions took place during the 2016:

A) Investments in subsidiaries, associates and joint ventures:

The change is primarily due to the sale to third parties of the associated company S.in.T. S.p.A. and to the impairment of Movincom Servizi S.p.A., Consorzio Movincom S.c.r.l. and Touring Vacanze S.r.l..
Among the Group's principal associated companies we report the direct participation of 27.31% in Yarpa S.p.A., a company which carries out the role of the holding company, holding stable investment in portfolio and also provides financial advisory services. The company controls Yarpa Investimenti SGR S.p.A., an asset management company active in management of securities and real estate closed-end funds, as well as YLF S.p.A., created to manage in joint venture with LBO France private equity investments in the Italian market and targeting small and medium-sized companies. As at 31 December 2016, the company reported an net equity's Group amounted to 44,547 thousand euro (43,675 thousand euro as at 31 December 2015).

The performance of the various subsidiaries has been described in relation to the Real Estate and Services segments.

B) Held-to-maturity investments:

The main transaction during the period was as follows:

- redemption of bonds in the amount of 227 thousand euro.

C) Financial assets available for sale:

The main transactions during the period were as follows:

- redemption of bonds in the amount of 269,631 thousand euro;
- purchase of fixed interest rate Italian government bonds in the amount of 104,877 thousand euro;
- purchase of government bond of countries in the Euro area in the amount of 963,012 thousand euro;
- purchase of corporate bond in the amount of 81,691 thousand euro;
- sale of Italian government bonds in the amount of 750,980 thousand euro, realising capital gains in the amount of 69,155 thousand euro;
- concerning the closed-end Italian mutual fund managed by Yarpa Investimenti SGR S.p.A., a wholly owned subsidiary of the associate Yarpa S.p.A., payment of 9,878 thousand euro for the recall of funds and credits of 817 thousand euro for the partial redemption of units;
- subscription of 11,098 thousand euro in units of closed Alternative Investment Funds and redemption of 1,378 thousand euro;
- subscription of a total commitment of 5,000 thousand euro, of which at year-end paid 4,059 thousand euro related to the "Fondo Atlante". The parent company has operated an impairment of 40% amounted to 1,623 thousand euro, based on an evaluation of an independent expert appointed by the fund management company itself, adjusted to take into account the year-end capital calls that, based on public information, they were targeted to cover provisions for previous losses made by banks;
- Nuove Partecipazioni S.p.A.: credits of 7,822 thousand euro due to capital distribution.

D) Financial assets held for trading:

During the year there were no transaction to report.

F) Property

As at 31 December 2016, properties totalled 627290 thousand euro down 2.1% (640,866 thousand euro at 31 December 2015).

The table below shows a breakdown of these properties and the changes for the period.

(€/000)

	Investment Property	Property under construction	Property held for trading	Owner-occupied property	Total
Balance as at 31/12/2015	85,584	315,050	125,973	114,259	640,866
Purchase and capitalised interests paid					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)			4,309		4,309
- ROME - Lima Str. (via Vittoria Assicurazioni S.p.A.)	7,001				7,001
- ROME - Guattani Str. (via Immobiliare Bilancia S.r.l.)			92		92
- MILAN - Adamello Str. (via Immobiliare Bilancia Prima S.r.l.)			21		21
- PESCHIERA BORROMEO (MI) - (via VP Sviluppo S.r.l.)		4,956	15		4,971
- PESCHIERA BORROMEO (MI) - (via Immobiliare Bilancia I S.r.l.)			4,835		4,835
- PAVIA - Gambolò Str. (via Vittoria Immobiliare S.p.A.)			34		34
- TURIN - Cairoli Str. (via Immobiliare Bilancia I S.r.l.)			45		45
- FLORENCE - Michelangelo Str. (via Immobiliare Bilancia S.r.l.)			663		663
- ROME - Meliconi Str. (via Immobiliare Bilancia Prima S.r.l.)			316		316
- ROME - Della Vignaccia Str. (via VRG Domus S.r.l.)		354			354
- PARMA - (via Immobiliare Bilancia Prima S.r.l.)		86			86
- Miscellaneous			20	1,224	1,244
Total purchase and capitalised interests paid	7,001	5,396	10,350	1,224	23,971
Sales:					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)			(22,690)		(22,690)
- SAN DONATO MILANESE (MI) - (via Vittoria Immobiliare S.p.A.)			(30)		(30)
- TURIN - Barbaroux Str. (via Vittoria Immobiliare S.p.A.)			(553)		(553)
- ROME - (via Valsalaria S.r.l.)			(1,138)		(1,138)
- ROME - (via Immobiliare Bilancia I S.r.l.)			(290)		(290)
- TORINO - Cairoli Str. (via Immobiliare Bilancia I S.r.l.)			(1,493)		(1,493)
- TORINO - Villarfocchiardo (via Vittoria Immobiliare S.p.A.)			(94)		(94)
- PESCHIERA BORROMEO (MI) - (via VP Sviluppo S.r.l.)			(768)		(768)
- MILAN - San Donato Milanese (via Vittoria Immobiliare S.p.A.)			(30)		(30)
- PESCHIERA BORROMEO (MI) - (via Vittoria Immobiliare)			(808)		(808)
- MILAN - San Donato Milanese (via Immobiliare Bilancia S.r.l.)			(1,870)		(1,870)
- PADOVA - Buzzacarini Str. (tramite Immobiliare Bilancia S.r.l.)			(130)		(130)
- Miscellaneous				(1,382)	(1,382)
Total sales	-	-	(29,894)	(1,382)	(31,276)
Depreciations	(3,467)			(4,529)	(7,996)
Reclassifications	310	(272,400)	266,432	5,658	-
Impairment					-
Recognised gains		(670)	2,395		1,725
Balance as at 31/12/2016	89,428	47,376	375,256	115,230	627,290

During the year ended works on Parco Vittoria were concluded; consequently it has reclassified the amount from the "Properties under construction" to "Trading properties."

The item "Investment properties" mainly includes the property held by the parent company of the tertiary destination Portello in Milan and a building in Rome purchased during the year, rented to third parties.

Securities portfolio breakdown

The following table shows the carrying value of the securities portfolio with risk borne by the Group, without considering investments in associates and joint venture, broken down by investment type (debt securities, equity securities and CIU units). It also provides indications concerning financial risk exposure and uncertainties of flows.

NON-LIFE BUSINESS PORTFOLIO

(€/000)

Investment nature	Amount 31/12/2016	% of breakdown	Amount 31/12/2015	% of breakdown
DEBT SECURITIES	1,043,713	88.2%	1,035,247	88.8%
Listed treasury bonds:	975,282	82.4%	1,031,183	88.5%
Fixed-interest rate	975,282	82.4%	1,021,024	87.6%
Variable interest rate	-	0.0%	10,158	0.9%
Listed corporate bonds:	68,290	5.8%	4,003	0.3%
Fixed-interest rate	67,275	5.7%	4,003	0.3%
Variable interest rate	1,015	0.1%	-	0.0%
Unlisted corporate bonds:	141	0.0%	62	0.0%
Fixed-interest rate	141	0.0%	62	0.0%
of which				
Total fixed-interest securities	1,042,698	99.9%	1,025,089	99.0%
Total variable-interest securities	1,015	0.1%	10,158	1.0%
Total debt securities	1,043,713	100.0%	1,035,247	100.0%
of which				
Total listed securities	1,043,572	100.0%	1,035,185	100.0%
Total unlisted securities	141	0.0%	62	0.0%
Total debt securities	1,043,713	100.0%	1,035,247	100.0%
EQUITY INSTRUMENTS	103,058	8.7%	106,938	9.2%
listed shares	9,503	0.8%	10,887	0.9%
unlisted equity instruments	93,555	7.9%	96,051	8.3%
OEIC UNITS	36,194	3.1%	23,056	2.0%
TOTAL	1,182,965	100.0%	1,165,241	100.0%

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

LIFE BUSINESS PORTFOLIO

(€/000)

Investment nature	Amount 31/12/2016	% of breakdown	Amount 31/12/2015	% of breakdown
DEBT SECURITIES	1,023,839	95.7%	1,027,643	96.8%
Listed treasury bonds:	983,527	91.9%	1,006,484	94.8%
Fixed-interest rate	951,792	88.9%	974,483	91.8%
Variable interest rate	31,735	3.0%	32,001	3.0%
Unlisted treasury bonds:	972	0.1%	1,179	0.1%
Variable interest rate	972	0.1%	1,179	0.1%
Listed corporate bonds:	39,340	3.7%	19,979	1.9%
Fixed-interest rate	35,938	3.4%	16,442	1.5%
Variable interest rate	3,402	0.3%	3,537	0.3%
Unlisted corporate bonds:	-	0.0%	1	0.0%
Fixed-interest rate	-	0.0%	1	0.0%
of which				
Total fixed-interest securities	987,730	96.5%	990,926	96.4%
Total variable-interest securities	36,109	3.5%	36,717	3.6%
Total debt securities	1,023,839	100.0%	1,027,643	100.0%
of which				
Total listed securities	1,022,867	99.9%	1,026,463	99.9%
Total unlisted securities	972	0.1%	1,180	0.1%
Total debt securities	1,023,839	100.0%	1,027,643	100.0%
OEIC UNITS	46,236	4.3%	34,768	3.3%
TOTAL	1,070,075	100.0%	1,062,411	100.0%

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

The following tables show the carrying value of fixed-rate securities by maturity and the carrying value of floating-rate securities by type of interest rate, indicated separately in the Non-Life business portfolio and in the Life business portfolio.

NON-LIFE BUSINESS PORTFOLIO

Fixed - interest securities (€/000)

Maturity	Amount	% of breakdown
< 1 year	409,330	39.3%
1<X<2	133,160	12.8%
2<X<3	138,022	13.2%
3<X<4	176,708	16.9%
4<X<5	142,273	13.6%
5<X<10	38,390	3.7%
more	4,815	0.5%
Total	1,042,698	100.0%

Variable - interest securities (€/000)

Tipe of rate	Indexation	Amount	% of breakdown
variabile	3 months tresury bonds	1,015	100.0%
Total		1,015	100.0%

LIFE BUSINESS PORTFOLIO

Fixed - interest securities (€/000)

Maturity	Amount	% of breakdown
< 1 year	110,112	11.2%
1<X<2	39,906	4.0%
2<X<3	63,910	6.5%
3<X<4	75,286	7.6%
4<X<5	86,337	8.7%
5<X<10	429,947	43.6%
more	182,232	18.4%
Total	987,730	100.0%
of which repayable in advance	5,264	

Variable - interest securities (€/000)

Tipe of rate	Indexation	Amount	% of breakdown
Constant mat. Swap	Euroswap 10Y	25,651	71.0%
Constant mat. Swap	Euroswap 30Y	9,480	26.3%
variabile	3 months tresury bonds	972	2.7%
Variable	other	6	0.0%
Total		36,109	100.0%

In implementing its investment policy, the Group limits its credit risk by choosing issuers with a high credit rating.
As you can see from the table below, as at 31 December 2016, the nearly all corporate bonds held by the group were rated as investment grade.

(€/000)

Rating (Standard & Poor's)	Amounts	% of breakdown
AAA	397,275	19.2%
AA+ / AA-	254,732	12.3%
A+ / A-	150,428	7.3%
BBB+ / BBB- (*)	1,263,545	61.1%
Total investment grade	2,065,980	99.9%
Not rated	1,572	0.1%
Total	2,067,552	100.0%

(*) of which 981,700 relating to Italian government bonds.

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

As at 31 December 2016 these investments amounted to 56,866 thousand euro, -4.3% against prior year. Of the total, 37,870 thousand euro are related to unit-linked policies and 18,996 thousand euro to the Vittoria Formula Lavoro open-ended pension fund.
Overall net return was negative and totalled 187 thousand euro (positive balance of 4,238 thousand euro in 2015).

Income and charges from investments

The following table shows the breakdown as at 31 December 2016 of net gains from investments.

(€/000)

Income and charges from investments	Realised gains/ (losses)	Unrealised gains/ (losses)	31/12/2016 total net gains/(losses)	31/12/2015 total net gains/(losses)
Investments	129,108	-8,583	120,525	76,179
From:				
a investment property	3,707	-3,447	260	-355
b investments in subsidiaries and associates and interests in joint ventures	102	-3,985	-3,883	-145
c held to maturity investments	1,764	-	1,764	2,127
d loans and receivables	612	41	653	649
e financial assets available for sale	123,545	-1,623	121,922	69,672
f financial assets held for trading	-	-4	-4	-7
g financial assets at fair value through profit or loss	-622	435	-187	4,238
Other receivables	179	-	179	414
Cash and cash equivalents	121	-	121	1,038
Financial liabilities	-2,194	187	-2,007	-6,518
From:				
b financial liabilities at fair value through profit or loss	-	187	187	-4,238
c other financial liabilities	-2,194	-	-2,194	-2,280
Total income and charges from financial instruments	127,214	-8,396	118,818	71,113
Real estate business				
From:				
a Gains on property trading	1,725	-	1,725	-1,820
b Rent income on owner-occupied property and property held for trading	837	-	837	813
Total real estate business	2,562	-	2,562	-1,007
Total income and charges from investments	129,776	-8,396	121,380	70,106

Net gains with risk borne by the Group amounted to 121,380 thousand euro, with a 73.1% increase vs. 2015.
The significant improvement is mainly attributable to the capital gains of 69,217 thousand euro (9,369 thousand euro as at 31 December 2015), realized during the year from the sale of debt securities classified as available for sale.
The result also includes impairment of 40% of the investment in the “Fondo Atlante” for an amount of 1,623 thousand euro.
The margins on properties from trading and development, amounting to 1,725 thousand euro, resulting from notarial deeds for 4,680 thousand euros and write-downs on real estate for 2,955 thousand euro.

Unrealised losses on investments in subsidiaries, associates and joint ventures, refer for 1,378 thousand euro to impairment of associated companies Movincom Servizi S.p.A. and Consorzio Movincom S.c.r.l. and for 2,607 thousand euro to impairment of the associate Touring Vacanze S.r.l., following the revision of the value allocated during its acquisition.

The weighted average return on "Bonds and other fixed-income securities" as at 31 December 2016 was 6.49% compared to 4.05% of last year.

The following table shows the breakdown of investment gains and losses by business segment.

(€/000)

Net income on investments	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-4	-7	-	-	-	-	-	-	-4	-7
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	-8,220	-12,423	540	-1,002	165	-184	3,632	13,464	-3,883	-145
Gains or losses on other financial instruments and investment property	124,401	72,907	-1,700	-1,650	5	19	-1	-11	122,705	71,265
Gains on property trading	-	-	1,725	-1,820	-	-	-	-	1,725	-1,820
Rent income on owner-occupied property and property held for trading	169	205	989	800	-	-	-321	-192	837	813
Total	116,346	60,682	1,554	-3,672	170	-165	3,310	13,261	121,380	70,106

Financial liabilities

The following table shows the breakdown of financial liabilities by business segment.

(€/000)

Financial liabilities	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	37,870	42,170	-	-	-	-	-	-	37,870	42,170
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	18,996	17,242	-	-	-	-	-	-	18,996	17,242
Reinsurance deposits	12,933	14,425	-	-	-	-	-	-	12,933	14,425
Payables to banks	-	-	14,132	85,997	-	-	-	-	14,132	85,997
Other financial payables	-	-	1,294	1,885	-	-	-	-	1,294	1,885
Other financial liabilities	73,482	61,092	-	-	-	-	-	-	73,482	61,092
Total	143,281	134,929	15,426	87,882	-	-	-	-	158,707	222,811

Reference should be made to the Explanatory Notes for greater detail on the various items' breakdown.

The following table shows financial liabilities by maturity:

(€/000)

Financial liabilities: maturity	31/12/16	31/12/15
< 1 year	30,246	47,403
1 < X < 3	25,633	32,093
3 < X < 5	31,344	58,931
5 < X < 10	14,237	23,248
more	57,247	61,136
Total	158,707	222,811

Risk report

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

System of Internal Control and Risk Management

The risk monitoring is carried out primarily where the risk itself originates. Therefore, the implementation of activities aimed at limiting the risks is the specific duty of every person, according to their powers. In this sense, the corporate bodies of all Group companies are required to the application of appropriate control mechanisms for the mitigation of risks related to specific operations, which would assure to all levels a structured and regular course of business, internal and external regulatory compliance as well as the principles of sound and prudent management.
The parent company maintains and updates over time an internal documental complex consisting of procedures and organizational requirements, as well as arrays of activities and controls, aimed to making operational management principles, lines of general behavior, organizational models, roles and responsibilities on the management processes, then adjusting the internal operations and consequently the risk management.

Roles and responsibilities

The following are the main roles and responsibilities within the framework of the Parent Company's risk management system.

Government bodies

The parent company has adopted a traditional model of administration and control, where the Board of Directors is the central body of the system of corporate governance and the Board of Auditors performs control functions.
The Board is supported by specific committees created within it.

<u>Board of Directors</u>
Responsibility for the risk management system lies with the Board of Directors, which sets its guidelines and periodically verifies its adequacy and effectiveness, ensuring that the business risks are identified and properly managed.
The Board of Directors defines and approves policies and risk management strategies as well as the propensity, preferences and levels of tolerance to risk, defining performance targets consistent with the level of capital adequacy.
The Board ensures that senior management properly implements the risk management system in line with the guidelines provided and verify its efficiency, completeness, appropriateness and timeliness of information flows. The Board, in order to efficiently and effectively manage the risks, approves the model of powers and mandates, paying particular care to avoid an excessive concentration of powers in a single person, and puts in place monitoring tools on the exercise of delegated powers.
As a result of the identification of risks to which the Group is or could be exposed, the Board approves appropriate emergency plans in order to protect the assets and to ensure alignment with risk appetite.

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

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

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

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

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

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

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

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

They are performed from line functions, as part of the risk management system, carrying out direct control activities, each for the scope of its competence, aiming to apply the guidelines approved by the Board of Directors, in respect of:
- risk management;
- identification of risks related to its operations;
- assessment of their impact;
- monitoring of their progress on an ongoing basis;
- disclosure of information to the relevant departments;
- where necessary, activating all the required corrective actions.

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

Risk Management

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

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

Compliance

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

Actuary

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

Anti-money Laundering Department

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

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

Anti-fraud department

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

Financial Reporting Officer

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

Risk Management Committee

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

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

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

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

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

The risk management system

The risk management system is the set of rules, processes, resources (human, technological and organizational), and the tools used to support the Group's risk management strategy and allows an adequate understanding of the nature and significance of the risks to which the Group and the individual companies are exposed. The risk management system allows the parent company to have a single point of view and a holistic approach to risk management as a part of the running of business.
An integral part of the risk management system are the detailed policies that allow it to decline, consistently, the approach and methodology for the management of specific risk categories, risks within specific processes, risk mitigation techniques, methods for measuring individual risk factors, their correlations and the underlying principles, monitoring and analysis methodologies.
Such risk management policies are defined and implemented with reference to the integrated view of assets and liabilities, whereas the development of techniques and asset-liability management models is crucial for the proper understanding and management of risk exposures that may result from the interrelations and the mismatch between assets and liabilities.
The processes of identification and assessment of risks are performed on an ongoing basis, to take account both of the changes in the nature and size of the business and market environment, both in the occurrence of new risks or change of the existing ones.

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

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

Risk Appetite and Risk Appetite Framework

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

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

The ORSA process

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

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

<u>Risk Identification</u>

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

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

a. Underwriting risk (underwriting and pricing): it reflects the risk that premiums are not sufficient to cover claims plus expenses and is derived from the selection of risks and the covered events (including catastrophe) as well as by results in the actual loss experience compared to that estimated.

b. Reservation Risk: derives from the quantification and runoff of technical provisions and considers the possibility that the asset will not be appropriate in respect of commitments to policyholders and injured parties.

c. Pricing risk of the Motor business: it is associated to the processes followed for the definition of the tariff to be applied to Motor policies, with particular reference to the Civil Liability guarantee.

d. Risk of Reinsurance Retention: it derives from the definition and implementation of an inadequate reinsurance policy that may result in a less than optimal level of retention and an inefficient mitigation of exposure to risks.

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

Interest rate risk: the parent company is exposed to interest rate risk with respect to the bond portfolio and insurance liabilities.
The debt securities are exposed to interest rate risk. The risk of the market value interest rate appears to be the risk that the value of a financial instrument will fluctuate because of changes in interest rates on the market. A decrease in interest rates would raise the market value of such securities, while an increase in rates would decrease the value.
The interest-rate risk on cash flows relates to possible changes in the coupons of floating-rate securities.

The debt securities, fixed and floating rate, exposed to the interest rate risk on market value are shown separately for the Non-Life and Life business, with indication of the duration, in the paragraph entitled "Investments, Cash & cash equivalents and Property – Securities portfolio breakdown", previously reported, together with the stratification of the portfolio by maturity.

The fair value sensitivity related to fixed and floating rate notes is shown in the table below:

(€/000)

Non – Life portfolio	+100BP	-100BP
Fixed-rate notes	(16,288)	2,815
Floating-rate notes	10	(10)

Portafoglio Vita	+100BP	-100BP
Fixed-rate notes	(53,712)	25,069
Floating-rate notes	363	(33)

Life insurance contracts provide a guaranteed minimum interest rate and have a direct link between investment income and benefits to be paid to policyholders, governed by the aforementioned assets/liabilities integrated management model.
In particular, the Group manages the risk of interest rate by matching the cash flows of assets and liabilities as well as keeping a balance between the duration of liabilities and that of the investment portfolio directly related to them.
Duration is an indicator of the sensitivity of the assets and liabilities market value to changes in interest rates.

The Equity risk reflects the possible adverse changes in the level and volatility of the market value of financial instruments and equities. The parent company is exposed to equity risk with reference to shares and interests in listed and unlisted companies and units in investment funds and mutual funds. If the listed shares classified as "Financial assets available for sale", reported in the previous paragraph "Investments, Cash & cash equivalents and Property - Securities portfolio breakdown" recorded at 31 December 2016 a loss of 10%, the Group's equity would decrease by 950 thousand euro.

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

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

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

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

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

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

The liquidity risk reflects possible losses arising from the difficulty of honoring the cash commitments, expected or unexpected, owed to counterparties. The risk arises mainly from the "Liquidity Mismatch Risk " i.e. the mismatch between cash inflows and cash outflows or an inadequate treasury management and from the "Market Liquidity Risk", i.e. the sale of assets (such as less liquid assets) in unfair economic and timing conditions, accordingly influencing the Net Asset Value of the parent company.
As of December 31, 2016, as noted in the tables in the previous section “Investments, Cash and Properties - Securities portfolio breakdown”, more than 95% of financial assets held was listed on a regulated market.
The breakdown of financial liabilities by maturity is given in the relevant section.

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

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

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

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

Risk assessment

The assessment phase is aimed at measuring risks through quantitative methods, where it is possible, and/or qualitative methods. The quantitative measurement of risks is performed using several procedures, which are used to determine both the present situation both the medium to long-term situation.
In addition, in order to assess its vulnerability to extreme but plausible events, the Group makes use of specific quantitative techniques. In particular the stress tests allows to assess the effects on economic and financial conditions arising from specific events or from changes in a set of economic-financial and insurance variables in the event of adverse scenarios.
The quantitative techniques used by the Group determine the risk profile or the risk measure actually taken and detected at a given time instant. Any deviation from the level of risk appetite is monitored, as described in the following paragraph.
In addition, the parent company determines through quantitative measurement techniques the Solvency Capital, being the amount of equity that the parent company must hold, for regulatory and capital soundness purposes, to cover risks arising from the business.

Risk Monitoring

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

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

The risk monitoring process is structured into three phases:

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

Risk treatment

The risk treatment of is to evaluate the possible options regarding the reaction to risk and then activate the one that is considered more appropriate. The choice, which also depends on the type and severity of the risk, is made between the following options: acceptance, avoidance, or attenuation and mitigation.
The acceptance option can result in the revision of risk targets, while avoidance can lead to re-examination of the objectives and business strategies.
The treatment that addresses the adverse consequences of action is called "risk mitigation"; while the one which affects the probability is defined action of "attenuation of risk." The risk treatment can create new risks or modify existing risks. Any violations of the risk profile, operating limits or tolerances are managed through the process of definition of recovery actions.
In particular the escalation process distinguishes stages and responsibilities depending on the severity of the violation:

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

Reporting

The internal reporting system of the Group, designed for the purpose of communicating the information needed to make timely and effective decisions even in critical situations, follows the aim of promoting, at the appropriate hierarchical levels, all assumable, undertaken and future risks in the various business segments highlighting, in an integrated logic, the correlations of the risks and interrelations with the external environment.
Information flows provided by internal reporting system, as part of the risk management system, provide for the approach:

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

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

The detail of the remuneration paid and/or accrued during the year to members of the management and supervisory bodies, General Manager and managers with strategic responsibilities is shown in the Remuneration Report prepared pursuant to art. 123-ter of Legislative Decree no. 58/1998 and available in the Governance section of the www.vittoriaassicurazioni.com Parent Company website.

Report on corporate governance and ownership structure (pursuant to Article 123-ter of Italian Legislative Decree, No. 58/1998)

Under Article 89 bis, paragraph 2, of the Issuers' Regulations we can confirm that the Report on Corporate Governance and ownership structure envisaged by art. 123-bis of T.U.F be published in the Governance section of the www.vittoriaassicurazioni.com parent company website.

Relations with the Supervisory Authority

On 2 February 2016, the Parent Company sent to IVASS its own considerations, the overall action plan and the actions already undertaken on the in-depth inquiry on the government, management and control of investments and financial risk, advanced on 3 December 2015 by IVASS officials to the Board of Directors of the Parent Company.
During 2016 we continued many exchanges of data and information between IVASS and the Parent Company, about the request made by the latter for the use of USP (*Undertaking Specific Parameters*). As shown below, at the date of this Report approval, the Institute has not yet issued a final opinion on the matter. The parent company is waiting to receive its license.

Solvency Capital Requirements

(pursuant to ISVAP Regulation n. 7/2008 amended and supplemented by IVASS Regulatory order n. 53/2016)

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

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

Parent company's own funds belong to Tier 1 for 776 million euro and to Tier 3 for 28 million euro. The solvency ratio (ratio of equity and S.C.R.) is estimated at 170.3%.
A significant increase of the Solvency Ratio might be registered, should the Supervisory Authority authorize, in due time for the issuance of the final reports, the process for the use of *Undertaking Specific Parameters*, which reflect the Non-life business risks of the Parent Company in a more accurate way than the Standard Formula.

Infragroup and related-party transactions

Transactions with group companies referred to the normal course of business, using specific professional skills at going market rates. There were no atypical or unusual transactions.
This section presents financial and business transactions occurring during 2016 with group companies, excluding those with companies consolidated on a 100% line-by-line basis.
The following table summarises the most significant economic and financial dealings with Group companies not included in the scope of consolidation and with directors, statutory auditors, and managers with strategic responsibilities.

(€/000)

Related parties	Other receivables	Loans	Revenues	Costs
Associates	1,991	12,774	122	4,670
Total	1,991	12,774	122	4,670

Relations and transactions with parent companies

The Group has no financial or commercial relationships with the direct parent company Vittoria Capital S.p.A. and the indirect parent company Yafa Holding S.p.A..

Relations and transactions with associates

Mosaico S.p.A. – Turin
45.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. granted the associate an interest bearing shareholder loan, which has a balance of 1,263 thousand euro (1,115 thousand euro as at 31 December 2015).

Pama & Partners S.r.l. – Genoa
25.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. granted the associate a non-interest bearing shareholder loan, which has a balance of 877 thousand euro, (568 thousand euro as at 31 December 2015).

VZ Real Estate S.r.l. – Turin
49.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of 2,540 thousand euro (3,292 thousand euro as at 31 December 2015).

Fiori di S. Bovio S.r.l. – Milan
40.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of 2,011 thousand euro (1,945 thousand euro as at 31 December 2015).

Valsalaria A11 S.r.l. – Rome
40.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing loan, which has a balance of 4,801 thousand euro (20 thousand euro as at 31 December 2015).

Spefin Finanziaria S.p.A. - Rome
21.00% equity interest via Interbilancia S.r.l.
The parent company granted the associate an interest bearing loan, which has a balance of 1,233 thousand euro (1,783 thousand euro as at 31 December 2015).

Aspevi Roma S.r.l. – Roma
49.00% equity interest via Interbilancia S.r.l.
The services rendered during the year by the company to the parent company for commissions totalled 4,644 thousand euro (5,345 thousand euro as at 31 December 2015).

Human resources

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

We pursue this objective via:

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

Performance in early months of FY2017 and business outlook

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

The Board of Directors

Milan, 15 March 2017

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Balance Sheet

Vittoria Assicurazioni S.p.A.
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

ASSETS		Note	31/12/2016	31/12/2015
1	INTANGIBLE ASSETS		9,065	10,995
1.1	Goodwill	1	0	0
1.2	Other intangible assets	2	9,065	10,995
2	PROPERTY, PLANT AND EQUIPMENT		545,488	563,566
2.1	Property	2	537,862	555,282
2.2	Other items of property, plant and equipment	2	7,626	8,284
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	63,481	64,017
4	INVESTMENTS		2,548,149	2,503,686
4.1	Investment property	4	89,428	85,584
4.2	Investments in subsidiaries and associates and interests in joint ventures	5	20,138	24,185
4.3	Held to maturity investments	6	44,268	44,483
4.4	Loans and receivables	6	128,677	106,853
4.5	Financial assets available for sale	6	2,208,766	2,183,159
4.6	Financial assets at fair value through profit or loss	6	56,872	59,422
5	OTHER RECEIVABLES		188,720	203,659
5.1	Receivables relating to direct insurance	7	153,950	165,092
5.2	Receivables relating to reinsurance business	8	811	6,333
5.3	Other receivables	9	33,959	32,234
6	OTHER ASSETS		132,205	167,468
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	10	5,876	5,791
6.3	Deferred tax assets	11	103,774	117,535
6.4	Current tax assets	12	12,429	37,237
6.5	Other assets	13	10,126	6,905
7	CASH AND CASH EQUIVALENTS	14	262,936	167,137
	TOTAL ASSETS		3,750,044	3,680,528

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

EQUITY AND LIABILITIES		Note	31/12/2016	31/12/2015
1	EQUITY		745,805	700,557
1.1	attributable to the shareholders of the parent		745,611	691,244
1.1.1	Share capital	15	67,379	67,379
1.1.2	Other equity instruments	15	0	0
1.1.3	Equity-related reserves	15	33,874	33,874
1.1.4	Income-related and other reserves	15	450,642	394,287
1.1.5	(Treasury shares)	15	0	0
1.1.6	Translation reserve	15	0	0
1.1.7	Fair value reserve	15	58,612	125,182
1.1.8	Other gains or losses recognised directly in equity	15	-263	-98
1.1.9	Profit for the year attributable to the shareholders of the parent		135,367	70,620
1.2	attributable to minority interests	15	194	9,313
1.2.1	Share capital and reserves attributable to minority interests		199	9,338
1.2.2	Gains or losses recognised directly in equity		0	0
1.2.3	Profit for the year attributable to minority interests		-5	-25
2	PROVISIONS	16	12,829	6,622
3	TECHNICAL RESERVES	17	2,661,219	2,563,145
4	FINANCIAL LIABILITIES		158,707	222,811
4.1	Financial liabilities at fair value through profit or loss	18	56,866	59,412
4.2	Other financial liabilities	18	101,841	163,399
5	PAYABLES		78,258	83,205
5.1	Payables arising from direct insurance business	19	8,454	8,153
5.2	Payables arising from reinsurance business	20	7,504	8,280
5.3	Other sums payable	21	62,300	66,772
6	OTHER LIABILITIES		93,226	104,188
6.1	Liabilities of a disposal group held for sale		0	0
6.2	Deferred tax liabilities	22	50,335	64,954
6.3	Current tax liabilities	23	4,484	673
6.4	Other liabilities	24	38,407	38,561
	TOTAL EQUITY AND LIABILITIES		3,750,044	3,680,528

Income Statement

Vittoria Assicurazioni S.p.A.
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(€/000)

INCOME STATEMENT		Note	31/12/2016	31/12/2015
1.1	Net premiums		1,233,106	1,238,158
1.1.1	*Gross premiums*	25	1,266,110	1,266,521
1.1.2	*Ceded premiums*	25	33,004	28,363
1.2	Commission income	26	901	580
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	27	-4	-7
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	27	567	1,639
1.5	Gains on other financial instruments and investment property	27	132,063	79,786
1.5.1	*Interest income*		53,558	63,767
1.5.2	*Other income*		8,113	6,541
1.5.3	*Realised gains*		70,351	9,418
1.5.4	*Unrealised gains*		41	60
1.6	Other income	28	23,093	14,978
1	TOTAL REVENUE		1,389,726	1,335,134
2.1	Net charges relating to claims		872,542	880,033
2.1.1	*Amounts paid and change in technical reserves*	25	893,769	921,996
2.1.2	*Reinsurers' share*	25	-21,227	-41,963
2.2	Commission expense	29	53	0
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	27	4,450	1,784
2.4	Losses on other financial instruments and investment property	27	9,358	8,521
2.4.1	*Interest expense*		2,193	2,280
2.4.2	*Other expense*		2,085	2,585
2.4.3	*Realised losses*		9	248
2.4.4	*Unrealised losses*		5,071	3,408
2.5	Operating costs		278,946	268,183
2.5.1	*Commissions and other acquisition costs*	30	221,162	221,999
2.5.2	*Investment management costs*	30	1,552	1,657
2.5.3	*Other administrative costs*	30	56,232	44,527
2.6	Other costs	31	35,788	58,788
2	TOTAL COSTS		1,201,137	1,217,309
	PROFIT FOR THE YEAR BEFORE TAXATION		188,589	117,825
3	Income taxes	32	53,227	47,230
	PROFIT FOR THE YEAR		135,362	70,595
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS		0	0
	CONSOLIDATED PROFIT (LOSS)		135,362	70,595
	of which attributable to the shareholders of the parent		135,367	70,620
	of which attibutable to minority interests	15	-5	-25

Basic EARNINGS per share		2.01	1.05
Diluted EARNINGS per share		2.01	1.05

Statement of other comprehensive income

Vittoria Assicurazioni S.p.A.

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(€/000)

STATEMENT OF OTHER COMPREHENSIVE INCOME (LOSS)	31/12/2016	31/12/2015
CONSOLIDATED PROFIT (LOSS)	135,362	70,595
Other comprehensive income, net of taxes without reclassification to profit or loss	- 165	114
Changes in the equity of investees	-	-
Changes in intangible asset revaluation reserve	-	-
Changes in tangible asset revaluation reserve	-	-
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	-	-
Actuarial gains and losses and adjustments related to defined benefit plans	- 165	114
Other items	-	-
Other comprehensive income, net of taxes with reclassification to profit or loss	- 66,570	19,870
Change in translation reserve	-	-
Gains or losses on available for sale investments	- 66,570	19,870
Gains or losses on hedging instruments	-	-
Gains or losses on hedging instruments of net investment in foreign operations	-	-
Changes in the equity of investees	-	-
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	-	-
Other items	-	-
TOTAL OTHER COMPREHENSIVE INCOME	- 66,735	19,984
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (LOSS)	68,627	90,579
of which attributable to the shareholders of the parent	68,632	90,604
of which attibutable to minority interests	- 5	- 25

Statement of changes in equity

Vittoria Assicurazioni S.p.A.
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Balance at 31/12/2014	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Reclassifications	Changes in ownership interests	Balance at 31/12/2015
Equity attributable to the shareholders of the parent	Share capital	67,379	0	0		0		67,379
	Other equity instruments	0	0	0		0		0
	Equity-related reserves	33,874	0	0		0		33,874
	Income-related and other reserves	335,846	0	72,329		-12,802	-1,086	394,287
	(Treasury shares)	0	0	0		0		0
	Profit /(Loss) for the year	72,329	0	-1,709		0		70,620
	Other comprehensive income	105,100	0	28,067	-8,083	0		125,084
	Total attributable to the shareholders of the parent	614,528	0	98,687	-8,083	-12,802	-1,086	691,244
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	12,820	0	-30		0	-3,452	9,338
	Gains or losses recognised directly in equity	-30	0	5		0		-25
	Other comprehensive income	0	0	0	0	0	0	0
	Total attributable to minority interests	12,790	0	-25	0	0	-3,452	9,313
Total		627,318	0	98,662	-8,083	-12,802	-4,538	700,557

(€/000)

		Balance at 31/12/2015	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Reclassifications	Changes in ownership interests	Balance at 31/12/2016
Equity attributable to the shareholders of the parent	Share capital	67,379	0	0		0		67,379
	Other equity instruments	0	0	0		0		0
	Equity-related reserves	33,874	0	0		0		33,874
	Income-related and other reserves	394,287	0	70,620		-13,475	-790	450,642
	(Treasury shares)	0	0	0		0		0
	Profit /(Loss) for the year	70,620	0	64,747		0		135,367
	Other comprehensive income	125,084	0	2,842	-69,577	0	0	58,349
	Total attributable to the shareholders of the parent	691,244	0	138,209	-69,577	-13,475	-790	745,611
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	9,338	0	-25		0	-9,114	199
	Gains or losses recognised directly in equity	-25	0	20		0		-5
	Other comprehensive income	0	0	0	0	0	0	0
	Total attributable to minority interests	9,313	0	-5	0	0	-9,114	194
Total		700,557	0	138,204	-69,577	-13,475	-9,904	745,805

Reference should be made to Notes to the consolidated financial statement for further information.

Cash flow statement

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2016
CONSOLIDATED STATEMENSTS OF CASH FLOW - INDIRECT METHOD

(€/000)

	31/12/2016	31/12/2015
Profif for the year before taxation	188,589	117,825
Change in non-monetary items	127,597	133,754
Change in non-life premium reserve	53	13,679
Change in claims reserve and other non-life technical reserves	51,327	41,193
Change in mathematical reserves and other life technical reserves	47,230	70,062
Change in deferred acquisition costs	-85	1,696
Change in provisions	6,207	1,750
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-1,521	-145
Other changes	24,386	5,519
Change in receivables and payables arising from operating activities	9,992	2,590
Change in receivables and payables relating to direct insurance and reinsurance	16,189	4,543
Change in other receivables and payables	-6,197	-1,953
Taxes paid	-53,227	-47,230
Net cash flow generated by/used for monetary items from investing and financing activities	4	6
Liabilities from financial contracts issued by insurance companies	-2,546	-6,253
Payables to bank and interbank customers	0	0
Loans and receivables from bank and interbank customers	0	0
Other financial instruments at fair value through profit or loss	2,550	6,259
NET CASH FLOW FROM OPERATING ACTIVITIES	272,955	206,945
Net cash flow generated by/used for investment property	0	0
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	3,780	-1,634
Net cash flow generated by/used for loans and receivables	-21,824	-24,675
Net cash flow generated by/used for held to maturity investments	215	12,226
Net cash flow generated by/used for financial assets available for sale	-90,554	-107,926
Net cash flow generated by/used for property, plant and equipment	20,008	16,445
Other net cash flows generated by/used for investing activities	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	-88,375	-105,564
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent	0	0
Net cash flow generated by/used for treasury shares	0	0
Dividends distributed to the shareholders of the parent	-13,475	-12,802
Net cash flow generated by/used for share capital and reserves attributable to minority interests	-13,748	-1,682
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0
Net cash flow generated by/used for other financial liabilities	-61,558	-150,767
NET CASH FLOW FROM FINANCING ACTIVITIES	-88,781	-165,251
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	167,137	231,007
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,799	-63,870
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	262,936	167,137

Accounting policies principles

General valuation criteria

Statement of IFRS compliance

The consolidated financial statements have been prepared in compliance with the international accounting and financial reporting standards (IASs/IFRSs) issued by the IASB and endorsed by the European Union as per EU regulation 1606 of 19 July 2002 and Italian Legislative Decrees 38/2005, 32/2007 and 209/2005.

The Group has not applied IFRSs before the year when they actually came into force. New IFRSs applicable starting from next year are not expected to have any significant impact on Group's accounts.

The Group prepared its first set of IFRS-compliant year-end financial statements in FY2005. As permitted by IFRS 1 ("First-Time Adoption of International Financial Reporting Standards"), for preparation of the opening balance sheet as at 1 January 2004, the Group elected to apply a number of optional exemptions. For information on exemptions, reference should be made to the "Accounting Policies" section of the Consolidated Annual Report & Accounts for the year ending on 31 December 2005.

Basis of accounting

The basic criteria are the historical cost and fair-value measurement for available-for-sale financial assets and of financial assets or liabilities recognised at fair value in the income statement.

The financial report is exposed in a comparative format, stating the previous year figures. Where it was deemed necessary, in case of changes in accounting policies, accounting policies or reclassifications, the comparative figures are restated and reclassified to provide uniform and consistent disclosures.
Taking into account the Solvency II ratio, the profitability of the Group and its careful management of risks, the consolidated financial statements have been prepared on a going concern basis.

Accounting standards, amendments and interpretations of IFRS applied from 1st January 2016

Starting annual periods beginning on or after 1st January 2016 came into effect the following changes to IAS / IFRS accounting standards:

IFRS 3 Business Combinations – "Scope exception for joint ventures": The amendment states that paragraph 2(a) of IFRS 3 excludes the formation of all types of joint arrangement from the scope of IFRS 3, as defined in IFRS 11;

IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations": the amendment are related to the purchase accounting of a *joint operation* if it constitutes a business.

IAS 16 e IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation": the amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangibles Assets require that the amortization criteria determined on the basis of revenues are not appropriate, since the revenue generated by an activity that includes the use of a business generally reflect factors other than just the consumption of economic benefits of the asset, that requirement is, however, required for depreciation.

IAS 19 "Defined Benefit Plans: Employee Contributions": the amendments relate to the inclusion in the budget of the contributions made by employees or third parties to defined benefit plans.

IAS 1 – "Disclosure Initiative": the objective of the amendments is to provide clarification as to disclosure items that can be perceived as impediments to a clear and intelligible preparation of financial statements.

The adoption of these amendments had no impact on this consolidated financial report of the Group.

New accounting standards that are not yet effective

IFRS 9 Financial Instruments (replacement of IAS 39). On 24 July 2014, the International Accounting Standards Board (IASB) published the International Financial Reporting Standards (IFRS) 9 - Financial Instruments. The principle aims to improve the financial reporting of financial instruments addressing problems arising in this field during the financial crisis.
IFRS 9 corresponds in fact to the current accounting standard limits on financial instruments (IAS 39), which provides a valuation model only to events occurring in logic "incurred". This feature according to critics, has helped to amplify the consequences of the recent financial crisis which has not promptly recognized the risks that the financial system was exposed.

The current regulatory initiatives therefore place emphasis on certain aspects:

- fair value for all instruments not only the ones remunerate the credit risk;
- logic of credit risk monitoring (including financial instruments consist of bonds), which enable the early detection and proper assessment of signs of impairment for evaluation purposes;
- adoption of predictive indicators (forward looking) and more stringent presumptions with respect to the practice;
- greater correlation between returns on financial instruments and risk (relative risk approach).

On 29 November 2016, was published in the EU Official Journal L 323/1, the Commission Regulation (EU) 2016/2067 of the Commission of 22 November 2016 amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards the International Financial Reporting Standard 9.
We note that in September 2016 was issued amendment "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts Amendments to IFRS 4" that allows insurance companies to postpone the entry into force of IFRS 9 (the "deferral approach ") up to the maximum 2021 or to suspend the majority volatility introduced by the new standard on individual securities (so-called" overlay approach ") directly through equity.

The parent company, on the basis of the preliminary analysis, believed to be in a position to apply the "deferral approach" dall'IFRS9 expected.

The parent company currently does not have sufficiently reliable analysis of application impacts.

IFRS 15 Revenue from Contracts with Customers. Qualitative analysis showed no significant impact on the Group.

IFRS 16 Leases (replacement of IAS 17). Qualitative analysis showed no significant impact on the Group.

Use of estimates

Application of IFRSs for the preparation of financial statements and related explanatory notes requires the Group to make estimates that affect the amounts of balance-sheet assets and liabilities and disclosure relating to contingent assets and liabilities as at balance sheet date. Actual results may differ from such estimates. Estimates are used to recognise provisions for insurance liabilities, doubtful debts, depreciation & amortisation, measurements of assets, employee benefits, taxes, and other provisions, funds and fair value informative.

The technical reserves evaluation is performed by the parent company's actuaries support and it is subjected to an examination by external actuaries.

More specifically, for items estimated (technical reserves, risk provision and level 3 of fair value hierarchy) and whose carrying value is significantly affected by the assumptions, information is given in the detailed notes on the item concerned about the nature of such assumptions or any other uncertainties.

If significant, and in any case when required by IFRSs, indications are given of the sensitivity of carrying amounts to the fundamental methods, assumptions and estimates used to calculate them, together with the reasons for such sensitivity.
The estimates are reviewed regularly. The effects of each and any change are immediately recognised in the income statement or, in the case of financial assets available for sale and actuarial gains or losses, in equity.

Scope of consolidation

Subsidiaries

According to IFRS 10, are defined subsidiaries, those companies over which the Group is exposed to variable returns, or has rights of those returns, arising from their relationship with the same and at the same time has the ability to affect those returns exercising its power over its subsidiaries. In particular, in order to assess whether the parent company controls a company in which it invests, must be observed if the following conditions are met:

a) power over the undertaking is when there is the actual right to manage its core activities, i.e. activities that materially affect the results of the subsidiary;
b) the risk exposure or the rights arising from variable returns linked to his involvement;
c) the ability to influence the undertaking, so as to affect the results (positive or negative) to the investor.

The power arises from the rights. In some cases, the verification of the existence of power is immediate, such as when the power comes directly from the voting rights attached to the possession of capital securities. In other cases, the verification of the existence of power is more complex and therefore the analysis must take into account several factors such as when the power comes from contractual agreements.
Generally, the power exists when the other party has a majority of the voting rights, but in some circumstances may exist when the investor owns less than a majority of the voting rights. In this case, the parent company assesses whether this power can result from a wide range of rights,

including voting rights or potential voting rights, the right to appoint or remove the key figures of the investee, including the right of veto in the facts of management and contractual rights. In addition, consider the practical ability to exercise that right; the presence of barriers for example, could jeopardize the existence of control (for example: existence of penalty, inability to obtain necessary information to exercise power, operational barriers such as lack of expertise for the replacement of management, regulatory barriers, etc.).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is assumed until the date such control ceases. Are also included in the consolidated subsidiaries that carry out diverse activities than the parent company.

Associates and Joint Ventures

Under IAS 28, associated companies are not subject to control by the Group, but the Group has significant influence on financial and operating policies of these companies. Significant influence is presumed when the investor holds, directly or indirectly through subsidiaries, at least 20% of the voting power. The consolidated financial statements include the Group's share of associates' gains and losses on an equity-accounted basis as from the date when significant influence commences until the date when the said significant influence ceases. When the Group's share of the associate's losses exceeds the carrying value of the investment, the latter is written down to zero and no share of any further losses is recognised, except to the extent that the Group has the obligation to answer for such losses.
The same accounting treatment is applied to the Joint Ventures, jointly controlled entities. In particular, IFRS 11 distinguishes between joint operations and joint ventures: a joint operation is an agreement in which both parties have rights to the assets and obligations for the liabilities resulting from the agreement. For accounting assets and liabilities being parties to the agreement are reflected in the financial statements using the relevant accounting standard. A joint venture is an agreement in which the parties are entitled to a share of the equity of the companies covered by the agreement. For accounting purposes, the joint venture is consolidated using the equity method; is no longer expected the proportional method as optional in the previously existing IAS 31.

Business combinations

Business combinations are the union of separate entities or businesses in a single entity which is required to prepare financial statements.
The acquirer therefore recognises the acquiree's identifiable assets, liabilities and contingent liabilities at their respective fair value as at acquisition date. The acquiree also recognises goodwill which is regularly tested for impairment.

Consolidation method

1) The financial statements of all consolidated companies are prepared as at 31 December of the financial year concerned.
2) Figures shown in consolidated financial statements have been taken from individual companies' financial statements, duly restated to assure consistency of presentation and modified solely to align investee companies' accounting policies with those of the direct operating parent company.
3) Minority interests in subsidiaries are included in the specific liability and income statement captions of the consolidated financial statements.
4) The accounting currency used to prepare consolidated financial statements is the euro.
5) Acquisitions of subsidiaries are recognised using the purchase method whereby the identifiable assets, liabilities and contingent liabilities acquired are measured at fair value as at acquisition date, which is the date on which consideration is paid.

Consolidated companies' adjusted equities are eliminated against the related equity investments recorded in holder companies' financial statements.

The fair value initially set on the assets and liabilities acquired may be adjusted within twelve months after acquisition date, if it was originally measured on a provisional basis.

In this case, any goodwill or profit recognised in the financial year when the acquisition took place is adjusted accordingly, recalculating comparative data presented in the previous set of accounts.

6) Any positive difference between the cost and the Group's interest in the fair value of the assets and liabilities acquired is classified as goodwill and recognised in accounts as an intangible asset. Any negative difference (negative goodwill) is instead recognised as revenue at the time of acquisition. Minority interests are measured according to the fair value of the assets and liabilities of the interest acquired.

   Goodwill is tested for impairment annually or more frequently if specific events or changes in circumstances make it necessary, in accordance with IAS 36 ("Impairment of Assets"). After initial recognition, goodwill is measured at cost net of any cumulative impairment losses.

7) Infragroup balances and transactions, including revenue, costs, and dividends, are eliminated in full. Gains or losses stemming from infragroup transactions and included in the carrying amount of assets, such as inventory, or non-current assets are also eliminated in full. Any intercompany losses are eliminated if they do not reflect enduring impairment of the intrinsic value of the assets transferred.

8) Differences arising from the measurement of investments in associates using the equity method are recognised in the value of equity investments shown among balance sheet investment assets and, as a balancing entry, in the equity account called "Earnings reserves and other financial reserves" as valuation adjustments to unconsolidated equity investments. The Group's share of associates' profit or loss is recognised under the income-statement caption "Gains (losses) on investments in subsidiaries and associates and interests in joint ventures". If the group's share of losses equals or exceeds the carrying value of the investment in that associate, the parent company stops recognising its share of any further losses. After writing the investment in the associate down to zero, further losses are provisioned and recognised as liabilities only to the extent that the parent company has incurred legal or constructive obligations or made payments on behalf of the associate. Should the associate subsequently make a profit, the parent company resumes recognition of its share of profits only after such a share has covered all previously unrecognised shares of losses.

   After it has recognised the associate's losses, the parent company applies the rule of IAS 39 to see whether it is necessary to recognise further losses due to impairment of the net interest (and net investment) in the associate.

Segment reporting

Primary segment reporting (business segments)

The income statement and balance sheet items relating to insurance contracts (as defined by IFRS 4), are allocated to the Life insurance business segment (which, very briefly, includes all contracts envisaging payment of a premium against the payment of benefits if the policyholder dies or survives) or to the Non-life business segment (which includes all other insurance contracts).
The Life insurance segment also includes all income statement and balance sheet items relating to investment contracts.
The Real Estate segment includes all income statement and balance sheet items relating to trading, development, and related services.
The Services segment includes the income statement balance sheet items relating to services rendered, mainly to the direct operating parent company.
The share of investments and profits or losses of associates that operate in more than one segment is classified in the segment where the investment in the associate is held.

The assets, liabilities, costs, and revenues attributed to each business segment are shown in the tables provided in the section "Appendices to Consolidated Financial Statements", prepared as per the formats recommended in IVASS ordinance no. 7 of 13 July 2007.

Secondary segment reporting (geographical segments)

For the purposes of secondary segment reporting, we highlight the fact that:

- The main revenues (premiums and profits on real estate trading, development, and services) by geographical customer segment, as well as figures on deferred costs are mainly summed by Italian macro-region (i.e. North, Centre and South);
- Allocation of assets by geographical segment, i.e. based on assets' geographical location, has led to identification of three areas: Italy, Rest of Europe and Rest of World. This presentation permits effective representation of diversification of investments in securities.

Industry-specific accounting policies

Foreword

Insurance contracts and investment contracts – definition and accounting treatment

Based on the definition given IFRS 4, insurance contracts provide for the transfer of a significant insurance risk, other than a financial risk, by the policyholder to the contract issuer and compensation for the policyholder for damage arising from a specified uncertain future event. Pending completion by the International Accounting Standards Board (IASB) of the so-called "Phase II" of its insurance contract project, IFRS 4 has introduced limited improvements to the recognition and measurement of items relating to insurance contracts, substantially providing for continued application of most of the local GAAPs currently in force.

Based on analysis of the insurance policies in our portfolio, all non-life contracts are covered by IFRS 4. As regards the life business:

<u>Insurance contracts</u>

For contracts for which the insurance risk is rated as significant, current Italian accounting standards are applied (Italian GAAPs). In the case of insurance contracts with discretionary profit participation features, insurance liabilities are supplemented based on shadow accounting.

<u>Financial contracts with discretionary profit participation features</u>

Contracts of a financial nature that, although not having a significant insurance risk, envisage discretionary profit participation (policies linked to separately managed businesses), as allowed by IFRS, have been measured and recognised applying the same criteria as those envisaged for the insurance contracts mentioned above, with consistent recognition of the reserve based on shadow accounting. Capital-redemptions, for example, come into this category.

<u>Investment contracts</u>

Contracts of a financial nature that have neither a significant insurance risk nor discretionary profit participation features are accounted for according to the rules of IAS 39 (Financial instruments: recognition and measurement) and IAS 18 (Revenue).

Life contracts of the Class III type (index- and unit-linked) and Class VI type (pension funds) come within the scope of this treatment and are therefore accounted for as summarised below:

- Financial assets and liabilities relating to such contracts are measured at fair value through profit or loss;
- Revenue for fixed contract-issue costs incurred by the policyholder is recognised in full in profit in the year when the contract is acquired;
- Up-front loading and acquisition commissions paid to brokers and agents as at contract acquisition date are recognised respectively as other liabilities and other assets, as they relate to deferred income and prepaid costs concerning long-term services charged to profit or loss in line with the costs incurred over policies' actual or estimated term;
- Estimation of policies' term takes into account policyholders' propensity to require settlement based on the company's historical experience and, for new products, assessments made during new-product development work;
- Profit or loss items that occur annually, such as management fee income and commissions paid, together with portfolio management costs, are directly expensed in the year when they are generated.

Balance Sheet

ASSETS

1 Intangible assets

1.1 Goodwill

Initial recognition of goodwill is described in the Consolidation Method section.

Goodwill arising from purchase of line of business is subject to impairment test, as follows:

i) Goodwill is allocated to the CGU (Cash Generating Unit) represented by the new business generated by the sales network acquired;

ii) Goodwill carrying amount is compared with its recoverable amount, that in absence of a specific fair value estimate, is equal to its value in use.

iii) Value in use is determined on the following assumptions:

   iii.1 new business assumptions (volumes and profitability) taken in consideration in the budget and in the 4/5 years strategic plan;

   iii.2. projection of the expected cash inflows and outflows related to this new business (collection of premiums, payments for settlements, acquisition costs and handling expenses);

   iii.3. discounting of the above cash flows on the basis of a rate, gross of taxes, that reflects an adequate risk premium.

1.2 Other intangible assets

Other intangible assets are recognised in balance sheet assets, as per IAS 38, when:
- It is likely that their use will generate future economic benefits;
- The Group has control or has the power to obtain these benefits;
- Assets' cost can be measured reliably.

Assets are measured at cost net of amortisation and cumulative impairment losses. Amortisation is calculated on a straight-line basis over the assets' estimated useful lives.

In accordance with the interpretation SIC 32 relative to the costs related to websites, the costs incurred for the development of a website can be capitalized only if they could be expected in future economic benefits, in accordance with IAS 38 when, for example, the web site is capable of generating revenues.

As required by IFRSs, they are tested for impairment at least annually with recognition as a loss of the excess of carrying value vs. recoverable value. A check is also performed of their residual useful lives.

The group's assets have finite useful lives.

Other intangible assets recognised after acquisition of a company are recognised separately from goodwill if their fair value can be measured reliably.

Vif (Value In Force) is amortized on the effective life basis of the acquired contracts, given that Life business portfolio's end.

2 Property, plant, and equipment

This item includes properties used in the ordinary business and other tangible assets.

2.1 Property

▪ Owner-occupied property

Property for own use is stated at cost less depreciation and cumulative impairment losses.

This includes costs directly attributable to bringing the asset to the condition necessary to enable it to operate as required by the company.

Ordinary maintenance costs are directly expensed when incurred.

Costs incurred after acquisition are capitalised only if they can be reliably measured and if they increase the future economic benefits of the assets to which they refer. All other costs are expensed.

Depreciation is applied on a straight-line basis over the property's estimated useful life of between 30 and 50 years.

As land has an indefinite useful life, it is not depreciated. Given this, land and buildings are recognised separately even when they are acquired together.

As required by IAS 36, buildings are tested for impairment at least annually with recognition of any excess of their carrying value over their recoverable value as a loss.

▪ Property held for trading - Property under construction

The item includes property under construction and that acquired for trading purposes by group companies.

The profit arising from property sales, purchases and promotion (which in real estate companies' statutory financial statements is the balance between sales revenue, purchases, improvement costs and changes in inventory) is reclassified to "Other income".

Until completion of buildings' construction, the Group's real estate companies capitalise all directly allocable improvement costs, including interest expense connected with financing of the initiative.

<u>Property held for trading or with specific features defined by the constructor</u>

Those properties held for trading are recognised at the lowest between cost and net realisable value based on market trends. This lower value is not maintained in subsequent years if the reasons for write-down cease to exist. The amount of the write-down of inventory to net realisable value is recognised as a cost in the year as is its possible adjustment.

<u>Property under construction with specific features defined by the customer</u>

Property investments not intended for long-term use by the company, consisting of buildings under construction, are measured using the percent-completion method. This method is only applied to building units for which preliminary sales agreements have been signed. The related margins are recognised in the income statement according to construction completion status.

Design and construction costs incurred are linked to related expected total costs to determine the percentage of completion as at balance sheet date.

Margins on contracts are calculated by applying this percentage to the expected total margins.

Any expected losses on long-term contracts are immediately recognised as an expense. Down payments received for properties under construction are posted as a reduction of year-end inventory carrying value.

2.2 Other items of property, plant, and equipment

Plant and equipment, publicly registered movable assets, furniture and fittings, and office machinery are stated at purchase or purchase cost less depreciation and cumulative impairment losses.

Cost includes costs directly attributable borne to bring the asset to the location and the condition necessary to enable it to operate as required by the company.

Ordinary maintenance costs are expensed when incurred.

Costs incurred after acquisition are capitalised only if they can be reliably measured and increase the future economic benefits of the assets to which they refer. All other costs are expensed.
Leasehold improvements are classified as an item of property, plant and equipment. If they can be separated from the asset to which they relate, they are recognised in the relevant category depending on the nature of the cost incurred. Otherwise, they are classified in a stand-alone category. The depreciation period is equal to the shortest between the item's remaining useful life and the residual term of the lease contract.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life.

Assets are tested for any impairment at least annually with the recognition of any excess of their carrying value over their recoverable value as a loss. A check is also performed of the consistency of their residual useful life.

3 Reinsurers' share of technical reserves

Reinsurers' obligations arising from reinsurance treaties governed by IFRS 4 are recognised in this item.
Reinsurers' share of technical reserves is recognised consistently with the criteria applicable to the underlying direct insurance contracts. It is adjusted to expected recoverable value at each financial reporting date.

4 Investments

Initial recognition and subsequent measurement

All financial assets are initially recognised at fair value.

Transaction costs are expensed for financial assets measured at fair value through profit or loss or included in initial recognition if related to other financial assets.

After initial recognition, financial instruments designated as available for sale and those designated at fair value through profit or loss are measured at fair value. Financial instruments held to maturity and loans and receivables are instead measured at amortised cost.

For securities traded in regulated markets, fair value is calculated based on the closing stock exchange price as at balance sheet date.

If a market valuation is not available for the investment, its fair value is measured on the basis of the current market value of other substantially similar financial instruments or by using appropriate valuation techniques. Such techniques include use of recent transactions, discounted cash flow analysis or models able to provide reliable estimates of prices practised in current market deals. If fair value cannot be measured reliably, the financial asset is measured at cost, adjusted for any impairment losses.

For CIUs (collective investment undertakings), fair value is the published unit value.

The fair value of non-interest bearing loans and of those featuring interest at other than market rates is estimated as the present value of all discounted inflows using the prevalent market rate for a similar instrument.

Recognition date

Purchases and sales of financial assets are recognised on transaction date.

Impairment

At each reporting date financial assets designated as available for sale, those designated as held to maturity and loans and receivables are subject to an impairment test. Financial instruments designated as held for trading and those designated at fair value through profit or loss are not subject to such a test, as their changes in fair value are already charged to profit and loss.

Impairment indicators

Depending on investment in equities or bonds, the following factors are assessed when determining an impairment of a financial asset:

1. Bonds
   1.1. Government Bonds

        State of default, breach of contract (failure to pay interests or capital), significant deterioration in their rating.

   1.2. Corporate Bonds

        State of default, breach of contract (failure to pay interests or capital), significant deterioration in their rating or significant financial troubles.

In addition, it is pointed out that our impairment procedure establishes that downgraded debt securities are not subjected to impairment if they are accompanied by guarantees or protective mechanisms instituted by supranational entities, by other sovereign countries or by other issuers with high credit ratings, such as to have a positive effect on the ability to repay at maturity, thus making the change of rating less significant.

2. Equities and strategic investments

Investments are to be impaired in case of a prolonged or significant decline, *i.e.*:

2.1. a decline for a continuative period of 36 months, or;

2.2. a decline in the value of an investment higher than 40% at the reporting date.

Apart from the above indicators, the need of an impairment is assessed when signals indicating a permanent loss occur.

<u>Fair value definition</u>

IFRS 13 defines fair value as the price that you would receive for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants at the measurement date.

<u>Information on the fair value hierarchy</u>

The allocation to one of three levels of fair value under IFRS 13 follows the following criteria:

- Level 1: financial instruments listed in an active market;
- Level 2: financial instruments whose fair value was determined based on valuation techniques based on observable market inputs other than quoted prices of the financial instrument;
- Level 3: financial instruments whose fair value was determined based on valuation techniques based on non-observable on the market.

In the fair value definition are privileged observable market variables and assumptions, and are used other valuation methods only in the absence of such input.

Investments are classified as follows:

4.1 Real estate investments

As required by IAS 40, the item includes property held to earn rentals and / or for achieving objectives of capital appreciation. Real estate investments are valued using the cost model in IAS 40, adopts the depreciation criteria of IAS 16.

The properties used or selling ordinary course of business are classified as tangible assets.

4.2 Investments in subsidiaries, associates, and joint ventures

In determining the investment relationship, have been used definitions of control, significant influence and joint control as required by IFRS 10, 11 and IAS 28.
This item includes equity investments that are not consolidated on a line-by-line basis, measured using the equity method or at cost.
Immaterial investments in subsidiaries or associates are measured at cost, adjusted for any impairment losses.

Investments in subsidiaries are eliminated during the consolidation process.

Investments in subsidiaries, associates and joint ventures are derecognised when, following disposal or other events, missing the requirements of IFRS 10 and 11 for their detection.

The Parent company does not hold a joint holding company, for which IAS 28 provides the equity method.

Impairment test for goodwill recorded in the financial statements in relation to the excess of the cost paid for the acquisition of subsidiaries over the share attributable to the equity method is performed by making a comparison between the carrying amount of the investment and the greater of fair value and value in use. In assessing value in use refers to recent plans approved and market variables.

4.3 Held-to-maturity investments

The assets classified as held-to-maturity are cash instruments (i.e. not derivatives) with fixed or determinable payments and fixed maturity that the Group effectively intends and is able to hold until maturity.

They do not include assets:

- Designated upon initial recognition as being at fair value going through profit or loss;
- Designated as available for sale;
- That qualify as loans and receivables.

These assets are measured at amortised cost using the effective interest method.

If there is objective evidence of an impairment loss, the asset's carrying amount is written down, recognising the loss directly in the income statement.

Gains and losses relating to amortisation and any difference between the carrying amount and consideration received at the time of derecognition are taken to profit or loss.

In case of significant sales before maturity or the change of intent and / or ability to hold, the so called *"tainting rule"* triggers (penalty clause), which requires the reclassification of the entire portfolio outside the HTM class and prevents reuse this portfolio category for the following two years.

4.4 Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not listed in an active market.

Assets held for trading, designated at fair value through profit or loss or as available for sale, are not classified in this category.

These assets are measured at amortised cost using the effective interest method.

This category includes mortgage loans, loans on life insurance policies, loans granted to employees and agents by the direct operating parent company, and inward reinsurance deposits.

If there is objective evidence of an impairment loss, the asset's carrying amount is written down, recognising the loss directly in the income statement.

4.5 Financial assets available for sale

This category comprises assets designated as available for sale or however not classified as:

- Financial assets at fair value going through profit or loss;
- Held-to-maturity investments;
- Loans and receivable.

These assets are measured at their fair value.

Unrealised gains and losses are recognised directly in equity, with the exception of impairment losses and foreign exchange gains and losses. At the time of sale or impairment of the financial asset, the cumulative gains or losses, including those previously recognised in equity, are taken to profit or loss. Any subsequent recovery of value, up to the value before recording the loss, are recorded respectively in the income statement in the case of debt instruments, in equity in the case of equity securities.

Interest pertaining to the year is recognised directly in profit or loss using the effective interest method. Dividends are recognised when the shareholders' right to payment arises.

4.6 Financial assets at fair value through profit or loss

This category includes assets held for trading, strategic possession of which aims to obtain a profit in the short term, or that are designated upon initial recognition at fair value through profit or loss.

More specifically, the Group classifies in this category its financial assets hedging investment contracts where the investment risk is borne by the policyholders and those relating to pension fund management.

These assets are measured at their fair value.

Any gains or losses are directly recognised in profit or loss.

5 Other receivables

This category consists of:

5.1 Receivables relating to direct insurance

These are receivables due from policyholders for unpaid premiums and from agents, insurance brokers and co-insurance companies. The item also includes amounts to be recovered from policyholders and third parties for claims payments on policies with "no claims bonus" clauses, and for deductibles and subrogations.

They are stated at nominal value and are adjusted on each financial reporting date to their presumed realisable value, calculated on the basis of historic trends of collections by individual business line.

5.2 Receivables relating to reinsurance

These are receivables due from reinsurers or insurers for reinsurance transactions. They are recognised at nominal value and thereafter are measured at presumed realisable value on each financial reporting date.

5.3 Sundry receivables

These are receivables relating neither to insurance nor tax. They include down payments to third parties. They are recognised at nominal value and thereafter measured at presumed realisable value on each financial reporting date.

6 Other assets

This category consists of:

6.1 Activities of a disposal group held for sale

In accordance with IFRS 5 are recorded under this item non-current assets or disposal groups classified as held for sale. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, the completion of which should be expected within one year from the date of classification. The assets are stated at the lower of carrying value and fair value, net of selling costs. The gain or loss resulting, net of taxes, are shown separately in the statement of comprehensive income.

6.2 Deferred acquisition costs

In compliance with IFRS 4, this item includes acquisition costs paid in advance upon signature of long-term contracts and amortised over contract duration.
As required by IFRS 4, such costs are accounted for in accordance with local GAAPs.

<u>Non-life business</u>: acquisition costs on long-term contracts, with specific reference to acquisition commissions, are capitalised and amortised in three years from the year when they occurred. Based on contract duration and regulations governing the applicability of commission charges, this amortisation period can be considered to be economically consistent.

<u>Life business:</u> acquisition costs relating to new contracts, for the part not outwardly reinsured, is capitalised within the limits of related loading and amortised on a straight-line basis over the term of the underlying contracts within the 10-year limit established by IVASS circular no. 183 dated 3 September 1992. The amortisation period is deemed to be economically consistent. Residual commissions on policies cancelled during the amortisation period are expensed in the year when such policies are eliminated from the portfolio.

6.3 and 6.4 Current and deferred tax assets

These items include current and deferred tax assets, as defined and governed by IAS 12, including deferred tax assets relating to prepaid taxes on the life business mathematical reserves pursuant to Article 1, point 2, of Italian Decree Law no. 209/2002 as definitively enacted by Article 1 of Law no. 265/2002 and subsequent amendments.
These assets are recognised in line with current tax legislation on an accruals basis.
For items recognised as deferred tax assets, on each financial reporting date the Group checks whether any changes have occurred in relevant tax regulations, such as to lead to a different valuation.
Reference should be made to the accounting policy referring to "Current and deferred taxation" in the Income Statement section.

6.5 Other assets

This item includes reinsurance suspense accounts, deferred commission expense on investment contracts, and accrued income and prepayments relating respectively to sundry income and general & administrative expenses.
Reference should be made to what has already been indicated in the earlier section "Insurance and Investment Contracts – definition and accounting treatment".

7 Cash and cash equivalents

Cash and cash equivalents include items that meet the requirements of availability on demand or in the extremely short term and the absence of collection expenses. They are recognised at their nominal value.

LIABILITIES

1 Equity

1.1 Equity attributable to the shareholders of the parent

1.1.1 Share capital

Ordinary shares are recognised as share capital (subscribed and paid in) at their par value.

1.1.2 Other equity instruments

This item includes instruments representing capital – but not included in share capital – consisting of special share categories and the equity portion of complex financial instruments. More specifically, it includes the equity portion stemming from valuation of the conversion option relating to the convertible subordinated bonds issued by the direct operating parent company.

1.1.3 Equity reserves

This item comprises the share premium reserve.

1.1.4 Earnings-related and other reserves

This item specifically includes:

- Retained earnings or losses carried forward, including the legal reserve;
- The reserve for gains or losses on IFRS first-time adoption;
- Consolidation reserves;
- Reserves for the reclassification of the catastrophe and equalisation reserves recognised under previous accounting standards (i.e. Italian GAAPs), which can no longer be recognised as technical liabilities under IFRS 4;
- Reserves – including the property revaluation reserve - recognised in compliance with the Italian Civil Code or specific Italian laws before adoption of IFRSs;
- Reserves for share-based payment transactions, settled using the company's own equity instruments (IFRS 2).

It also includes any gains or losses due to material errors or to changes in accounting policies or estimates (IAS 8).

1.1.6 Currency reserve

The item includes foreign exchange differences to be allocated to equity pursuant to IAS 21, arising both from foreign currency transactions and from translation into financial statements' presentation currency.

1.1.7 Fair value reserve

This item includes the unrealised gains or losses on investments classified as "Financial assets available for sale". Reference should be made to the relevant balance sheet item for details on the nature and accounting treatment of this type of assets.

Amounts are stated net of the portion attributable to policyholders and allocated to insurance liabilities, as better described in the "Shadow Accounting" section, and of related deferred taxation.

1.1.8 Other gains or losses recognised directly in equity

This item includes the gains or losses recognised directly in equity, with specific reference to the reserve for changes in investees' equity not recognised in their income statements as profit or loss.
It also includes any revaluation reserves for property, plant and equipment and intangible assets, as well as the gains or losses relating to defined benefit plans.

1.2 Minority interest

This caption includes the equity instruments and items and related equity reserves attributable to third-party shareholders, collectively defined as Minority Interest.
Any minority interest in the "fair value reserve" is also included.

2 Provisions

The Group recognises provisions or funds for risks and charges when:

- The Group has a constructive or legal obligation vis-à-vis third parties;
- It is likely that the Group resources will have to be used to meet the obligation;
- The amount of the obligation can be reliably estimated.

Changes in estimates are taken to profit or loss in the period in which the change occurs.

Provisions for charges to be borne made by the real estate companies include the costs of completion for apartments for which a notarial deed has already been signed, based on the principle of cost/revenue matching.

3 Technical reserves

This item comprises commitments stemming from insurance and inward reinsurance contracts gross of outward reinsurance. Commitments refer both to insurance products and to financial products with discretionary profit participation features.

- Premium reserve (Non-Life business)

The non-life premium reserve is calculated on a pro-rata temporis basis for each single contract, based on recognised premiums net of direct acquisition costs and of the fraction of premium pertaining to the period after 31 December of the financial year in question.

Where so required by the technical result, the premium reserve is also supplemented by the unexpired risk reserve, which is set up to cover risks incumbent upon the company after the balance sheet date. It is a technical provision, mandatorily required by Italian Legislative Decree of 7 September 2005 no. 209, article 37, which is made if, and to the extent that, the total amount of the presumed cost of expected claims for in-force policies is estimated to be higher than the unearned premiums reserve plus instalments outstanding net of acquisition costs, for instalment-premium policies.

- Claims reserve (Non-Life business)

The claims reserve reflects the prudent valuation of estimated indemnities and adjustment costs for claims relating to direct business that have been incurred and not yet paid, either totally or in part, as at balance sheet date. This valuation is performed considering the specific features of each line, based on all components forming the requirement for coverage of the claim's ultimate cost. "Ultimate cost" means the estimate of all foreseeable costs based on a prudent assessment of factual evidence (document examination) and forecasts (expected claims settlement time frame and related inflation rates).

Assessment of each claim is performed according to the following phases:
- preparation of inventory estimates for each open position by non-life claims settlement inspectors through session during the year;
- analysis and checking of data through sessions during the year and review of documentation concerning major claims by corporate management together with the liquidators and with the support of external trustees;
- possible integration / update of the reserve initially allocated on the basis of the principle of "reserve continuously".

Activities performed as part of claims assessment procedures are based on the following general criteria:
- Accurate and complete basic year-end inventory of all claims partly or totally not settled, highlighting claims that are the subject of disputes
- Analysis of claims featuring several positions in order to ascertain that proper evidence exists supporting each individual position;
- Separate indication of the quantification of bodily injury and property damage;
- Inclusion of estimated direct and settlement costs in the claims reserve. Settlement costs include both amounts paid to professionals taking part in claims handling and internal company costs relating to the claims handling department;
- Assessment of claims relating to credit and suretyship insurance in compliance with the criteria laid down in paragraphs n. 32-33-34 Annex n. 15 of ISVAP Regulation no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016;
- Use of statistical and actuarial methods in the evaluation of the ultimate cost of claims for the Motor TPL and General TPL business.

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

The field claims settlement network is supported by the area co-ordinators. The latter check, in terms of merit and method, that corporate house rules are properly applied.

The claims reserve includes the estimate for IBNR claims, i.e. claims pertaining to the year that have been incurred but not yet reported by year-end. Amounts are calculated considering the average cost of the current generation.
The claims reserves thus calculated that relate to mass risks, insofar as they refer to positions settled in the medium-long term, are subjected to statistical and actuarial checks to assess their consistency with ultimate cost and, when necessary, are topped up.
In compliance with IFRS 4, no provision is made for possible unknown future claims.

- Reserves for payable amounts (Life business)

The item comprises the direct operating parent company's obligations to policyholders for settlement of claims, surrenders and, with respect to policies that have matured, for accrued principal and annuities. Consequently, the above amounts are not included in mathematical reserves.

- Mathematical reserves (Life business)

The life business technical reserves are calculated on the basis of the pure premiums and actuarial assumptions deemed to be appropriate as at the date when contracts were signed, insofar as they are still valid. Calculation of technical reserves is based on the rate of return determined on the basis of the related investments for respective “revaluable” benefits and on the mortality rate used to calculate pure premiums. In accordance with current regulations, the premiums-carried-forward component of mathematical reserves is calculated on a pure-premium basis.

The mathematical reserve is never lower than surrender value.

In compliance with the requirements of paragraph. 36 of Annex n. 14 of ISVAP regulation no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016 IVASS, the reserve for capital contracts relating to sums insured with a contractually guaranteed annuity conversion factor and to deferred and beneficial life annuities has been adjusted to reflect updated demographic survival assumptions.

Mathematical reserves are adjusted, when deemed necessary, to factor in the decrease in financial rates of return on assets covering such reserves.

In compliance with paragraphs n. 24-32 Annex n. 14 to ISVAP regulation no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016, an ALM (Asset-Liability Management) procedure has been implemented for joint analysis of the asset and liability portfolios in order to calculate the forecast returns for each segregated life account.

- Other reserves (Non-Life and Life businesses)

The item includes the following reserves:

- Ageing reserve for health insurance (Non-Life business) as required by Article 37 of Italian Legislative Decree no. 209 of 7 September 2005.
  Calculations include all the products that, in setting premiums, do not take into account changes in the policyholder’s age and contain clauses that limit the Group’s ability to withdraw, as outlined in paragraphs 42-43-44 Annex n. 15 to Regulation ISVAP no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016.
  The estimate is based on a comparison between estimated cash inflows (all premiums expected to be collected in future years on the contracts held in portfolio at December 2012) and estimated cash outflows (all losses expected to be paid for the contracts held in portfolio at December 2012).
  For consistency and as a comparison, the reserve was calculated on a lump-sum basis by setting aside 10% of gross premiums written, as envisaged by article 3 of paragraph 44 Annex n. 15 to Regulation ISVAP no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016.

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

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

- Reserve for deferred liabilities to policyholders (Life business)

  This reserve shows the share of unrealised gains or losses attributable to policyholders, as described in the specific section on “Shadow Accounting”.

- Reserve for management expenses (Life business)

  This reserve is calculated based on loading for management expenses and on the other technical bases of the insurance pricing applied.

- Complementary insurance premium reserve (Life business)

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

- LAT (Liability Adequacy Test) reserve (Non-Life and Life business)

  This reserve includes any accruals made following the LAT, as better described in the "Liability Adequacy Test" section.

4 Financial liabilities

4.1 Financial liabilities at fair value through profit or loss

The item includes financial liabilities held for trading or designated at fair value through profit or loss. They include liabilities related to investment contracts governed by IAS 39, the fair value of which is calculated according to the asset's fair value of the asset plus the fair value of any guarantees and options existing in the contract (i.e., the financial liabilities relating to investment contracts where the investment risk is borne by policyholders and those relating to pension fund management).
Gains and losses are recognised directly in profit or loss.

4.2 Other financial liabilities

This item includes the financial liabilities defined and governed by IAS 39 not included in the category "Financial liabilities at fair value through profit or loss", including deposits received from reinsurers, debt securities issued, bank borrowings and other financial liabilities other than trade payables.
Other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.
Specifically, in the case of bonds convertible into the issuer's shares (compound financial instruments), the instrument's amount is split into the following two components:

- Conversion option, classified as an equity instrument;
- Debt component, classified as a financial liability among subordinated liabilities.

Initial measurement
When the bond loan is issued, the financial liability component is recognised at fair value, discounting expected future cash flows, considering any existing options, at the market rate applicable to a similar financial liability not associated with an equity component (conversion option).
The equity component is calculated as the difference between the fair value of the entire financial instrument (nominal amount of the subordinated bond loan) and the amount calculated separately for the financial liability component.

The costs incurred to issue the convertible bond loan are split proportionally between the two components and are offset against them.

Subsequent measurement

Non-conversion
The financial liability component is recognised at amortised cost using the effective interest method. The equity component is not subject to changes in its original carrying amount.

Conversion
The financial liability component is reversed and charged to equity. The initially recognised equity reserve is transferred to the share premium reserve.

Reimbursement or call-up
At the time of reimbursement or call-up, the consideration paid and costs related to the transaction are split between the financial liability component and the equity component using criteria similar to those used for the original allocation.
Any related gain or loss is treated according to the accounting standards and policies applicable to the related component, as follows:

- The amount of the gain or loss relating to the liability component is recognised in profit or loss;
- The amount of the consideration relating to the equity component is recognised in equity.

5 Payables

This category consists of:

5.1 Payables arising from direct insurance transactions

The item includes balances not yet settled, indemnities to be paid upon termination of agency contracts, payables arising from the current accounts into which the balances of co-insurance technical results go, guarantee deposits on insurance sureties paid by policyholders and the amount payable to CONSAP (the state-owned public insurance services concessionaire) for the contribution to the guarantee fund for road accident victims.
These payables are recognised at nominal value.

5.2 Payables arising from reinsurance transactions

This item includes payables arising from current accounts into which the reinsurance technical result goes, plus reinsurers' share of amounts to be recovered.

These payables are recognised at nominal value.

5.3 Other payables

Other payables include accruals made for employee post-employment benefit obligations.
They also include trade payables, including payments on account collected by the real estate companies on signature of preliminary sales agreements, which are recognised at nominal value.

6 Other liabilities

6.1 Liabilities of a disposal group held for sale

In accordance with IFRS 5 are recorded in this items liabilities related to a disposal group held for sale.

6.2 and 6.3 Current and deferred tax liabilities

These items include current and deferred tax liabilities, as defined and governed by IAS 12.
These liabilities are recognised in accordance with current tax legislation on an accruals basis.
For deferred tax liabilities recognised in accounts, on each financial reporting date the Group checks whether any changes have occurred in relevant tax regulations, such as to lead to a different valuation.

Reference should also be made to the accounting policy concerning “Current and deferred taxation” in the Income Statement section.

6.4 Sundry liabilities

This item includes reinsurance suspense accounts, deferred commission income on investment contracts, accrued liabilities and liabilities relating to defined benefit plans and other long-term employee benefits (medical services and seniority bonuses). Reference should be made to the section on “Employee benefits” for details on the approach to measurement of these items.

Income Statement

1 REVENUES

Revenue recognition

Revenues are recognised to the extent it is probable that the group will receive economic benefits and their amount can be measured reliably. Revenue is recognised net of discounts, allowances and return sales.

Revenues from services are recognised when the services have been rendered or according to service completion status.

Revenues from construction work in progress are recognised based on progress status (percentage of completion method).

1.1 Net premiums

Premiums recognised include the amounts accruing during the year for insurance contracts, as defined by IFRS 4 ("Insurance Contracts).

Premiums, together with ancillary charges, gross of ceded premiums, are recognised as revenue upon maturity, regardless of the date of recording of documents and of actual collection.

With reference to the non-life business, cancellations of individual policies due to events of a technical nature are directly deducted from premiums as long as they were issued in the same year. With respect to the life business, the item includes all cancellations, except for those relating to first yearly instalments issued in previous years.

Recognition of premiums on an accruals basis is implemented for the non-life business via posting to the premiums reserve (see relevant accounting policy), whilst for the life business it is implicit in the calculation of mathematical reserves, complementary insurance premium reserve and other technical reserves.

Ceded and retroceded reinsurance premiums are accounted for as per contractual agreements with reinsurers.

1.2 Commission income

This item includes commission income for financial services provided not included in the calculation of a financial instrument's effective interest, as required by IAS 18.

It includes commission income relating to investment contracts not covered by IFRS 4, such as loading (explicit and implicit) and, for those contracts that provide for investment in an internal fund, management fee income and other similar items.

1.3 Net gains on financial instruments measured at fair value through profit or loss

This item includes realised gains and losses, interest, dividends, charges and increases or decreases in the fair value of financial assets and liabilities measured at fair value through profit or loss, which include assets and liabilities relating to index-linked and unit-linked investments and to pension fund management.

1.4 Income from investments in subsidiaries, associates, and joint ventures

The item comprises income coming from investments in subsidiaries, associates and joint ventures entered in the corresponding asset item. More specifically, it includes the share of profits of the Group's equity-accounted companies.

1.5 Income from other financial instruments and investment property

This item includes income from investment property and financial instruments that are not recognised at fair value through profit or loss. It mainly includes interest income on financial instruments measured using the effective interest method, and other investment income - comprising dividends and revenue from third-party use of investment property, gains made on the disposal of financial assets or liabilities or investment property, and increases arising from reversals of impairment losses, and from subsequent measurement of investment property measured at fair value and of financial assets and liabilities.

1.6 Other revenue

This item includes:

- Trading profits and revenue for completion status of construction work in progress of the real estate trading and promotion companies, recognised at the time of signature of the notarial deed and using the percentage of completion method, respectively;
- Revenues for the sale of goods and rendering of services other than those of a financial nature and for third-party use of items of property, plant and equipment, intangible assets or other Group assets, as established by IAS 18. In this respect, the real estate brokerage companies recognise commission income upon signature of the preliminary sale agreements;
- Other net technical income relating to insurance contracts;
- Realised profits on and write-backs of property, plant and equipment and intangible assets;
- Foreign exchange gains to be recognised in profit or loss under IAS 21;
- Capital gains on non-current assets or on disposal groups classified as held for sale other than discontinued operations.

More specifically, other technical income relating to insurance contracts includes commissions relating to cancelled premiums included in other technical charges for the non-life and life businesses and income arising from management of the knock-for-knock (i.e. direct settlement) agreement and from ANIA incentives for scrapping damaged vehicles in the non-life business.

2 COSTS

2.1 Claims costs

The overall category comprises – inclusive of settlement costs and excluding recoveries and outward reinsurance – the sums paid during the year for claims, maturities, surrenders and accrued annuities, as well as the amount relating to changes in technical reserves for contracts coming within the scope of IFRS 4 application.

It also includes the portion charged to the income statement of the change in deferred liabilities to policyholders (shadow accounting) as well as any change in the LAT reserve.

Specifically, non-life claims costs include damage compensation paid and direct expenses, plus settlement expenses and charges for contribution to the guarantee fund for road accident victims.

Direct expenses are those incurred to avoid or minimise claim damage, including litigation costs as per Article 1917, paragraph 3, of the Italian Civil Code, rescue costs in transport and aviation insurance, and fire-fighting costs in fire insurance.

Adjustment expenses include amounts paid to professionals involved, plus personnel expenses, logistics costs, and costs for services and goods of the company departments involved in claims settlement and handling.

The reinsurers' share is calculated in accordance with the provisions of treaties currently in force.

2.2 Commission expense

This item includes commission expense on financial services received not included in the calculation of a financial instrument's effective interest, as required by IAS 18. Specifically, it includes commission expense relating to investment contracts not coming within the scope of IFRS 4 application.

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

The item includes losses on investments in subsidiaries, associates and joint ventures recognised in the corresponding asset item. Specifically, it includes the share of loss for the year of the Group's equity-accounted companies.

2.4 Losses on other financial instruments and investment property

This item includes losses and charges on investment property and financial instruments that are not recognised at fair value through profit or loss. It mainly comprises interest expense on financial instruments measured using the effective interest method, other losses on investments and expenses on investment property, such as condominium expenses and maintenance and repair costs that have to be expensed. It also includes capital losses on disposal of financial assets or liabilities or investment property, depreciation charges, impairment losses and losses on the subsequent measurement of investment property measured at fair value and financial assets and liabilities.

2.5 Operating costs

This category comprises:

- Commissions and other acquisition costs, including acquisition costs, net of outward reinsurance, relating to insurance contracts.

  In particular, the item includes:

    - Commissions paid on acquisition and renewal, including tacit renewal, of contracts;
    - Extra commissions and commission bonuses;
    - Personnel expenses, logistics costs, costs for services and purchase of goods of the management departments involved in the assessment, issue and management of insurance contracts;
    - Medical check-up costs;
    - Amortisation charge, for the year, of acquisition commissions and other acquisition costs;
    - Commissions paid on the collection of premiums related to long-term contracts.

  Profit participation and other contractual commissions paid to reinsurers for premiums ceded and retroceded are accounted for on the basis of the relevant contractual agreements.

- Investment management costs, including G&A costs and personnel expenses allocated to management of financial instruments, investment property and equity investments. They also comprise custody and administration costs.
- Other administrative costs, including G&A costs and personnel expenses that are not allocated to claims costs, insurance contract acquisition costs or investment management costs. Specifically, the item includes G&A costs and personnel expenses incurred for the acquisition and administration of investment contracts as well as G&A costs and personnel expenses relating to non-insurance companies performing financial activities. It also includes charges incurred in connection with the termination of agency agreements for the part not subject to compensation.

  Commissions paid by real estate trading and promotion companies to brokers and agents when the preliminary sales agreements are signed are accounted for as prepayments and recognised in profit or loss when the notarial deeds are signed or according to contracts' completion status, in accordance with the cost/revenue matching principle.

2.6 Other costs

This category includes:

- Costs for the sale of goods and rendering of services other than of a financial nature and the third-party use of items of property, plant and equipment, intangible assets or other group assets, as required by IAS 18;
- Other net technical costs relating to insurance contracts;
- Additional provisions made during the year;
- Foreign exchange losses to be recognised in profit or loss as per IAS 21;
- Realised losses, impairment losses, depreciation charges relating to items of property, plant and equipment not allocated to other account items and amortisation of intangible assets;

- Losses on non-current assets or disposal groups classified as held for sale other than discontinued operations.

More specifically, other technical costs relating to insurance contracts comprise:

- Premiums cancelled, due to events of a technical nature, relating to single policies issued in previous years (non-life business);
- Cancellation of first yearly premium instalments issued in previous years (life business);
- Uncollectable premiums in amounts receivable from policyholders (non-life and life business);
- Costs relating to goods and services purchased to complement non-life insurance covers;
- Costs arising from the management of the knock for knock (i.e. direct settlement) agreement.

3 Income taxes

Income taxes include all taxes calculated on the basis of the estimated taxable income of each financial year and stated on an accruals basis in compliance with current relations.

Income taxes are taken to profit or loss except for those relating to items that are directly debited or credited to equity, in which case the tax effect is also recognised directly in equity.

Deferred taxes are calculated - except in the cases expressly envisaged by paragraphs 15 and 20 of IAS 12 - on all temporary differences that arise between the taxable base of an asset or liability and its carrying value in consolidated accounts, to the extent that it is probable that in future sufficient taxable income will be achieved against which to use them.

Deferred tax assets on tax losses and unused tax credits that can be carried forward are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered.

Deferred tax assets and liabilities are calculated applying the tax rates expected to be applicable - based on the tax rates and tax regulations in force as balance sheet date - in the financial years when the temporary differences will be realised or reversed.

Current and deferred tax assets and liabilities are offset when income taxes are applied by the same tax authority and when a legal right to offset them exists.

4 Gain/(Loss) on discontinued operations

In accordance with IFRS 5 are recorded in this account the costs and revenues net of tax, related to discontinued operations.

Additional information

Inward insurance

The effects of inward life reinsurance are recorded on an accruals basis, except for risks retroceded by CIRT (the Italian consortium for impaired life insurance) which, however, are not material.

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

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

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

Retrocession

Retroceded business mainly relates to treaties concerning aircraft hulls (i.e. property).
Items relating retrocession are measured according to the same policies as those applied to inward reinsurance.

Shadow accounting

Paragraph 30 of IFRS 4 allows modification of accounting policies in such a way that an unrealised capital gain or loss on an asset affects measurement of insurance liabilities, related deferred acquisition costs, and of related intangible assets in the same way that a realised capital gain or loss does.
The related adjustment of insurance liabilities (or deferred acquisition costs or intangible assets) is recognised in equity if, and only if, the unrealised gains or losses are recognised directly in equity.
Similarly, unrealised capital gains or losses on assets, recognised in profit or loss (including impairment losses), lead to a corresponding adjustment through profit or loss of the insurance liability or of other insurance balance sheet items recognised in profit or loss.

The procedure envisages the following steps:

1) Net unrecognised gains as at balance sheet date on the assets measured at fair value are calculated for separately managed businesses;
2) Actual retrocession rates due to policyholders are calculated by splitting the entire portfolio into groups of like policies;
3) The amount of unrecognised net gain pertaining to policyholders is calculated by applying the retrocession rates indicated in point 2) to the unrecognised net gains measured in point 1);
4) If the assets allocated to separately managed businesses partly belong to the “fair value through profit or loss” category and partly to the “available for sale” category, the offsetting amount of the increase/decrease in insurance liabilities is split equally between the costs charged to profit or loss and equity reserves.

Furthermore, for the purposes of preparation of consolidated financial statements, the effect of the allocation to separately managed businesses of the investments in the subsidiaries Vittoria Immobiliare SpA and Immobiliare Bilancia Srl has been assessed.

Since dividends paid by such subsidiaries to Vittoria Assicurazioni SpA (or any capital gains recognised in the eventuality of sale of the equity investments) are retroceded to life policyholders in accordance with the relevant insurance contracts, an amount equal to the portion attributable to life policyholders of the subsidiaries' profits recorded in the consolidated financial statements, net of profits already paid to policyholders in the form of dividends, is added to the direct operating parent's reserves calculated on an actuarial basis.

This accrual is not necessary in individual statutory financial statements because financial income relating to dividends arises at the same time as related costs, in terms of benefits accorded to policyholders.

Liability Adequacy Test (LAT)

As required by IFRS 4, the Group tests its insurance liabilities for adequacy using current estimates of future cash flows deriving from its insurance contracts. If this assessment shows that the carrying value of its insurance liabilities is inadequate, the entire deficit is recognised in the income statement.

If balance sheet liabilities have already undergone liability adequacy testing that meets local GAAPs consistent with IFRSs, IFRS 4 does not require any further checks. If they have not, current estimates of future cash flows must be calculated as envisaged by IAS 37.

Life business

Liability adequacy was tested by comparing technical reserves, less deferred acquisition costs, with the present value of the future cash flows obtained by projecting the expected cash flows generated by the portfolio in force as at assessment date and taking into account assumptions on mortality, surrenders, and expense trends.

Non-life business

Under Italian GAAPs, the claims reserve is measured at ultimate cost. This approach, which forbids the discounting process, means that provisioning is intrinsically higher than the current estimate of expected cash flows.

Based on Italian GAAPs, the premiums reserve is supplemented by the reserve for unexpired risks, if any. This treatment is compliant with paragraph 16 of IFRS 4.

Employee benefits

Actuarial valuation of termination benefits, seniority bonuses and healthcare benefits

Valuation was performed in accordance with IAS 19. Employee benefits and healthcare benefits can be assimilated with “post-employment benefits” of the “defined benefit plan” type, whilst the seniority bonuses can be assimilated with “other long-term benefits” once again of the “defined benefit plan” type.

For these benefits an assessment is made of the amounts that the company has undertaken to pay when certain events occur relating to the employee’s working life and also, in special cases provided for by national collective labour contracts, his or her retirement period. These amounts are discounted using the projected unit credit method to calculate the interval of time that will elapse before actual payment takes place.

As far as post-employment benefits are concerned (currently known as “employee severance indemnities” in Italy), the calculation considers the amount already accruing as at the valuation date and takes future forecast provisions into account. Conversely, in the case of seniority bonuses and healthcare benefits only the future forecast provisions are included in the calculation.

Actuarial valuation of the provision for post-employment benefits, seniority bonuses and healthcare benefits during retirement was performed using the projected unit credit method - also known as the accrued benefit method pro-rated on service. This method requires “the entity to attribute the benefit to the current period (in order to determine current service cost) and to the current and prior periods (in order to determine the present value of defined benefit obligations). The entity attributes the benefit to the periods when the obligation to provide post-employment benefits arises”.
Actuarial valuation was based on assumptions concerning length of service (i.e. exit from the Group) and also economic and financial assumptions. The latter relate to the theoretical lines of remuneration by contractual grade, the interest rate used to discount future employee service costs and the inflation rate based on which provision for post-employment benefits is revalued.
Where possible, the assumptions are based on the direct operating parent company’s historical series, supplemented by and projected on the basis of market experience and relevant best practice.

The valuation component arising from actuarial results is charged to “Other comprehensive income”.

Accrued, deferred, and prepaid items

Accrued income and liabilities recognise revenues and costs pertaining to periods after 31 December of the year being reported and are included in the specific balance sheet item to which they refer.

Prepayments and deferred income reallocate costs and income occurring before 31 December to the financial year to which they pertain. They are respectively posted among Other assets and Other liabilities.

Financial expense

Financial expenses directly attributable to the acquisition, construction or production of an asset that qualifies for capitalisation are capitalised as part of the cost of the asset in question when it is probable that they will generate future economic benefits and if they can be reliably measured.
All other financial expenses are expensed when they are incurred.

Conversion into euro

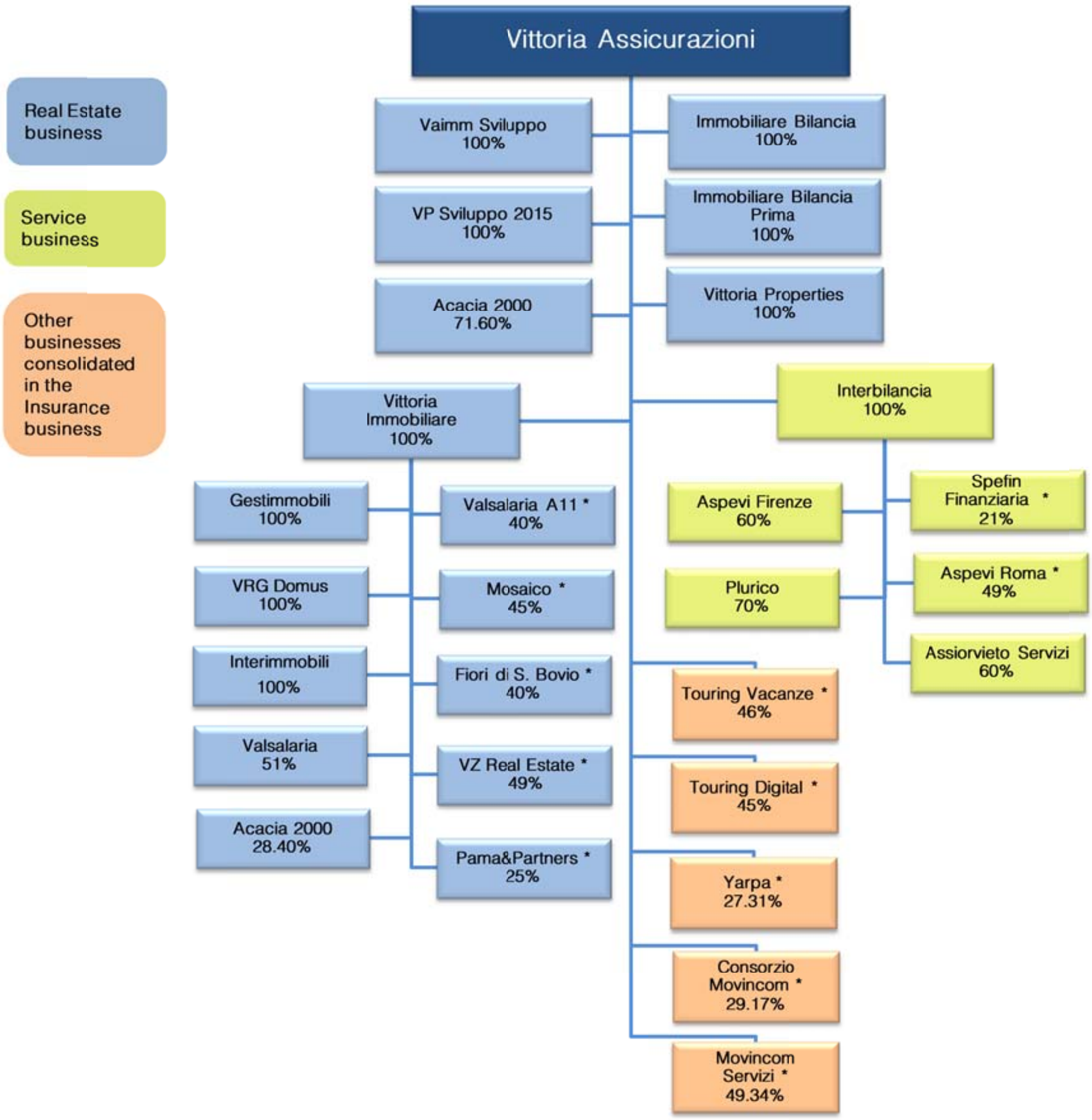
Items expressed in foreign currencies are converted into euro at spot rates. Balance sheet items still existing at year-end are converted at the exchange rate of the last working day of the financial year.

Notes of a general nature to the consolidated financial statements

The notes to the consolidated interim financial statements comprise:

- tables and notes of a general nature listed below in alphabetic order;
- tables and notes of a specific nature on the individual balance sheet, income statement, equity and cash flow statement captions, listed below in numerical order.

Consolidation scope



* Companies consolidated by the equity method

The table below lists the companies included in the consolidated financial statements with the full consolidation method under IFRS 10.

A) Consolidated investments

Name	Registered offices	Share Capital Euro	% Ownership Direct	% Ownership Indirect	Via
Vittoria Assicurazioni S.p.A.	Milan	67,378,924			
Vittoria Immobiliare S.p.A.	Milan	112,418,835	100.00		
Immobiliare Bilancia S.r.l.	Milan	6,650,000	100.00		
Immobiliare Bilancia Prima S.r.l.	Milan	3,000,000	100.00		
Vittoria Properties S.r.l.	Milan	8,000,000	100.00		
Interbilancia S.r.l.	Milan	80,000	100.00		
Vaimm Sviluppo S.r.l.	Milan	3,000,000	100.00		
VP Sviluppo 2015 S.r.l.	Milan	2,000,000	100.00		
Acacia 2000 S.r.l.	Milan	369,718	71.60	28.40	Vittoria Immobiliare S.p.A.
Gestimmobili S.r.l.	Milan	104,000		100.00	Vittoria Immobiliare S.p.A.
Interimmobili S.r.l.	Rome	1,000,000		100.00	Vittoria Immobiliare S.p.A.
V.R.G. Domus S.r.l	Turin	800,000		100.00	Vittoria Immobiliare S.p.A.
Valsalaria S.r.l.	Rome	60,000		51.00	Vittoria Immobiliare S.p.A.
Assiorvieto Servizi S.r.l.	Orvieto	12,500		60.00	Interbilancia S.r.l.
Aspevi Firenze S.r.l.	Florence	25,000		60.00	Interbilancia S.r.l.
Plurico S.r.l.	Milan	10,000		70.00	Interbilancia S.r.l.

Main changes in ownership percentages and other changes during the year

Acacia 2000 S.r.l.

On 6 December 2016, Vittoria Assicurazioni S.p.A. purchased from third parties the remaining share of 4.06% paying 9,714 thousand euro.

As at 31 December 2016 the Group Vittoria Assicurazioni S.p.A. holds 100% of the share capital of Acacia 2000 S.r.l. (Vittoria Assicurazioni S.p.A. 71.60% and Vittoria Immobiliare S.p.A. 28.40%).

VP Sviluppo 2015 S.r.l.

During the first half year, the sole shareholder Vittoria Assicurazioni paid to the subsidiary 5,000 thousand euro in the future capital increase.
On 14 December 2016, the shareholders' meeting of the company resolved to increase the share capital by payment from a nominal value of 1,000 thousand euro to 2,000 thousand euro, with a total share premium of 31,000 thousand euro and, therefore, for a total of 32,000 thousand euro including share premium.

The capital increase was fully subscribed and fully paid by the sole shareholder Vittoria Assicurazioni S.p.A..

Vaimm Sviluppo S.r.l.
During the first half year, the sole shareholder Vittoria Assicurazioni paid to the subsidiary 4,500 thousand euro in the future capital increase.
On 14 December 2016, the shareholders' meeting of the company resolved to increase the share capital by payment from a nominal value of 2,000 thousand euro to 3,000 thousand euro, with a total share premium of 37,000 thousand euro and, therefore, for a total of 38,000 thousand euro including share premium.

The capital increase was fully subscribed and fully paid by the sole shareholder Vittoria Assicurazioni S.p.A..

Interimmobili S.r.l.
On 20 December 2016, the sole shareholder Vittoria Immobiliare S.p.A. purchased from third parties the remaining 20% with a total outlay of 200 thousand euro.

As at 31 December 2016 Vittoria Immobiliare S.p.A. holds 100% of the share capital of Interimmobili S.r.l..

Aspevi Roma S.r.l.
In November 2016 Interbilancia S.r.l. sold to third parties 51% of Aspevi Roma S.r.l. at the price of 401 thousand euro.

As at 31 December 2016 Interbilancia S.r.l. holds 49% of the share capital of Aspevi Roma S.r.l..

Aspevi Firenze S.r.l.
On the 1st March 2016 Interbilancia S.r.l. participated in the establishment of Aspevi Firenze S.r.l., an insurance brokerage company, subscribing to 60% of share capital.

With reference to the internal insurance funds "Unit Linked", the parent company does not control these funds inasmuch the conditions for control under IFRS 10 are not met.
In particular, it is not considered to be exposed significantly to variable returns of the entity making the investment, because the gains and losses related to the valuation of the assets included in the unit-linked funds are fully credited to policyholders through the change of the mathematical reserve.

The information required by IFRS 12, about companies with significant minority investments are reported in the "Consolidated Financial Statements Annexes".

The table below lists the companies included in the consolidated financial statements accounted for using the equity method in accordance with IAS 28.

B) Consolidated shareholdings valued with the net equity method

Name	Registered offices	Share Capital Euro	% Ownership Direct	Indirect	Via
Yarpa S.p.A.	Genoa	30,000,000	27.31		
Touring Vacanze S.r.l.	Milan	12,900,000	46.00		
Touring Digital S.r.l.	Milan	600,000	45.00		
Consorzio Movincom S.c.r.l.	Turin	102,900	29.17		
Movincom Servizi S.p.A.	Turin	3,080,810	49.34		
Spefin Finanziaria S.p.A.	Rome	2,250,000		21.00	Interbilancia S.r.l.
Aspevi Roma S.r.l.	Rome	50,000		49.00	Interbilancia S.r.l.
Mosaico S.p.A.	Turin	500,000		45.00	Vittoria Immobiliare S.p.A.
Pama & Partners S.r.l.	Genoa	1,200,000		25.00	Vittoria Immobiliare S.p.A.
Fiori di S. Bovio S.r.l.	Milan	30,000		40.00	Vittoria Immobiliare S.p.A.
Valsalaria A.11 S.r.l.	Rome	33,715		40.00	Vittoria Immobiliare S.p.A.
VZ Real Estate S.r.l.	Turin	100,000		49.00	Vittoria Immobiliare S.p.A.

Main changes in ownership percentages and other changes during the period

S.In.T S.p.A.
In December Vittoria Assicurazioni S.p.A. sold to third parties its stake in S.In.t. S.p.A., equal to 48.19%, at the price of 723 thousand euro.

Touring Digital S.r.l.
On 23 February 2016 Vittoria Assicurazioni S.p.A. participated in the establishment of Touring Digital S.r.l., subscribing to 45% of share capital.

Aspevi Roma S.r.l.
Following the sale to third parties of 51% by Interbilancia S.r.l., the company is consolidated using the equity method.

C) Geographical segment reporting (secondary segment)

As regards primary segment reporting, the relevant balance sheet and income statement tables by business segment – compliant with the formats established by the IVASS ordinance already mentioned earlier – are shown in the specific section “Annexes to Consolidated financial statements”.

The following tables show the geographical split of total balance sheet assets, deferred costs, and of the main items of revenue.

(€/000)

Assets	Italy		Europe		Rest of the World		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Debt instruments	1,013,949	2,049,029	1,051,776	13,861	1,826	-	2,067,551	2,062,890
Equity instruments and OEIC units	79,470	73,908	106,018	90,854	-	-	185,488	164,762
Property	627,290	640,866	-	-	-	-	627,290	640,866
Other assets	869,715	812,010	-	-	-	-	869,715	812,010
Total	2,590,424	3,575,813	1,157,794	104,715	1,826	-	3,750,044	3,680,528

(€/000)

Deferred costs	Italy						Total external deferred costs	
	North		Centre		South and Islands			
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Other property, plant and equipment	7,603	8,245	23	39	-	-	7,626	8,284
Other intangible assets	9,064	10,994	1	1	-	-	9,065	10,995
Owner-occupied property	114,559	112,671	538	1,007	133	581	115,230	114,259
Total	131,226	131,910	562	1,047	133	581	131,921	133,538

(€/000)

Revenue (gross of intersegment eliminations)	Italy						Europe		Total	
	North		Centre		South and Islands					
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Insurance premiums - direct business	644,325	665,195	410,863	408,720	210,520	207,510	88	105	1,265,796	1,281,530
Trading and construction profits	1,462	-1,973	263	153	-	-	-	-	1,725	-1,820
Services and rent income	3,912	1,717	1,216	1,462	3	-	-	-	5,131	3,179
Total	649,699	664,939	412,342	410,335	210,523	207,510	88	105	1,272,652	1,282,889

Specific explanatory notes

Consolidated Balance Sheet

Note 1	31/12/2016	31/12/2015	Change
Goodwill	-	-	-

Note 2	31/12/2016	31/12/2015	Change
Other intangible assets	9,065	10,995	-1,930
Other items of property, plant and equipment	7,626	8,284	-658
Property	537,862	555,282	-17,420

<u>Other intangible assets</u>
The following table shows the breakdown of this item and changes occurred in the year.

(€/000)

	Software	Software under development	Other intangible assets	TOTAL OTHER INTANGIBLE ASSETS
Gross carrying amount at 31/12/2015	92,965	0	8,261	101,226
Acquisitions	3,351	841	2	4,194
Gross carrying amount at 31/12/2016	96,316	841	8,263	105,420
Accumulated Depreciation at 31/12/2015	81,970	0	8,261	90,231
Depreciation	6,122	0	2	6,124
Accumulated Depreciation at 31/12/2016	88,092	0	8,263	96,355
Net value as at 31/12/2015	10,995	0	0	10,995
Net value as at 31/12/2016	8,224	841	0	9,065

The assets recognised in Group accounts have a finite useful life and depreciation & amortisation is applied on a straight-line basis during estimated useful life.

Specifically, the estimated useful life of each type intangible assets can be summarised as follows:

- Software: between 5 to 10 years;
- Other intangible assets: between 2 to 5 years;

Amortisation of intangible assets is recognised in the income statement under ''Other costs''.

Other items of property, plant, and equipment

The following table shows the breakdown of this item and changes occurred in the year.

(€/000)

	Renovations	Furniture, fittings, plant and equipment	Ordinary and electronic office machines	Cars	TOTAL OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT
Gross carrying amount at 31/12/2015	4,888	17,632	6,015	288	28,823
Acquisitions	2	1,272	224	143	1,641
Sales	0	-58	0	-50	-108
Reclassification of assets under development	0	0	0	1	1
Others	-191	-9	-6	0	-206
Gross carrying amount at 31/12/2016	4,699	18,837	6,233	382	30,151
Accumulated Depreciation at 31/12/2015	4,806	10,131	5,412	190	20,539
Depreciation	0	1,727	337	55	2,119
Decrease due to disposals	0	0	0	-20	-20
Reclassification	-107	-2	-5	1	-113
Accumulated Depreciation at 31/12/2016	4,699	11,856	5,744	226	22,525
Net value as at 31/12/2015	82	7,501	603	98	8,284
Net value as at 31/12/2016	0	6,981	489	156	7,626

The estimated useful life of each type of property, plant and equipment can be summarised as follows:

- Furniture, fittings, plant and equipment: between 5 to 10 years;
- Ordinary and electronic office machines: between 3 to 5 years;
- Cars: between 4 to 5 years.

Property

The following table shows the breakdown of this item:

(€/000)

	31/12/2016	31/12/2015	Change
Owner-occupied property	115,230	114,259	971
Property held for trading	375,256	125,973	249,283
Property under construction	47,376	315,050	-267,674
Total	537,862	555,282	-17,420

- Owner-occupied property (by nature)

The book value of real estate assets at 31 December 2016 refers for 8,806 thousand euro to property of the subsidiary Vaimm Sviluppo Srl,, for 14,838 thousand euro to property of the subsidiary Vittoria Properties Srl, for 5,253 thousand euro to property owned by Vittoria Immobiliare SpA,, for 239 thousand euro to assets of the subsidiary Acacia 2000 Srl, for 658 thousand euro to property of the subsidiary Bilancia Prima S.r.l. and for 85,436 thousand euro to properties of the parent company, of which 77,673 thousand euro relating to the headquarters of Vittoria Assicurazioni.

The following table shows the reconciliation of changes occurring during 2016:

(€/000)

Owner-occupied property	31/12/2015	Acquisitions	Reclassifications	Sales	Depreciations	31/12/2016
Gross carrying amount	137,247	840	5,882	(1,677)	-	142,292
Accumulated depreciation	22,988	-	(99)	(357)	4,530	27,062
Carrying amount	114,259	840	5,981	-1,320	-4,530	115,230

Depreciation is applied on a straight-line basis during property's estimated useful life of between 30 and 50 years.
Almost all of this property has been appraised by independent experts. The owner-occupied property fair value, allocated to level 3 of the fair value hierarchy, as at 31 December 2016 is equal to 161,118 thousand euro and it has been determined using the comparative method and the income method of direct capitalization .

- Property held for trading and property under construction

The following table shows the reconciliation of changes occurring during 2016:

(€/000)

Property	Trading activities	Construction work	Total
Carrying amount as at 31/12/2015	125,973	315,050	441,023
Acquisitions, net of capitalised financial charges	10,353	5,396	15,749
Movements to Owner-occupied property	(5,971)	-	(5,971)
Sales	(29,894)	-	(29,894)
Recognised gains (losses) - write off included	2,395	(670)	1,725
Reclassifications	272,400	(272,400)	-
Carrying amount as at 31/12/2016	375,256	47,376	422,632

Please refer to the Report on Operations for details on the principal real estate activities carried out during the year. As at 31 December 2016, the current value allocated to level 3 of the fair value hierarchy, is equal to 447,430 thousand euro and it has been determined using the income method of processing and the discounted cash flow method. In particular, the discount rate is the weighted average cost of capital (c.d. WACC), which takes account of a leverage ratio of 50%, prospective inflation assumptions and the return on government bonds . For this category of real estate, in order to assess any discrepancies between the value recognized in the balance sheet, it has been performed a sensitivity analysis concerning the change in the discount rate and the range of expected cash valued by the independent expert; from these analysis no significant issues has been reported.

This value is determined based on technical appraisals which are based on discounting market sales price.

Note 3	31/12/2016	31/12/2015	Change
Reinsurers' share of technical reserves	63,481	64,017	-536

The following table shows – separately for the Non-Life and Life insurance business – reinsurers' share of technical reserves:

(€/000)

	Direct business		Retroceded business		Total carrying amount	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Non-life reserves	55,649	56,678	353	342	56,002	57,020
Premium reserve	17,190	17,439	-	-	17,190	17,439
Claims reserve	38,459	39,239	353	342	38,812	39,581
Life reserves	7,479	6,997	-	-	7,479	6,997
Mathematical reserves	7,447	6,966	-	-	7,447	6,966
Other reserves	32	31	-	-	32	31
Total reinsurers' share of technical reserves	63,128	63,675	353	342	63,481	64,017

Note 4	31/12/2016	31/12/2015	Change
Investments properties	89,428	85,584	3,844

The item includes property which comes within the scope of IAS 40, i.e. which is held to earn rentals. This item includes properties owned by the Parent Company in the Portello district, a property in Milan for residential use and a building in Rome to tertiary use for rental use.
Real estate investments current value as at 31 December 2016, allocated to level 3 of the fair value hierarchy, is equal to 96,620 thousand euro and it is determined using the methods of direct income capitalization.

Note 5	31/12/2016	31/12/2015	Change
Investments in subsidiaries and associates and interests in joint-ventures	20,138	24,185	-4,047

The breakdown of this item was as follows:

(€/000)

Investments in associates	31/12/2016	31/12/2015
S.In.T. S.p.A.	-	558
Yarpa. S.p.A.	12,164	11,927
Movincom Servizi S.p.A.	-	1,350
Touring Digital S.r.l.	94	-
Consorzio Servizi Assicurativi	-	187
Mosaico S.p.A.	112	105
Pama & Partners S.r.l.	288	303
Aspevi Roma S.r.l.	271	-
Consorzio Movincom S.c.r.l.	-	27
Spefin Finanziaria S.p.A.	382	283
Valsalaria A.11 S.r.l.	14	24
Touring Vacanze S.r.l.	6,813	9,421
Total carrying amount	20,138	24,185

The Group interest of results of associates corresponds to a negative net balance of 102 thousand euro (568 thousand euro write-ups and write-downs of 466 thousand euro).

As described in the Directors' Report, the change in the item is mainly due to the impairment of Movincom Servizi S.p.A. and Consorzio Movincom S.c.r.l., to the revision of the value allocated in the acquisition of Touring Vacanze S.r.l. and to the sale to third parties of the associated company S.in.T. S.p.A..

Due to the negative results, we confirmed to zero the investments in the associate companies VZ Real Estate S.r.l. and Fiori di S. Bovio S.r.l..

From the current year Aspevi Roma srl It is included in the companies consolidated using the equity method, following the loss of control due to the sale to third parties of 51%. As a result, the Consorzio Servizi Assicurativi (a subsidiary of Aspevi Roma) comes from equity method companies.

The shares of the associated company Mosaico S.p.A. owned by Vittoria Immobiliare have been pledged to Intesa Sanpaolo, as security for the credit lines granted to the associate by the bank.

The decreasing of the item in the financial statement with amount of 4,047 thousand euro reflects all investments and divestments made during the period, as well as the Group's interest in the change of equity of the associates carried at equity, as illustrated in the following table:

	(€/000)
Carrying amount as at 31/12/2015	24,185
Acquisitions and subscriptions	429
Mosaico S.p.A.	107
Spefin Finanziaria S.p.A.	52
Touring Digital S.r.l.	270
Sales and repayments	-723
S.In.T. S.p.A.	-723
Reclassifications from equity investments in subsidiaries investments in associates	152
Aspevi Roma S.r.l.	152
Reclassifications from investments in associates to available for sale securities	-187
Consorzio Servizi Assicurativi	-187
Change due to equity method measurement	102
S.In.T. S.p.A.	165
Yarpa. S.p.A.	237
VZ Real Estate S.r.l.	-16
Mosaico S.p.A.	-100
Pama & Partners S.r.l.	-15
Aspevi Roma S.r.l.	119
Spefin Finanziaria S.p.A.	47
Fiori di S. Bovio S.r.l.	-149
Valsalaria A.11 S.r.l.	-10
Touring Digital S.r.l.	-176
Impairment	-3,985
Other changes	165
Carrying amount as at 31/12/2016	20,138

The following table shows the latest financial and economic data available of the major associated companies:

(€/000)

	Main financial-economic data							
Denomination	Total asset	Cash and chash equvalents	Total equity and liabilities	Equity	Profit (loss) for the year	Dividends paid out	Costs	Revenues
Yarpa Group S.p.A.	48,349	17,254	838	47,511	1,165	-	1,258	2,031
Touring Vacanze S.r.l.	16,548	4	1,804	14,743	144	-	3,601	5,200

Note 6	31/12/2016	31/12/2015	Change
Held to maturity investments	44,268	44,483	-215
Loans and receivables	128,677	106,853	21,824
Financial assets available for sale	2,208,766	2,183,159	25,607
Financial assets at fair value through profit or loss	56,872	59,422	-2,550

To complete the information disclosed below, reference should be made to the information already given in great detail in the Directors' Report in the sections "Investments – Cash & cash equivalents – Property" and "Risk Report".
The table detailing the breakdown of financial assets is shown in the specific section "Annexes to Consolidated interim financial statements".

Investments held to maturity – Financial assets available for sale – Financial assets at fair value through profit or loss

The following table shows changes in financial assets – for which risk is borne by Group companies – referring to shares and quotas, bonds and other fixed-income securities, units in UCITS (Undertakings for Collective Investment in Italian Transferable Securities) and units in AIF (Alternative Investment Funds).
In addition, changes in assets for which risk is borne by policyholder and those relating to pension-fund management are shown separately.

(€/000)

	Held to maturity investments	Financial assets available for sale				Financial assets at fair value through profit or loss	Financial assets held for trading	Total
		Equity investments	UCITS AIF units	Bonds and other fixed-interest securities	Total	Assets where the risk is borne by policyholders and related to pension funds	Bonds and other fixed-interest securities	
Carrying amount at 31/12/2015	44,483	106,938	57,824	2,018,397	2,183,159	59,412	10	2,287,064
Acquisitions and subscriptions		58	25,922	1,149,580	1,175,560	7,198		1,182,758
Sales and repayments	-227	-6,691	-3,083	-1,020,611	-1,030,385	-9,315		-1,039,927
Other changes:								
- effective interest adjustments	12			-18,287	-18,287			-18,275
- fair value adjustments	-	-	-1,623	-	-1,623	51	-4	-1,576
- charged to P&L		2,727	3,390	-108,668	-102,551			-102,551
- rate changes	-			2,867	2,867			2,867
- other changes	-	26	-	-	26	-480		-454
Carrying amount at 31/12/2016	44,268	103,058	82,430	2,023,278	2,208,766	56,866	6	2,309,906

Loans and receivables

As at 31 December 2016 loans and receivables totalled 128,677 thousand euro (106,853 thousand euro as at 31 December 2015).

The item is principally comprised of the following:

- loans granted by Vittoria Immobiliare S.p.A. to the indirect associates Mosaico S.p.A., Fiori di San Bovio S.r.l., Pama & Partners S.r.l., VZ Real Estate S.r.l. and Valsalaria A11 S.r.l. for a total of 11,492 thousand euro;
- loans granted by the parent company to third parties and secured by mortgages for a total of 3,271 thousand euro;
- 1,337 thousand euro in loans against life insurance policies;
- loans granted to employees and agents of the parent company for 27,274 thousand euro;
- 1,233 thousand euro in loans granted to the company Spefin Finanziaria S.p.A.;
- the corresponding entry for the Parent Company's commitments for payments to finance investments in private equity, private debt and infrastructure funds amounted to 73,482 thousand euro (61,091 thousand euro at 31 December 2015). The related commitments are recorded under "Other financial liabilities" in note 18;
- term deposit at the bank BCC Vomano for 2,000 thousand euro on behalf of the parent company and 8,000 thousand euro at the bank BCC Carate Brianza on behalf of Vittoria Immobiliare S.p.A.;
- reinsurance deposit assets for 149 thousand euro.

The amount of 88,492 thousand euro is collectible after 12 months.

Disclosure concerning fair value

The following table indicates the fair value of investments discussed in the present note.

(€/000)

Financial assets	Carrying amount	Fair Value
Held to maturity investments	44,268	48,409
Loans and receivables	128,677	128,677
Financial assets available for sale	2,208,766	2,208,766
Financial assets held for trading	6	6
Financial assets at fair value through profit or loss	56,866	56,866
Total	2,438,583	2,442,724

For further information concerning to the "fair value hierarchy", please refer to the "Annexes to Consolidated financial statements". Investments allocated to "level 2" were assessed based on the latest transactions which are observed in the secondary market.

Investments allocated to "level 3" were also assessed using technical expertise edited by external leading appraisal firms. The valuation methods applied are the Investment Simple Method and the method Sum of Parts ("SOP"), based essentially on the principle of the expression at fair value of activity that make up the capital of the company and updating liabilities values. The main assumptions used in the methodologies are related to the holding costs, the liquidity discounting rates, discounting rates and stock exchange multiples. Sensitivity analysis of some input (rate of liquidity discount) has also been carried out; from these analysis no significant issues has been reported.

For loans and receivables, the carrying amount is a reasonable approximation of fair value.

Note 7	31/12/2016	31/12/2015	Change
Receivables relating to direct insurance	153,950	165,092	-11,142

The breakdown of this item was as follows:

(€/000)

Receivables relating to direct insurance	31/12/2016	31/12/2015
Premiums due from policyholders	52,209	55,610
Receivables due from brokers and agents	71,474	75,023
Receivables due from insurance companies - current accounts	6,177	7,394
Amounts to be recovered from policyholders and third parties	24,090	27,065
Total	153,950	165,092

These receivables are stated net of related bad-debt provisions. Specifically, provision relating to receivables for premiums due from policyholders takes into account historical trends of cancellation of premiums written but not collected.

Note 8	31/12/2016	31/12/2015	Change
Receivables relating to reinsurance business	811	6,333	-5,522

The item relates to receivables due from insurers and reinsurers. It includes receivables arising from the current accounts showing the technical result of reinsurance treaties.

Note 9	31/12/2016	31/12/2015	Change
Other receivables	339,959	32,234	1,725

The most significant sub-item as up to 31 December 2016 consisted of receivables for advance taxes for non-life policyholders for an amount of 23,140 thousands of euro, advances of 1,814 thousand euro paid by the real estate companies and other receivables mainly from clients and third parties paid by the real estate companies for 5,359 thousand euro.

Note 10	31/12/2016	31/12/2015	Change
Deferred acquisition costs	5,876	5,791	85

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts.
The item, amounting to 5,876 thousand euro, refers entirely to the Life business, since starting in 2015, the acquisition costs of long-term contracts in the Non-Life business were charged to income in the year they are incurred.

Note 11	31/12/2016	31/12/2015	Change
Deferred tax assets	103,774	117,535	-13,761

The item included deferred tax assets pertaining to the direct operating parent company (98,202 thousand euro), to the real estate segment (6,932 thousand euro), to the service segment (3 thousand euro), plus those relating to consolidation adjustments (-1,363 thousand euro).

The following table reports the breakdown of the item:

(€/000)

Deferred tax assets	31/12/2016
Provision for bad debts	14,566
Change in Non-life technical reserves	52,676
Change in Life technical reserves	1,191
Provisions charges	3,901
Shadow Accounting	15,134
Tangible assets depreciation	1,143
Elimination of intragroup profits	537
Tax benefit appropriation of property revaluation	5,798
Tax benefits on Group's losses	1,036
Tax benefits on Group's interest expense	302
Income tax on real estate	180
Prepaid commissions	434
Remunerations of Directors	103
Write-off on real estate	4,566
Ias 19 benefits	1,251
Goodwill	693
Other	263
Total	103,774

The decrease is mainly due to the recalculation introduced with L.n. 208/2015 (the "Stability Law 2016") of prepaid and deferred taxes following the IRES reduction of 3.5% (from the current 27.5% to 24%), from the year of 2017.

Note 12	31/12/2016	31/12/2015	Change
Current tax assets	12,429	37,237	-24,808

The item mainly includes tax receivables of the direct operating parent company of 11,998 thousand euro (including tax credits relating to taxes prepaid on the life business mathematical reserves) and VAT receivables totalling 242 thousand euro of the real estate companies arising from the purchase of buildable areas and property.

Note 13	31/12/2016	31/12/2015	Change
Other assets	10,126	6,905	3,221

The item mainly includes 557 thousand euro of deferred commission expenses relating to investment contracts and 4,463 thousand euro of prepayments, mainly relating to G&A costs and to other assets mainly related to unavailable capital on bank account due to distraints from third parties for pending litigation for an amount of 2,962 thousand euro.

Note 14	31/12/2016	31/12/2015	Change
Cash and cash equivalents	262,936	167,137	95,799

The item refers to bank balances of 262,722 thousand euro and cash amounts of 214 thousand euro.

Note 15	31/12/2016	31/12/2015	Change
Equity attributable to shareholders of the parent	745,611	691,244	54,367
Equity attributable to minority interests	194	9,313	-9,119

Changes in consolidated equity are detailed in chapter “Statement of Changes in Equity”.

The following table details the breakdown of equity:

(€/000)

BREAKDOWN OF EQUITY	31/12/2016	31/12/2015
Total equity attributable to the shareholders of the parent	**745,611**	**691,244**
Share capital	67,379	67,379
Equity-related reserves	33,874	33,874
Income-related and other reserves	450,642	394,287
Fair value reserve	58,612	125,182
Other gains or losses recognised directly in equity	-263	-98
Group profit for the year	135,367	70,620
Total equity attributable to minority interests	**194**	**9,313**
Share capital and reserves attributable to minority interests	199	9,338
Minority interests' profit for the year	-5	-25
Total consolidated equity	**745,805**	**700,557**

As at 31 December 2016 the direct operating parent company’s share capital consists of 67,378,924 fully subscribed and paid-up shares with a nominal value of Euro 1.00 each.

The Group does not hold either directly or indirectly any shares of its parent companies.

Dividends paid out by the direct operating parent company, shown in the column “Transfers” in the statement of changes in equity, totalled 12,801,996 Euro for FY 2015 and 13,475,785 Euro for FY 2016.

Other gains or losses recognised directly in equity refer to actuarial results on Employee Benefits that will not be reclassified subsequently to profit or (loss).

Fair value reserve could be reclassified subsequently to profit or loss.

More specifically, changes in the "Fair value reserve" (i.e. gains or losses on available-for-sale financial assets") are detailed in the following table:

			(€/000)
A) Net unrealised gains	Gross amount	Tax impact	Net amount
31/12/2015	223,213	-49,558	173,655
Decrease due to sales	-92,028	22,451	-69,577
Decrease due to fair value changes	-10,522	2,670	-7,852
Total change for the period/year	-102,550	25,121	-77,429
31/12/2016	120,663	-24,437	96,226

			(€/000)
B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2015	73,801	-25,328	48,473
Change in shadow accounting reserve	-19,430	8,571	-10,859
31/12/2016	54,371	-16,757	37,614

Gains or losses on financial assets AFS			(€/000)
Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2015	149,412	-24,230	125,182
Decrease due to sales	-92,028	22,451	-69,577
Decrease due to fair value changes	-10,522	2,670	-7,852
Change in shadow accounting reserve	19,430	-8,571	10,859
Total change for the period/year	-83,120	16,550	-66,570
31/12/2016	66,292	-7,680	58,612

The following table, which refers to 31 December 2016, shows the reconciliation of profit and equity shown in the direct operating parent company's individual financial statements with the same items shown in consolidated financial statements. The IFRS adjustments made to the direct operating parent company's financial statements – prepared, as envisaged by current regulations, in compliance with Italian GAAPs – are specifically indicated.

(€/000)

	Equity attributable to the shareholders of the parent		Equity attributable to minority interest	
	Equity gross of profit of the year	2016 profit	Equity gross of profit of the year	2016 profit
Parent company's financial statements compliant with Italian GAAPs	525,747	139,487		
IFRS adjustments (net of related tax effects)	108,948	(4,399)	-	-
Parent company's financial statements based on IFRSs	634,695	135,088	-	-
Consolidated companies' equity	474,889	(5,549)	197	(5)
Allocation of consolidation differences and eliminations	4,897	4,589.00		
Consolidated companies' carrying value	(506,609)	-		
Minority interest	(2)	-	2	-
Profits (net of tax) not yet attributed to life policyholders	3,312	331		
Deferred taxes on consolidated companies' results	(777)	1,262		
Others	(161)	(354)		
IFRS-compliant consolidated financial statements	**610,244**	**135,367**	**199**	**(5)**

Note 16	31/12/2016	31/12/2015	Change
Provisions	12,829	6,622	6,207

The item includes provisions for costs of real estate contracts that have yet to be incurred, connected with properties for which closing has already taken place and provisions accrued by the parent to face charges stemming from potential clawback actions, penalties and lawsuits in progress, due to normal business operations.

The table below shows the changes in the item:

(€/000)

Provisions	31/12/2015	Accruals of the year	Utilisations of the year	31/12/2016
Provision for costs to be incurred	384	-	-179	205
Other provisions	6,238	6,948	-562	12,624
Total	6,622	6,948	-741	12,829

Note 17	31/12/2016	31/12/2015	Change
Technical reserves	2,661,219	2,563,145	98,074

The following table shows the breakdown of technical reserves.

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Non-life reserves	1,506,557	1,456,251	969	913	1,507,526	1,457,164
Premium reserve	388,435	388,638	49	42	388,484	388,680
Claims reserve	1,117,713	1,067,204	920	871	1,118,633	1,068,075
Other reserves	409	409	-	-	409	409
Life reserves	1,153,541	1,105,794	152	187	1,153,693	1,105,981
Reserve for payable amounts	25,810	27,529	3	12	25,813	27,541
Mathematical reserves	1,072,192	1,002,231	149	173	1,072,341	1,002,404
Other reserves	55,539	76,034	-	2	55,539	76,036
Total technical reserves	2,660,098	2,562,045	1,121	1,100	2,661,219	2,563,145

The Non-Life “Other reserves” item consists of the ageing reserve of the Health line.

The Life “Other reserves” item mainly consisted of:

- 6,308 thousand euro = management expenses;
- 49,105 thousand euro = reserve for deferred liabilities to policyholders (of which 54,371 thousand euro stemming from fair value measurement of available-for-sale financial assets and -5,266 thousand euro from reserving against subsidiaries’ profits allocated to segregated funds).

The mathematical reserves comprise an additional reserve for longevity risk relating to annuity agreements and capital agreements with a contractually guaranteed coefficient of conversion to an annuity (paragraph n. 36 to the Annex n. 14 of ISVAP Regulation no. 22/2008) amounting to 1,746 thousand euro (1,827 in the previous year); in the case of capital agreements, account is taken of the propensity to convert to an annuity when it is calculated.

The mathematical reserves also include additional reserves for the guaranteed interest rate risk (paragraph n. 22 to the Annex n. 14 of ISVAP Regulation no. 22/2008) amounting to 643 thousand euro (413 thousand euro in the previous year), obtained by joint analysis of the asset and liability portfolios of the segregated internal funds “Vittoria Rendimento Mensile”, “Vittoria Valore Crescente” and “Vittoria Previdenza”, the average rates of return on which were used to value the “Liquinvest”, “Obiettivo Crescita” funds and non-profit policies portfolio.

Liability Adequacy Test (LAT)

Testing confirmed the adequacy of the book value of the technical reserves shown in accounts.
The key variable factors reviewed in terms of historical trends (where applicable) and estimated on a forecast basis in order to quantify insurance liabilities were as follows:

Claims reserve	- average costs - settlement rate - cancellations without pay-out - reopened claims - incurred but not reported
Unexpired risk premium reserve	- projected loss ratio
Mathematical reserves	- technical bases used (actuarial assumptions) - minimum guaranteed returns - annuity or surrender probability
Shadow accounting reserve	- average retrocession rate - proportion of unrealised gains on securities allocated to separately-managed business
LAT reserve	- market interest rate - return on separately-managed business

Non-Life business

The following table indicates the causes of changes in the claims reserve.

(€/000)

Claims Reserve	Carrying amount
Carrying amount at 31/12/2015	1,068,075
Change for the year	50,558
Carrying amount at 31/12/2016	1,118,633

Non-Life Business:

In continuity with the previous year, in order to achieve an estimate of ultimate cost [for the purposes of reserving] closer to operating reality - which features a variety of cases featuring significant differences in the parameters used to measure the entity of claims - the parent company Vittoria Assicurazioni S.p.A. has decided to perform separate analysis of claims occurring before introduction of the knock-for-knock system (KFK for short) (i.e. events before 2007) and after its introduction. For this purpose, it was done a preliminary methodological work to identify actuarial methods that enable it to carry out an accurate estimate of the ultimate-cost reserves with the appropriate level of detail.
Different methods were identified, of a different nature in order to have a more precise monitoring of the evolving dynamics of claims:

- Main method: Paid Chain Ladder: this method estimates the amount of future payments, until run-off of generations, constructing – using the historical series available – the triangles of cumulative amounts paid (organised by event) and calculating on the latter the observable development factors. These factors are then applied to cumulative data up to the current balance-sheet year to calculate estimated future payments.
  In order to verify the sensitivity of the results, this methodology was subjected to a range of hypotheses and scenarios, in order to verify the sensitivity of the results.

- Alternative methods:
    - o Incurred Chain Ladder: this method is similar to the previous one, except that the coefficients of development for each year of the event are calculated on the total amount of claims (payments already observed + reserves) in the various financial years. The rates are applied to the data accumulated up to the end of the current financial year, in order to estimate the total amount of future claims.
    - o Fisher Lange: the method is based on the projection of the number of outstanding claims and the average cost estimate. This method consists to estimate for claim duration the vectors of claims settlement speed, rate of claims with follow-up, average cost of claims and future inflation trends. These performance measures are evaluated by the analysis of the triangles of run-off in the number of claims paid, reserved, without follow-up and reopened, and the average costs recorded for each generation / policy year.
    - o Bornhuetter Ferguson – Paid/Incurred: which method makes it possible to average the results obtained from the Chain Ladder methods described above and those of the Expected method Claims Technique. The latter provides an estimate of the total cost of claims starting from the identification of a Loss Ratio priori determined by the Expert judgment of the Company, possibly by reference to market data.

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

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

Other risks:

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

IBNR claims:

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

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

Life business

The following table indicates the causes of changes in the mathematical reserves.

(€/000)

Mathematical Reserves	Carrying amount
Carrying amount at 31/12/2015	1,002,404
Portfolio transfers	-5,042
Change for the year	74,979
Carrying amount at 31/12/2016	1,072,341

Key actuarial assumptions concerning Life technical reserves are detailed below:

(€/000)

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

* Due to the effect of the contractually guaranteed revaluation, technical rates have increased to:
for indexed policies: 3.0% for adjustable policies: 3.0% for AIL revaluable policies: 3.56%
for revaluable policies: Vittoria Valore Crescente 3.46%; Vittoria Rendimento Mensile 2.51%; Vittoria Previdenza 2.20%.

(1) SIM 91 reduced to 62%; SIF 91 reduced to 53%; mortality rates and LTC (long term care) rates taken from insurers' studies
(2) SIM 91 reduced to 60%; mortality rates and LTC rates taken from insurers' studies
(3) SIU 2001 indistinct; mortality rates and incidence rates LTC derived from reinsurers' studies

Note 18	31/12/2016	31/12/2015	Change
Financial liabilities at fair value through profit or loss	56,866	59,412	-2,546
Other financial liabilities	101,841	163,399	-61,558

To complete what is presented below, we point that the detailed breakdown of financial liabilities, compliant with the format established by the ISVAP ordinance already mentioned, is shown in the specific "Annexes to Consolidated financial statements" section.

Financial liabilities at fair value through profit or loss

The item "Financial liabilities at fair value through profit or loss" refers to financial liabilities relating to investment contracts for which policyholders bear the investment risk and those relating to pension-fund management.

The following table shows the cumulative change as at 31 December 2016:

(€/000)

	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2015	42,170	17,242	59,412
Investment of net fund assets	3,113	2,608	5,721
Profits attributable to policyholders	-333	146	-187
Amounts paid	-7,080	-1,000	-8,080
Carrying amount at 31/12/2016	37,870	18,996	56,866

Other financial liabilities

The item includes:

- Reinsurance deposits of 12,933 thousand euro;
- Bank loans issued to the Group's real estate companies for a total of 15,426 thousand euro (of which 3,711 thousand euro backed by collateral);
- direct operating parent company's commitment for payment of 73,482 thousand euro to companies active in private equity and private debt industry, against which the rights to receive the related financial instruments are posted in the "Loans & receivables" item.

The significant decrease is mainly attributable to the extinction of the subsidiary company Vaimm Sviluppo S.r.l. and VP Sviluppo 2015 S.r.l. mortgage loan and to the repayment of short-term lines of credit in the hands of the subsidiary Vittoria Immobiliare S.p.A..

Payables due beyond 12 months totalled 72,111 thousand euro.

Disclosure concerning fair value

The carrying value related to financial liabilities is a good approximation of fair value.

Note 19	31/12/2016	31/12/2015	Change
Payables arising from direct insurance business	8,454	8,153	301

The breakdown of the item was as follows:

(€/000)

Payables arising from direct insurance business	31/12/2016	31/12/2015
Payables to insurance brokers and agents	5,030	3,952
Payables to insurace companies - current accounts	2,066	2,499
Guarantee deposits paid by policyholders	1,118	705
Payables to guarantee funds in favour of policyholders	240	997
Total	8,454	8,153

Note 20	31/12/2016	31/12/2015	Change
Payables arising from reinsurance business	7,504	8,280	-776

The item refers to amounts payable to insurers and reinsurers and reflects debts arising from the current accounts showing the technical results of reinsurance treaties.

Note 21	31/12/2016	31/12/2015	Change
Other sums payable	62,300	66,772	-4,472

The breakdown of the item was as follows:

(€/000)

Other sums payable	31/12/2016	31/12/2015
Payments on accounts received by real estate companies for preliminary sales agreements	1,370	3,389
Trade payables	14,920	17,168
Payables to employees	2,794	2,589
Employee benefits - provisions for termination benefits	4,557	4,678
Policyholders' tax due	23,637	22,790
Sundry tax liabilities (withholdings)	2,857	2,440
Social security charges payable	3,050	2,778
Payables to associate companies	411	765
Sundry payables	8,704	10,175
Total	62,300	66,772

The other liabilities for employee benefits, particularly health benefits (P.S.) and seniority bonuses (P.A.) are classified in the account “Other liabilities” (note 24).

It is expected that the amount of the reserve for termination benefits (T.F.R.) will be collectible more than 12 months hence.

For the sake of greater clarity of presentation, the following table highlights the overall amount and movements of liabilities relating both to post-employment benefits (”supplementary” pension as described above and healthcare benefits) and to other long-term benefits (seniority bonuses).

(€/000)

Changes in defined benefit plans	Post-employment benefits		Other long-term benefits	Total
Charge	Healthcare services	Termination benefits	Seniority bonuses	
Carrying amount at 31/12/2015	1,786	4,677	1,778	8,242
Accruals	172	365	107	644
Utilisations	(26)	(486)	-	(512)
Carrying amount at 31/12/2016	1,932	4,556	1,885	8,374

The following table, which refers to the increases in liabilities shown in the previous table, details the costs recognised in the income statement.

(€/000)

Charge	Healthcare services	Termination benefits	Seniority bonuses	Total
Current service cost	87	162	107	356
Interest	37	-	-	37
Net actuarial gains	48	203	-	251
Total charges	172	365	107	644

The main assumptions adopted for actuarial assessments were the following:

Demographic assumptions

- probability of death: assumptions determined by the General Accounting Office of Italy and identified as RG48, for males and females;
- probability of disability: separate assumptions by sex adopted by INPS (Italian social security institute) for projections in 2010;
- retiring age: for the generic active individual, the first opportunity as per the mandatory state national insurance conditions was assumed;
- probability of abandoning active work for causes other than death: annual frequency of 2.50%;
- probability of anticipation: 3.50% year after year

Economic and financial assumptions

- Inflation: 1.50%
- Annual technical actualization rate 1.31%
- Annual rate of severance payment increment 2.63%
- Annual rate of growth of remuneration
  (for the purpose of calculating seniority premiums) 2.50%
- Annual rate of growth of the average reimbursement
  (for the purpose of calculating health services) 1.50%

Sensitivity analysis of some input has been carried out (discounting rate, inflation rate and turnover rate); from these analysis no significant issues has been reported.

Note 22	31/12/2016	31/12/2015	Change
Deferred tax liabilities	50,335	64,954	-14,619

The item includes deferred tax liabilities allocated to the insurance business for 46,639 thousand euro, the real estate and services business for 841 thousand euro, and to reversals totalling -2,855 thousand euro, mainly in regard to fair value adjustment of the assets owned by associates and subsidiaries acquired over the past few years.

The breakdown of the item was as follows:

(€/000)

Deferred tax liabilities	31/12/2016
Alignment with fair value of assets held by investee companies acquired	4,024
Deferral of gains on the sale of financial instruments	11,839
Financial assets available for sale	30,297
Derecognition of the catastrophe reserves	4,102
Future dividends	14
Other	59
Total	50,335

Note 23	31/12/2016	31/12/2015	Change
Current tax liabilities	4,484	673	3,811

This account refers to period income taxes net of tax prepayments.
This payable reflects the options adopted by the parent company as part of the National Tax Consolidation Programme.

Note 24	31/12/2016	31/12/2015	Change
Other liabilities	38,407	38,561	-154

This account consists mainly of commissions to be paid on the bonuses being collected at the end of the period and provisions for agency awards totalling 13,292 thousand euro, the deferred commission income of 160 thousand euro connected with investment contracts, invoices and notes to be received from suppliers totalling 12,827 thousand euro, and the liabilities for defined benefits and other long-term employee benefits (health benefits and seniority benefits) for 3,817 thousand euro.

Consolidated Income Statement

Note 25	31/12/2016	31/12/2015	Change
Gross premiums	1,266,110	1,266,521	-411
Ceded premiums for reinsurance	33,004	28,363	4,641
Amounts paid and change in technical reserves	893,769	921,996	-28,227
Reinsurers' share	-21,227	-41,963	20,736

The following table provides information on the split between direct business, indirect business, outward reinsurance, and retrocession:

(€/000)

	31/12/2016				31/12/2015			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	1,049,636	183,470	-	1,233,106	1,026,951	211,207	-	1,238,158
Gross premiums	1,081,458	184,652	-	1,266,110	1,054,105	212,416	-	1,266,521
Gross premiums written	1,081,261	184,652	-	1,265,913	1,069,216	212,416	-	1,281,632
a Direct business	1,081,144	184,652	-	1,265,796	1,069,114	212,416	-	1,281,530
b Indirect business	117	-	-	117	102	-	-	102
Change in premium reserve	197	-	-	197	-15,111	-	-	-15,111
a Direct business	205	-	-	205	-15,111	-	-	-15,111
b Indirect business	-8	-	-	-8	-	-	-	-
Ceded premiums	31,822	1,182	-	33,004	27,154	1,209	-	28,363
Gross premiums ceded	31,573	1,182	-	32,755	28,585	1,209	-	29,794
a Outward reinsurance	31,573	1,182	-	32,755	28,585	1,209	-	29,794
Change in premium reserve	249	-	-	249	-1,431	-	-	-1,431
a Outward reinsurance	249	-	-	249	-1,431	-	-	-1,431
NET CHARGES RELATING TO CLAIMS	678,025	194,740	-223	872,542	656,322	221,650	2,061	880,033
Amounts paid and change in technical reserves	698,316	195,676	-223	893,769	697,172	222,763	2,061	921,996
Direct business	698,256	195,447	-	893,703	697,123	222,511	-	919,634
Indirect business	60	229	-	289	49	252	-	301
Shadow accounting of investee companies' profits	-	-	-223	-223	-	-	2,061	2,061
Reinsurers' share	20,291	936	-	21,227	40,850	1,113	-	41,963
Outward reinsurance	20,291	936	-	21,227	40,850	1,113	-	41,963

Net charges relating to claims (claims costs) – Non-Life segment

The item "Amounts paid and change in technical reserves" refers to:

- Amounts paid: definitive or partial indemnities for claims and related direct expenses and settlement costs;
- Change in claims reserve: estimated indemnities, direct expenses, and settlement costs that are forecast to be paid in future financial years for claims occurring in the current year, plus any adjustment of claims reserves made for claims occurring in previous years that were still outstanding as at 31 December;
- Change in other technical reserves: this refers to change in the ageing reserve for the health insurance line.

Net charges relating to claims (claims costs) – Life segment

The item “Amounts paid and change in technical reserves” refers to:

- Amounts paid: the amounts paid for claims, accrued capital, surrenders, and annuities;
- Change in the reserve for amounts to be paid: This refers to the change in amounts necessary to pay accrued capital sums and annuities, surrenders and claims to be settled;
- Change in mathematical reserves: this is the change in technical reserves, the content of which is illustrated in the Accounting Policies section;
- Change in other technical reserves: this comprises the change in the Reserve for profit participation and reversals, the Reserve for management expenses, and the Premiums reserve for complementary insurance, In addition, when consolidating accounts, “Intersegment eliminations” take in policyholders’ share in the profits (net of dividends already distributed) of investee companies, the investment in which is allocated to segregated accounts;

For the geographical split of premiums, reference should be made to the table shown in the section “Geographical segment reporting (secondary segment)”.

Note 26	31/12/2016	31/12/2015	Change
Commission income	901	580	321

The item refers to commission income for the period for investment contracts classified as financial liabilities (unit-linked contracts and pension funds),

Note 27	31/12/2016	31/12/2015	Change
Gains or losses on financial instruments at fair value through profit or loss	-4	-7	3
Gains on investments in subsidiaries and associates and interests in joint ventures	567	1,639	-1,072
Gains or losses on other financial instruments and investment property	132,063	79,786	52,277
Losses on investments in subsidiaries and associates and interests in joint ventures	4,450	1,784	2,666
Losses on other financial instruments and investment property	9,358	8,521	837

To complete the information disclosed below, we point out that the table detailing the breakdown of financial and investment income and charges/losses is shown in the specific section called "Annexes to Consolidated financial statements".

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

These are income and losses on financial assets held for trading; specifically, stemming from unrealised losses.

As regards financial assets designated at fair value through profit or loss – i.e. referring to investment contracts of the index-linked, unit-linked, and pension-fund type – net income recognised in FY16 amounted to -187 thousand euro, set against losses/charges of the same amount, due to the change in related financial liabilities designated at fair value through profit or loss.

Gains and losses on investments in subsidiaries, associates, and joint ventures

As up to 31 December 2016 these items referred entirely to the results of equity-accounted Group companies,
Reference should be made to Note 5 for further details,

Gains and losses on other financial instruments and investment property

The following table summarises the investments and financial assets and liabilities originating the gains and losses indicated above:

(€/000)

	Gains 31/12/16	Gains 31/12/15	Losses 31/12/16	Losses 31/12/15
Investment property	5,792	5,638	5,532	5,993
Held to maturity investments	1,764	2,127	-	-
Loans and receivables	653	649	-	-
Financial assets available for sale	123,554	69,920	1,632	248
Other receivables	179	414	-	-
Cash and cash equivalents	121	1,038	-	-
Other financial liabilities	-	-	2,194	2,280
Total	132,063	79,786	9,358	8,521

Note 28	31/12/2016	31/12/2015	Change
Other income	23,093	14,978	8,115

The following table details the breakdown of this item,

(€/000)

Other income	31/12/16	31/12/15
Trading profits	4,680	4,080
Gains on the sale of property for own use	421	-
Revenue from services: real estate brokerage	1,127	1,381
Revenue from services: real estate management	53	23
Revenue from services: administration, real estate appraisals and other income	36	45
Revenue from services: insurance commission income with third parties	91	89
Revenue from services: other revenue from services	939	216
Rent income	837	813
Technical income on insurance contracts	7,043	3,760
Gains on the sale of property, plant and equipment	7	104
Exchange rate gains	13	109
Incidental non-operating income	6,591	3,628
Other income	1,255	730
Total	23,093	14,978

Technical income on insurance contracts refer for 1,423 thousand euro (1,594 thousand euro at 31/12/2015) to reversal of commissions on cancelled premiums and for 4,589 thousand euro (2,166 thousand euro at 31/12/2015) to other technical items, mainly consisting of recovers on knock-for-knock claims settlement costs and ANIA contributions for cars scrapped following claim events.
In addition, the increase in incidental non-operating income, compared to the previous year, is mainly attributable to lower IRES taxes relating to prior years, following interpellation to the Revenue that was successful.

Note 29	31/12/2016	31/12/2015	Change
Commission expense	53	-	53

The item includes commission expense, i,e, acquisition and maintenance costs incurred for investment contracts classified as financial liabilities (unit-linked and pension funds).

Note 30	31/12/2016	31/12/2015	Change
Commissions and other acquisition costs	221,162	221,999	-837
Investment management costs	1,552	1,657	-105
Other administrative costs	56,232	44,527	11,705

To complete the information disclosed below, we point out that the table detailing insurance operating costs is shown in the specific section called "Annexes to Consolidated financial statements".

The following table details the breakdown of "Commissions and other acquisition costs".

(€/000)

Gross commissions and other acquisition costs net of profit participation and other commissions	31/12/2016	31/12/2015
Acquisition commissions	164,506	156,218
Other acquisition costs	50,482	57,758
Change in deferred acquisition costs	-86	1,696
Premium collection commissions	10,877	11,213
Profit participation and other commissions received from reinsurers	-4,617	-4,886
Total	221,162	221,999

Note 31	31/12/2016	31/12/2015	Change
Other costs	35,788	58,788	-23,000

The breakdown of this item was as shown below:

(€/000)

Other costs	31/12/2016	31/12/2015
Technical costs on insurance contracts	13,001	12,228
Accruals to the provision for bad debts	-	5,594
Foreign-exchange losses	34	53
Incidental non-operating costs	283	2,640
Annual depreciation & amortisation	12,776	26,878
Losses on non insurance receivables	7	7
Trading losses from write-offs	2,955	5,920
Accruals to the provision for risks and charges	6,337	2,449
Commissions from services sector	363	2,788
Other costs	32	231
Total	35,788	58,788

Technical costs on insurance contracts refer to technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning for 10,118 thousand euro (10,287 thousand euro at 31/12/2015) and to services supporting insurance covers and costs for premiums under litigation for 2,883 thousand euro (1,941 thousand euro at 31/12/2015). The increase in provision refers to 3,636 thousand euro in provisions made necessary for ongoing legal disputes.

Note 32	31/12/2016	31/12/2015	Change
Income taxes	53,227	47,230	5,997

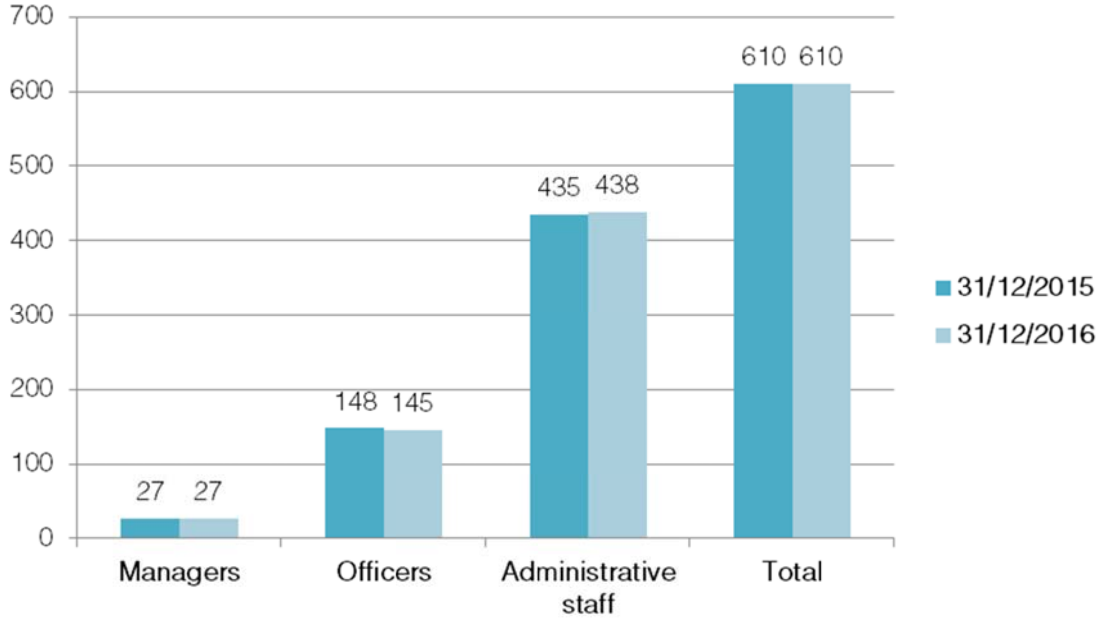
Of this item 37,945 thousand euro related to current taxes and 15,282 thousand euro to deferred taxes.
Income taxes are recognised in profit or loss, with the exception of those relating to items directly charged or credited to equity, in which case the tax effect is recognised directly in equity.

				(€/000)
	Taxable base	Tax		
	IRES	actual	theoretical	tax rate
IRES				
Profit before taxation	188,589		51,862	27.50%
Temporary differences deductible in sunsequent yea	-61,842	-17,007		-9.02%
Revaluation of associates under the equity method	-306	-84		-0.04%
Participating interest impairment	5	1		0.00%
Dividends received	-473	-130		-0.07%
Interests, expenses and other taxes indeductible	5,632	1,549		0.82%
Other captions	-30,633	-8,424		-4.47%
Total Change	-87,617	-24,095	51,862	-12.78%
Current ordinary taxable base	100,972	27,767		14.72%
IRES total current	100,972	27,767		14.72%

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 609 as at 31 December 2016 vs. 612 present as at 31 December 2015.
The average number of in-force employees on the payroll, split by contractual grade, was as follows:



Tax status

Insurance Business

In the year 2016, the Parent company confirmed or exercised the option for the National Tax Consolidation Regime (art. 117 and following of Presidential Decree 22 December 1986, n. 917) with the subsidiaries Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l., Acacia 2000 S.r.l., Vaimm Sviluppo S.r.l., Vittoria Properties S.r.l., Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interimmobili S.r.l., Interbilancia S.r.l., VRG Domus S.r.l., Valsalaria S.r.l. and VP Sviluppo 2015 S.r.l..
Consolidated IRES national tax with these subsidiaries will persist also in 2017.

With reference to the year 2016, the Parent company exercised the option for VAT payment at the group level under D.M. 12.13.1979, together with its subsidiaries Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interimmobili srl, Acacia 2000 Srl, VRG Domus Srl, Vittoria Properties Srl, Immobiliare Bilancia Prima Srl, Immobiliare Bilancia Srl, Vaimm Sviluppo srl, Valsalaria srl and VP Sviluppo 2015 S.r.l..
It is noted that for the year 2017, the Parent company exercised this option, along with the same subsidiaries listed above.

In accordance with Law no. 147/2013, at the end of 2013 the Parent company revalued the residential buildings in Milan and the building housing its registered office. The revaluation was declared in the UNICO 2014 tax return for the 2013 tax period. As a result, the parent company will pay a substitute tax on the gains recorded and the gains will be recognised for IRES and IRAP purposes. This recognition will take effect from the 2016 tax period, unless the assets are disposed of, in which case the recognition will be postponed until 2017. The substitute tax is 16% for depreciable property and 12% for non-depreciable property.
The value recognised in the balance sheet was aligned to the fair value, determined by an independent evaluation expert. Against these greater values recognised in the balance sheet, the parent company recorded in equity a reserve equal to the revaluation less the substitute tax.

In 2009, the Parent company was subject to a tax inspection by the Italian Tax Authorities for fiscal years 2004, 2005 and 2006, from which disputes related to IRES, IRAP and VAT have ensued.
Between 2009 and 2011 higher assessments for all three years under inspection were notified with details of higher IRES and IRAP, fines and interest for an overall amount of 101 thousand euro; regarding VAT, the higher tax rate, the fines and interest amount to 387 thousand euro.
The Parent company has settled its tax obligations related to IRES and IRAP for all three years, while regarding VAT, has appealed against the assessments for the three years.
The company obtained a favourable judgement in the first and second instance in relation to the three years (2004, 2005 and 2006), and appeals of the Tax Authorities with the Supreme Court of Cassation are pending.

With Law no. 208/2015 (“Stability Law 2016”) was established a drop of 3.5% (from 27.5% to 24%) of IRES, beginning in fiscal year 2017.
The Parent company, having already aligned with the new tax rate of 31.12.2015 active and passive deferred taxes, related to items that by law or reasonable expectation would not be subject to deduction / IRES taxation during the year 2016, it has allocated (and / or further aligned) to 24% the deferred IRES active and passive for temporary changes in the tax base as at 31.12.2016.
The total effect on the result for 2016 resulting from the alignment of the active and passive deferred taxes, amounted approximately to 473 thousand euro of less consolidated net profit.

The Board of Directors

Milan, 15 March 2017

Annexes to Consolidated 2016 financial statements

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2016

Consolidation scope

	Country	Country operational headquarters (5)	Method (1)	Business (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	% of consolidation
Vittoria Assicurazioni S.p.A.	Italy		G	1	-	-	-	-
Vittoria Immobiliare S.p.A.	Italy		G	10	100.00	100.00	100.00	100.00
Immobiliare Bilancia S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Immobiliare Bilancia Prima S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Vittoria Properties S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Interbilancia S.r.l.	Italy		G	9	100.00	100.00	100.00	100.00
Vaimm Sviluppo S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
VP Sviluppo 2015 S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Acacia 2000 S.r.l.	Italy		G	10	71.60	100.00	100.00	100.00
Gestimmobili S.r.l.	Italy		G	11	-	100.00	100.00	100.00
Interimmobili S.r.l.	Italy		G	11	-	100.00	100.00	100.00
V.R.G. Domus S.r.l	Italy		G	10	-	100.00	100.00	100.00
Valsalaria S.r.l.	Italy		G	10	-	51.00	51.00	100.00
Assiorvieto Servizi S.r.l.	Italy		G	11	-	60.00	60.00	100.00
Aspevi Firenze S.r.l.	Italy		G	11	-	60.00	60.00	100.00
Plurico S.r.l.	Italy		G	11	-	70.00	70.00	100.00

(1) Consolidation method: Line-by-line=L, Proportionate=P, Proportionate by common management=C

(2) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.
(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.
(5) this disclosure is requested only when the country of operational headquarters is different from the country of legal and administrative headquarters.

List of unconsolidated investments

	Country	Country operational headquarters (5)	Business (1)	Type (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	Carrying amount
Yarpa S.p.A.	Italy		9	b	27.31	27.31	27.31	12,164
Touring Vacanze S.r.l.	Italy		10	b	46.00	46.00	46.00	6,813
Touring Digital S.r.l.	Italy		10	b	45.00	45.00	45.00	94
Mosaico S.p.A.	Italy		10	b	-	45.00	45.00	112
Pama & Partners S.r.l.	Italy		10	b	-	25.00	25.00	288
Consorzio Movincom S.c.r.l.	Italy		11	b	29.17	29.17	29.17	-
VZ Real Estate S.r.l.	Italy		10	b	-	49.00	49.00	-
Fiori di S. Bovio S.r.l.	Italy		10	b	-	40.00	40.00	-
Spefin Finanziaria S.p.A.	Italy		11	b	-	21.00	21.00	382
Aspevi Roma S.r.l.	Italy		11	b	-	49.00	49.00	271
Valsalaria A.11 S.r.l.	Italy		10	b	-	40.00	40.00	14
Movincom Servizi S.p.A.	Italy		11	b	49.34	49.34	49.34	-

(1) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(2) a=subsidiaries (IFRS10) ; b=associated companies (IAS28); c=*joint ventures* (IFRS11); indicate with an asterisk (*) companies classified as held for sale in compliance with IFRS 5 and show the key at the foot of the table.

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

(5) this disclosure is requested only when the country of operational headquarters is different from the country of legal and administrative headquarters.

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2016

Balance sheet by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
1	INTANGIBLE ASSETS	4,870	6,000	3,778	4,455	417	540	0	0	0	0	9,065	10,995
2	PROPERTY, PLANT AND EQUIPMENT	74,460	78,701	18,540	19,422	443,383	456,261	12	90	9,093	9,092	545,488	563,566
3	REINSURERS' SHARE OF TECHNICAL RESERVES	56,002	57,020	7,479	6,997	0	0	0	0	0	0	63,481	64,017
4	INVESTMENTS	1,834,108	1,705,630	1,219,977	1,218,038	83,910	75,497	680	470	-590,526	-495,949	2,548,149	2,503,686
4.1	Investment property	50,572	45,078	38,856	40,506	0	0	0	0	0	0	89,428	85,584
4.2	Investments in subsidiaries and associates and interests in joint ventures	474,988	390,895	50,693	51,751	64,329	63,518	654	470	-570,526	-482,449	20,138	24,185
4.3	Held to maturity investments	6,331	6,373	37,937	38,110	0	0	0	0	0	0	44,268	44,483
4.4	Loans and receivables	125,649	104,458	3,486	3,955	19,542	11,940	0	0	-20,000	-13,500	128,677	106,853
4.5	Financial assets available for sale	1,176,568	1,158,826	1,032,133	1,024,294	39	39	26	0	0	0	2,208,766	2,183,159
4.6	Financial assets at fair value through profit or loss	0	0	56,872	59,422	0	0	0	0	0	0	56,872	59,422
5	OTHER RECEIVABLES	167,234	182,734	16,908	18,298	8,682	8,390	212	1,796	-4,316	-7,559	188,720	203,659
6	OTHER ASSETS	88,516	115,330	37,065	46,529	7,783	6,769	204	855	-1,363	-2,015	132,205	167,468
6.1	Deferred acquisition costs	0	0	5,876	5,791	0	0	0	0	0	0	5,876	5,791
6.2	Other assets	88,516	115,330	31,189	40,738	7,783	6,769	204	855	-1,363	-2,015	126,329	161,677
7	CASH AND CASH EQUIVALENTS	145,531	107,572	80,045	29,858	34,243	27,204	3,117	2,503	0	0	262,936	167,137
	TOTAL ASSETS	2,370,721	2,252,987	1,383,792	1,343,597	578,418	574,661	4,225	5,714	-587,112	-496,431	3,750,044	3,680,528
1	EQUITY											745,805	700,557
2	PROVISIONS	9,494	5,092	62	0	2,853	1,110	420	420	0	0	12,829	6,622
3	TECHNICAL RESERVES	1,507,526	1,457,165	1,158,959	1,111,023	0	0	0	0	-5,266	-5,043	2,661,219	2,563,145
4	FINANCIAL LIABILITIES	78,936	68,520	64,345	66,409	15,426	87,882	0	0	0	0	158,707	222,811
4.1	Financial liabilities at fair value through profit or loss	0	0	56,866	59,412	0	0	0	0	0	0	56,866	59,412
4.2	Other financial liabilities	78,936	68,520	7,479	6,997	15,426	87,882	0	0	0	0	101,841	163,399
5	PAYABLES	74,143	76,522	6,497	5,643	21,094	19,892	843	2,206	-24,319	-21,058	78,258	83,205
6	OTHER LIABILITIES	54,241	57,203	26,931	30,815	9,115	12,099	85	439	2,854	3,632	93,226	104,188
	TOTAL EQUITY AND LIABILITIES											3,750,044	3,680,528

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2016

Income statement by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Net gains and costs/losses	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
1.1	Net premiums	1,049,636	1,026,951	183,470	211,207	0	0	0	0	0	0	1,233,106	1,238,158
1.1.1	*Gross premiums*	1,081,458	1,054,105	184,652	212,416	0	0	0	0	0	0	1,266,110	1,266,521
1.1.2	*Ceded premiums*	31,822	27,154	1,182	1,209	0	0	0	0	0	0	33,004	28,363
1.2	Commission income	0	0	901	580	0	0	0	0	0	0	901	580
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	0	0	-4	-7	0	0	0	0	0	0	-4	-7
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	521	1,671	0	0	829	125	165	2	-948	-159	567	1,639
1.5	Gains on other financial instruments and investment property	95,534	42,961	36,665	36,649	153	271	6	19	-295	-114	132,063	79,786
1.6	Other income	14,670	5,812	426	357	8,482	7,718	1,150	5,442	-1,635	-4,351	23,093	14,978
1	TOTAL REVENUE	1,160,361	1,077,395	221,458	248,786	9,464	8,114	1,321	5,463	-2,878	-4,624	1,389,726	1,335,134
2.1	Net charges relating to claims	678,025	656,323	194,740	221,649	0	0	0	0	-223	2,061	872,542	880,033
2.1.2	*Amounts paid and change in technical reserves*	698,316	697,172	195,676	222,763	0	0	0	0	-223	2,061	893,769	921,996
2.1.3	*Reinsurers' share*	-20,291	-40,849	-936	-1,114	0	0	0	0	0	0	-21,227	-41,963
2.2	Commission expense	0	0	53	0	0	0	0	0	0	0	53	0
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	7,683	12,588	1,058	1,506	289	1,127	0	186	-4,580	-13,623	4,450	1,784
2.4	Losses on other financial instruments and investment property	4,905	3,605	2,893	3,098	1,853	1,921	1	0	-294	-103	9,358	8,521
2.5	Operating costs	248,681	243,362	17,787	16,954	13,810	13,264	717	1,525	-2,049	-6,922	278,946	268,183
2.6	Other costs	27,076	42,968	2,772	3,513	5,576	9,052	364	3,255	0	0	35,788	58,788
2	TOTAL COSTS	966,370	958,846	219,303	246,720	21,528	25,364	1,082	4,966	-7,146	-18,587	1,201,137	1,217,309
	PROFIT FOR THE YEAR BEFORE TAXATION	193,991	118,549	2,155	2,066	-12,064	-17,250	239	497	4,268	13,963	188,589	117,825

Breakdown of other comprehensive income

(€/000)

	Allocation		Reclassification to profit or loss		Other Changes		Total Changes		Taxes		Balance	
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Other comprehensive income, net of taxes without reclassification to profit or loss	-165	114			0	0	-165	114	-87	36	-263	-98
Changes in the equity of investees	0	0			0	0	0	0	0	0	0	0
Changes in intangible asset revaluation reserve	0	0			0	0	0	0	0	0	0	0
Changes in tangible asset revaluation reserve	0	0			0	0	0	0	0	0	0	0
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0			0	0	0	0	0	0	0	0
Actuarial gains and losses and adjustments related to defined benefit plans	-165	114			0	0	-165	114	-87	36	-263	-98
Other items	0	0			0	0	0	0	0	0	0	0
Other comprehensive income, net of taxes with reclassification to profit or loss	3,007	27,953	-69,577	-8,083	0	0	-66,570	19,870	-16,551	-7,153	58,612	125,182
Change in translation reserve	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on available for sale investments	3,007	27,953	-69,577	-8,083	0	0	-66,570	19,870	-16,551	-7,153	58,612	125,182
Gains or losses on hedging instruments	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on hedging instruments of net investment in foreign operations	0	0	0	0	0	0	0	0	0	0	0	0
Changes in the equity of investees	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	2,842	28,067	-69,577	-8,083	0	0	-66,735	19,984	-16,638	-7,117	58,349	125,084

Breakdown of financial assets

(€/000)

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Equity and derivative instruments measured at cost	0	0	0	0	8,474	8,390	0	0	0	0	8,474	8,390
Equity instruments at fair value	0	0	0	0	94,584	98,548	0	0	124	6,997	94,708	105,545
of which listed	0	0	0	0	9,503	10,887	0	0	124	6,997	9,627	17,884
Debt securities	44,268	44,483	0	0	2,023,278	2,018,397	6	10	12,634	13,073	2,080,186	2,075,963
of which listed	43,255	43,241	0	0	2,023,178	2,018,397	6	10	12,634	13,073	2,079,073	2,074,721
OEIC units	0	0	0	0	82,430	57,824	0	0	38,935	36,089	121,365	93,913
Loans and receivables from bank customers	0	0	0	0	0	0	0	0	0	0	0	0
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	149	175	0	0	0	0	0	0	149	175
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	53,814	43,303	0	0	0	0	0	0	53,814	43,303
Non-hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	74,714	63,375	0	0	0	0	5,173	3,253	79,887	66,628
Total	44,268	44,483	128,677	106,853	2,208,766	2,183,159	6	10	56,866	59,412	2,438,583	2,393,917

Financial and investment gains and losses/costs

(€/000)

		Interest	Other net income	Other costs	Realised gains	Realised losses	Net realised gains and losses	Valuation gains		Valuation losses		Net unrealised gains and losses	Net gains and costs/losses FY2016	Net gains and costs/losses FY2015
								Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments		53,766	8,898	3,262	71,431	1,725	129,108	1,122	0	4,097	5,608	-8,583	120,525	76,179
a	Investment property	0	5,792	2,085	0	0	3,707	0	0	3,447	0	-3,447	260	-355
b	Investments in subsidiaries and associates and interests in joint ventures	0	284	465	283	0	102	0	0	0	3,985	-3,985	-3,883	-145
c	Held to maturity investments	1,764	0	0	0	0	1,764	0	0	0	0	0	1,764	2,127
d	Loans and receivables	612	0	0	0	0	612	41	0	0	0	41	653	649
e	Financial assets available for sale	50,881	2,322	0	70,351	9	123,545	0	0	0	1,623	-1,623	121,922	69,672
f	Financial assets held for trading	0	0	0	0	0	0	0	0	4	0	-4	-4	-7
g	Financial assets at fair value through profit or loss	509	500	712	797	1,716	-622	1,081	0	646	0	435	-187	4,238
Other receivables		179	0	0	0	0	179	0	0	0	0	0	179	414
Cash and cash equivalents		121	0	0	0	0	121	0	0	0	0	0	121	1,038
Financial liabilities		-2,194	0	0	0	0	-2,194	0	0	-187	0	187	-2,007	-6,518
a	Financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
b	Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0	-187	0	187	187	-4,238
c	Other financial liabilities	-2,194	0	0	0	0	-2,194	0	0	0	0	0	-2,194	-2,280
Payables		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		51,872	8,898	3,262	71,431	1,725	127,214	1,122	0	3,910	5,608	-8,396	118,818	71,113

Vittoria Assicurazioni S.p.A.

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Breakdown of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Non-life reserves	**1,506,557**	**1,456,251**	**969**	**913**	**1,507,526**	**1,457,164**
Premium reserve	388,435	388,638	49	42	388,484	388,680
Claims reserve	1,117,713	1,067,204	920	871	1,118,633	1,068,075
Other reserves	409	409	0	0	409	409
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	**1,153,541**	**1,105,794**	**152**	**187**	**1,153,693**	**1,105,981**
Reserve for payable amounts	25,810	27,529	3	12	25,813	27,541
Mathematical reserves	1,072,192	1,002,231	149	173	1,072,341	1,002,404
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund managment	0	0	0	0	0	0
Other reserves	55,539	76,034	0	2	55,539	76,036
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	49,105	68,757	0	0	49,105	68,757
Total technical reserves	**2,660,098**	**2,562,045**	**1,121**	**1,100**	**2,661,219**	**2,563,145**

Breakdown of reinsurers' share of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Non-life reserves	**55,649**	**56,678**	**353**	**342**	**56,002**	**57,020**
Premium reserve	17,190	17,439	0	0	17,190	17,439
Claims reserve	38,459	39,239	353	342	38,812	39,581
Other reserves	0	0	0	0	0	0
Life reserves	**7,479**	**6,997**	**0**	**0**	**7,479**	**6,997**
Reserves for payable amounts	0	0	0	0	0	0
Mathematical reserves	7,447	6,966	0	0	7,447	6,966
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	32	31	0	0	32	31
Total reinsurers' share of technical reserves	**63,128**	**63,675**	**353**	**342**	**63,481**	**64,017**

Breakdown of financial liabilities

(€/000)

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss					
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0	0	0	0
Liabilities from financial contracts issued by insurers arising from:	0	0	56,866	59,412	0	0	56,866	59,412
Contracts where policyholders bear investment risk	0	0	37,870	42,170	0	0	37,870	42,170
Pension-fund management	0	0	18,996	17,242	0	0	18,996	17,242
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	12,933	14,425	12,933	14,425
Negative financial components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities on issue	0	0	0	0	0	0	0	0
Bank customer deposits	0	0	0	0	0	0	0	0
Interbank liabilities	0	0	0	0	0	0	0	0
Other loans received	0	0	0	0	15,426	87,882	15,426	87,882
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	73,482	61,092	73,482	61,092
Total	0	0	56,866	59,412	101,841	163,399	158,707	222,811

Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

(€/000)

		Level 1		Level 2		Level 3		Total	
		31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Assets and liabilities measured at fair value on a recurring basis									
Financial assets Available for sale		2,115,111	2,087,108	8,818	8,736	84,837	87,315	2,208,766	2,183,159
Financial assets at fair value through profit or loss	Financial assets held for trading	6	10	-	-	-	-	6	10
	Financial assets at fair value through profit or loss	56,866	59,412	-	-	-	-	56,866	59,412
Investment Property		-	-	-	-	-	-	-	-
Tangible assets		-	-	-	-	-	-	-	-
Intangible assets		-	-	-	-	-	-	-	-
Total assets measured at fair value on a recurring basis		2,171,983	2,146,530	8,818	8,736	84,837	87,315	2,265,638	2,242,581
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	-	-	-	-	-	-
	Financial liabilities at fair value through profit or loss	56,349	58,636	517	776	-	-	56,866	59,412
Total liabilities measured at fair value on a recurring basis		56,349	58,636	517	776	-	-	56,866	59,412
Assets and liabilities measured at fair value on a non recurring basis									
Non-current assets or assets of a disposal group classified as held for sale		-	-	-	-	-	-	-	-
Liabilities of a disposal group classified as held for sale		-	-	-	-	-	-	-	-

Detail of changes in financial assets and liabilities allocated to Level 3 measured at fair value on a recurring basis

(€/000)

	Financial assets			Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value through profit or loss	
	Financial assets Available for sale	Financial assets at fair value through profit or loss						
		Financial assets held for trading	Financial assets at fair value through profit or loss				Financial liabilities held for trading	Financial liabilities at fair value through profit or loss
Opening balance	87,315							
Purchases/ Issues	158							
Sales/Repurchases	0							
Redemptions	-7,822							
Gains or losses charged to profit and loss	0							
- of which unrealised gains/losses	0							
Gains or losses charged to other comprehensive income	5,160							
Moves to Level 3	0							
Moves to other Levels	0							
Other changes	26							
Closing balance	84,837							

Detail of insurance technical items

(€/000)

		31/12/2016			31/12/2015		
		Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business							
NET PREMIUMS		1,081,458	31,822	1,049,636	1,054,105	27,154	1,026,951
a	Premiums written	1,081,262	31,573	1,049,689	1,069,216	28,585	1,040,631
b	Change in premiums reserve	-196	-249	53	15,111	1,431	13,680
NET CLAIMS COSTS		698,316	20,291	678,025	697,172	40,849	656,323
a	Amounts paid	660,029	20,142	639,887	661,989	34,568	627,421
b	Change in claims reserves	50,545	-780	51,325	42,891	1,699	41,192
c	Change in recoveries	12,258	-929	13,187	7,708	-4,582	12,290
d	Change in other technical reserves	0	0	0	0	0	0
Life business							
NET PREMIUMS		184,652	1,182	183,470	212,416	1,209	211,207
NET CLAIMS COSTS		195,676	936	194,740	222,763	1,114	221,649
a	Amounts paid	132,203	455	131,748	163,201	764	162,437
b	Change in reserve for amounts to be paid	-1,728	0	-1,728	2,618	0	2,618
c	Change in mathermatical reserves	66,067	481	65,586	58,233	357	57,876
d	Change in technical reserves when investment risk is borne by policyholders and in reserves arising from pension fund management	0	0	0	0	0	0
e	Change in other technical reserves	-866	0	-866	-1,289	-7	-1,282

Breakdown of insurance operating costs

(€/000)

		Non-life business		Life business	
		31/12/16	31/12/15	31/12/16	31/12/15
Gross commissions and other acquisition costs		216,108	219,078	10,730	13,151
a	Acquisition commissions	160,874	156,479	4,692	5,082
b	Other acquisition costs	45,122	50,435	5,360	7,324
c	Change in deferred acquisition costs	0	1,812	-86	-116
d	Premium collection commissions	10,112	10,352	764	861
Profit participation and other commissions received from reinsurers		-4,452	-4,747	-165	-139
Investment management costs		1,378	980	174	677
Other administrative costs		35,647	28,051	7,048	3,265
Total		248,681	243,362	17,787	16,954

Vittoria Assicurazioni S.p.A.
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Breakdown of property, plant and equipment and intangible assets

(€/000)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	89,428	-	89,428
Other property	537,862	-	537,862
Other items of property, plant	7,626	-	7,626
Other intangible assets	9,065	-	9,065

Detail of assets and liabilities relating to insurance contracts with risk borne by policyholders or relating to pension-fund management

(€/000)

	Unit- and index-linked benefits		Benefits relating to pension-fund management		Total	
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
On-balance sheet assets	37,870	42,170	18,996	17,242	56,866	59,412
Infragroup assets *	0	0	0	0	0	0
Total assets	37,870	42,170	18,996	17,242	56,866	59,412
On-balance sheet liabilities	37,870	42,170	18,996	17,242	56,866	59,412
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	37,870	42,170	18,996	17,242	56,866	59,412

* Assets and liabilities eliminated in consolidation process

Vittoria Assicurazioni S.p.A.
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Detail of reclassified financial assets and impacts on profit and loss and on other comprehensive income

(€/000)

Reclassified Financial assets categories		Activity class	Amount of Financial assets reclassified during the year at the reclassification date	Carrying amount at 31/12/2015 of reclassified assets		Fair Value at 31/12/2016 of reclassified assets		Reclassified Assets during 2016		Reclassified Assets up to 2016		Reclassified Assets during 2016		Reclassified Assets up to 2016	
from	to			Reclassified Assets during 2016	Reclassified Assets up to 2016	Reclassified Assets during 2016	Reclassified Assets up to 2016	Gains or losses charged to profit and loss	Gains or losses charged to other comprehensive income	Gains or losses charged to profit and loss	Gains or losses charged to other comprehensive income	Gains or losses that would have been charged to profit and loss in absence of the reclassification	Gains or losses that would have been charged to other comprehensive income in absence of the reclassification	Gains or losses that would have been charged to profit and loss in absence of the reclassification	Gains or losses that would have been charged to other comprehensive income in absence of the reclassification
Total			0	0	0	0	0	0	0	0	0	0	0	0	0

Assets and liabilities not measured at fair value: breakdown by level of fair value

	Carrying amount		*Fair value*							
			Level 1		Level 2		Level 3		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Assets										
Held to maturity investments	44,268	44,483	47,396	48,044	-	-	1,013	1,242	48,409	49,286
Loans and receivables	128,677	106,853	-	-	-	-	128,677	106,853	128,677	106,853
Investments in subsidiaries and associates and interests in joint ventures	20,138	24,185	-	-	-	-	20,138	24,185	20,138	24,185
Investment property	89,428	85,584	-	-	-	-	96,620	87,500	96,620	87,500
Tangible assets	537,862	555,282	-	-	-	-	608,547	626,745	608,547	626,745
Total assets	820,373	816,387	47,396	48,044	-	-	854,995	846,525	902,391	894,569
Liabilities										
Other financial liabilities	101,841	163,399	-	-	-	-	101,841	163,399	101,841	163,399

Consolitation scope: interests in subsidiaries with significant minority interests

(€/000)

					Main financial-economic datas							
Name	% minority interests	% of voting rights in ordinary meetings by minority interests	Consolidated profit (loss) attributable to minority interests	Equity attributable to minority interests	Total assets	Investments	Technical provisions	Financial liabilities	Equity	Profit (loss) for the year	Dividends paid out to minority interests	Gross written premium
			-	-	-	-	-	-	-	-	-	-

Vittoria Assicurazioni S.p.A.
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Interests in unconsolidated structured entities

(€/000)

Structured entity name	Revenues from structured entity during the year	Book value (at the date of the trasfer) of assets trasferred to the structured entity during the year	Book value of assets recognised in own financial statement and related to the structured entity	Balance sheet asset item	Book value of liabilities recognised in own financial statement and related to the structured entity	Balance sheet liabilities item	Maximum loss risk exposure

Note: this table is also requested for the porpuses of financial statement reporting IAS/IFRS (note 2) and half-yearly reporting (note 4) when IFRS 12.6 conditions are met.

Management Attestation

Financial statements certification pursuant to Art.81-ter of Consob Regulation N° 11971 dated May 14 1999, as amended

1. The undersigned Cesare Caldarelli (as Chief Executive Officer) and Luca Arensi (as the Manager Charged with preparing the financial reports), of Vittoria Assicurazioni S.p.A., taking into consideration Article 154-bis (subparagraph 3 and 4) of Italian Legislative Decree February 24th 1998 n.58, do hereby certify:

   - the adequacy in relation to the Legal Entity features and
   - the actual application

   of the administrative and accounting procedures employed to draw up consolidated financial statements during the period 1 January 2016 - 31 December 2016

2. In this respect no remarks emerged besides what already reported in Director's report to the Consolidated financial report as at 31 December 2016.

3. The undersigned also certify that:

   3.1 The consolidated financial statements as at 31 December 2016:

   a) was prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation no.1606/2002 of July 19, 2002;

   b) corresponds to results of the books and accounts records;

   c) is suitable to provide a fair and correct representation of the situation of the assets and liabilities, the economic and financial situation of the issuer and the group of companies included in the scope of consolidation.

   3.2 The directors' report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and group companies included in the scope of consolidation and a description of the main risks and uncertain situation to which they are exposed.

Milan, 15 March 2017

Cesare Caldarelli	Luca Arensi
Chief Executive Officer	*Manager Charged with preparing the company's financial reports*

Report of Independent Auditors

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND WITH ARTICLE 102 OF LEGISLATIVE DECREE No. 209 OF SEPTEMBER 7, 2005

To the Shareholders of
VITTORIA ASSICURAZIONI S.p.A.

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Vittoria Group, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated income statement, the statement of other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the Regulation issued pursuant to article 90 of the Legislative Decree n° 209/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Vittoria Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the Regulation issued pursuant to article 90 of the Legislative Decree n° 209/2005.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance and ownership structure required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Vittoria Assicurazioni S.p.A., with the consolidated financial statements of Vittoria group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of Vittoria group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Milano, Italy
March 29, 2017

This report has been translated into the English language solely for the convenience of international readers.