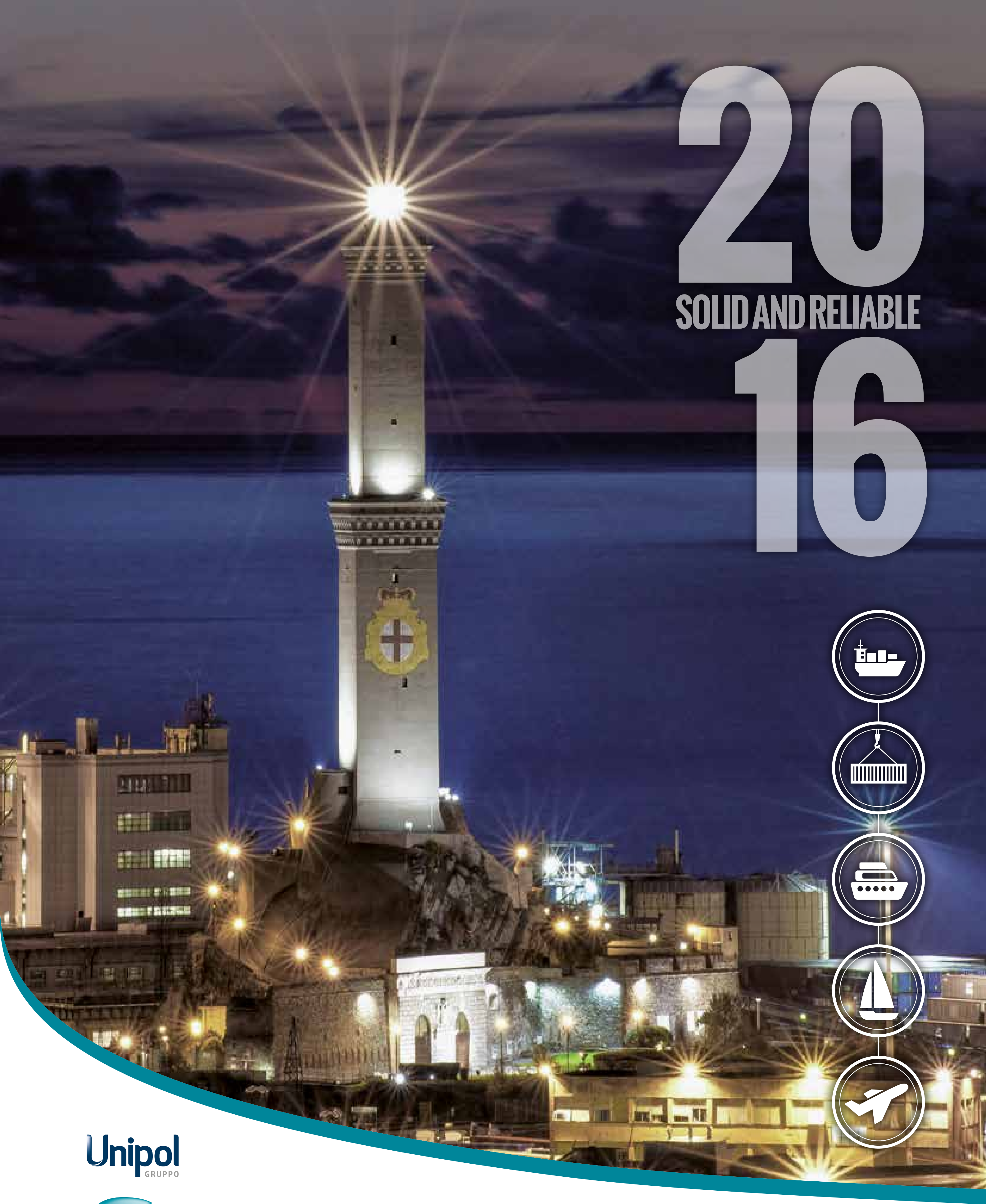

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Siat ASSICURAZIONI

50° 1967 · 2017

2016
ANNUAL REPORT

2016
SOLID AND RELIABLE

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Siat ASSICURAZIONI 50 1967 · 2017

2016 ANNUAL REPORT

Contents

In 2016 SIAT was yet again a point of reference for its customers' "navigation", both in times of calm and in stormy weather.

SIAT has been confirmed as a "compass" for guidance in the Marine insurance market and wants this to continue in the future. To achieve this goal, SIAT has always offered, and will continue to offer, security and reliability, the qualities required to guarantee all customers appropriate coverage for any kind of requirement in this market.

Professionalism, reliability and maximum customer care are essential for successful insurers, especially in the Marine sector. For SIAT these are "fixed points" and we promise to make progress each year in maintaining and improving them in order to achieve excellence.

SIAT considers continuity of relationships to be vitally important, so we cultivate with care and consistency our relationship with intermediaries, as well as with customers and reinsurers. Another sign of the quality and efficiency of the insurance service guaranteed by SIAT.

In order to continue to provide the best service to its customers and, if possible, to improve it, SIAT is geared to change through a process of constant innovation and specialization.
Innovation is pursued through the upgrading of new IT support systems for the new business and liquidation sectors, enabling greater service efficiency, while providing a better exchange of information with intermediaries.
Specialization is sought through a targeted training, which makes it possible to increase the technical know-how of the operating structures (both internal and external), using pricing tools (which provide an actuarial basis for pricing and underwriting policies).

Ever since it was founded, SIAT has always looked across the border to foreign markets where there are all the necessary conditions for taking on risks.
This propensity towards **internationalization** is being strengthened thanks to the presence in foreign markets with a high development potential and where we have identified reliable and professional partners.

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PricewaterhouseCoopers S.p.A.

01 REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS

Shareholders,

THE STATE OF THE ECONOMY

2016 was characterised by global economic growth of just under 3%, which was a slight slowdown on 2015.

The Eurozone, helped by constant support from the European Central Bank and by a less restrictive fiscal policy that bolstered domestic demand, should manage to expand its GDP by around 1.7%, higher than in 2015; higher also than its potential for growth, which is put at between 0.9% and 1.2%.

In light of the ongoing weakness in headline inflation (–0.1% in March 2016) due to the low cost of energy and of most raw materials, at its meeting that month the ECB reduced the discount rate to zero and the deposit rate paid by the Monetary Authority on commercial banks' treasury accounts to –0.40%.
Moreover, as part of quantitative easing, monthly security purchases were increased from 60 billion to 80 billion euro, including among the types of securities that could be purchased non-financial corporate bonds issued in Euros with a rating of at least investment grade.
At its December 2016 meeting, the ECB decided to adapt quantitative easing to the European economic environment of moderate but steady growth and to renew it for the whole of 2017, but reducing monthly purchases to the original amount of 60 billion euro from April.

In the United States, economic activity grew at a slightly higher rate of 1.5%. After a disappointing first quarter (0.8% growth on an annual basis), which coincided with the collapse of raw material prices (including oil) and financial instability in China, subsequent quarters featured a significant rebound in the economy thanks to domestic consumption, boosted by the high level of employment (4.7% in December).

In view of the US economic outlook and with inflation (1.3% on average in 2016, 2.1% in December) close to the target figure of 2%, at its last meeting of 2016, the Federal Reserve increased official rates by 25 basis points, bringing them to 0.75%.
The Fed also announced that the process of normalising monetary policy in 2017 could result in further increases in the discount rate, foreseeing that the positive trend in the US economy would continue, helped by the expansionary fiscal policy proposed by the Trump Administration. In this context, the dollar appreciated against many currencies, including the euro.

Despite the Bank of Japan's efforts to weaken the yen, Japan recorded only modest growth in 2016, estimated at around 0.8%. Not even the constant support of public expenditure seemed to be able to revive the country from a condition of substantial deflation.

China posted a significant reduction in foreign exchange reserves in the first few months of 2016, as they were used to counter the depreciation of the domestic currency (renminbi) caused by significant capital outflows from the country. The government adopted spending policies aimed at supporting the change in its development model, with the aim of further increasing domestic demand and reducing the weight of exports and investments. All in all, China saw its GDP grow at a rate (+6.7%) that in 2016 aligned itself with the target set by the government (a range from 6.5% to 7%). Moreover, the risk linked to the excessive indebtedness of the private sector remains.

Lastly, emerging nation economies have been showing results substantially in correlation with the trend in raw material prices.
A first half of the year made difficult by the fall in the commodity prices was followed by a second half that showed positive signs, particularly in Russia, thanks to the recovery in prices, oil in particular.

In 2016, the Italian economy achieved a growth rate close to 0.9%, largely due to a less restrictive fiscal policy and the consequent recovery in domestic demand, particularly for durable goods. However, there are still contradictory results on the employment front: there was an increase of around 242 thousand jobs in December compared with a year earlier, but the overall unemployment rate rose to 12% and youth unemployment is back over 40%.
The outcome of the constitutional referendum resulted in the government falling, replaced by a new government, but several political issues remain open, including the revision of the electoral law, which will be drawn up on the basis of a recent ruling by the Constitutional Court.
Meanwhile, the problem of doubtful loans plaguing the domestic banking system emerged in all its seriousness, the inheritance of a recession that lasted for almost three years. The crisis has come to involve the third national banking hub, namely Monte dei Paschi di Siena, which needed public sector intervention to avert the risk of contagion, in compliance with European regulations.
Overall, the government has allocated 20 billion euro for interventions in support of banks in difficulty.

While in terms of indebtedness, the picture is basically under control, with regard to public finances the unsatisfactory rate of growth in our economy is proving to be an obstacle to the reduction of Italy's public sector debt as a percentage of GDP.
Although not an immediate threat, the gradual increase in interest rates, which also involves the yields on Italian government bonds, is bound to impact on the debt burden, restricting the degree of freedom in the government's fiscal policy.

THE FINANCIAL MARKETS

During 2016, the interest rate curve on the money market posted a general decline, reaching a low in the summer, only to rise again in the last quarter, but it did not return to the level that it was at the end of 2015. The German bond curve followed a similar trend.
Italian government bond rates have shown a more pronounced upward trend since the summer, reaching levels higher than at the end of 2015 for maturities over five years: against significant reductions on one-year BOTs (–31 basis points or bp), there were significant increases in the medium- and long-term segment (+24 bp for the ten-year maturity and +25 bp for the thirty-year maturity).
The yield spread between Italian and German bonds has therefore increased in 2016 for all maturities: from 34 bp on the two-year maturity (from 0.33% to 0.67%) to 79 bp on the thirty-year (from 1.20% to 1.99%).

The euro began 2016 at 1.0887 against the dollar, subsequently weakening to close the year at 1.0541.
This trend reflects the divergence in the monetary policies being pursued to the two sides of the Atlantic. However, the outcome of the American presidential election has added expectations of a more expansionary fiscal policy and therefore a faster move towards a tighter monetary policy.

In the first half of 2016, financial markets lived phases of high volatility due to the awakening of deflationary fears in Europe, a slowdown in Chinese growth and the unexpected victory of the "Brexit" supporters in the referendum held in UK. Contrary to expectations, Donald Trump's election to the US presidency has bolstered share prices, while the outcome of the constitutional referendum in Italy did not produce significant perturbations.

In a situation of lower market interest rates compared with the end of 2015 and with the first half-year marked by strong fluctuations in share prices, the performances of European equity markets were modest: The Eurostoxx 50 Index, which is the Eurozone's leading blue-chip index, rose by 0.7% (+9.6% in the fourth quarter).
Of note the trend in the German Dax Index with a +6.9% (+9.2% in the fourth quarter), while the Milan FTSE MIB Index, which is full of bank stocks, had a negative trend, particularly in the first half-year, with a result of –10.2% (+17.3% in the fourth quarter).
Lastly, the Madrid IBEX Index fell by -2.0% (+6.5% in the most recent quarter).

The Standard & Poor's 500 Index, which represents major US listed companies, this year has seen a +9.5% (+3.3% in the fourth quarter), while in Japan the Nikkei, weighed down by a negative first half of the year, has only gained 0.4% over the year (+16.2% in the fourth quarter).
Lastly, with regard to stock exchanges in emerging markets, the most representative index, the Morgan Stanley Emerging Markets Index, rose by 7.1% in 2016 (–1.8% in the last quarter).

The iTraxx Senior Financials Index, which is representative of the average spread for financial companies with a high credit standing, fell by 8.2 basis points from 101.8 to 93.6 in the last quarter (over the whole of 2016, the index moved in the other direction, rising by 16.8 basis points from 76.8 to 93.6). The improvement in the last quarter of the year was due essentially to a confirmation of economic growth in the USA and Eurozone, as well as a partial easing of tensions in the banking system.

MARITIME ACTIVITY

The global picture of marine transport, and shipping as a whole, remained difficult for the whole of 2016. Indeed, after several years of pushing by China, the other former-BRICS (Brazil, Russia, India and South Africa) and the main countries producing raw materials, the recovery is still rather slow.

Maritime trade cannot find much vivacity and the maritime industry is having to calibrate its efforts according to a world that, for the moment, cannot find a way to trigger off its next phase of expansion.

Maritime trade, which in global terms represents about 80% in volume and 55% in value, has slowed down its growth to values close to parity and freight rates are more or less stagnant in all segments of the industry.

The two exceptions to this situation are oil tankers, thanks to the constant demand for crude oil by certain Asian countries, and the dry bulk sector, thanks to a modest recovery in freight rates at the end of year, boosted by increased movement of coal and its derivatives. The cruise and ro-ro ferry sectors, on the other hand, were positive.

The results posted by other sectors have shown widespread declines almost everywhere compared with 2015, starting with container ships, because of freight rates that remained relatively low vis-à-vis the past. This sector was badly affected by the bankruptcy of the Korean company Hanjin Shipping and by the numerous mergers and acquisitions that took place among shipping companies.

Ship valuations still remain low compared with their book figures and some shipping companies have been forced to scale back their projects as a result of strong pressure from their banks.

Eco-ships, for example, were bought by shipping companies when fuel costs were high and these have suffered a loss in value when fuel costs plummeted. However, commercially speaking, they are still very valid ships, with higher capacities than older ones.

It is worth noting the multiplicity of steps being taken to mitigate the effects of excess freight capacity, apart from lower orders for new units: in bulk transport, through new types of alliances between shipping companies; in container transport, apart from the consolidation of companies operating in this sector, active interventions on fleets such as increasingly giant ships, temporary laying-up, slowdown in commercial speed and, more and more frequently, demolition.

As regards this last aspect, demolitions have increased significantly, with record numbers of units and capacity sent to sites that dismantle ships and sell the steel on the market, particularly in India, Bangladesh, Pakistan and Turkey.
It is above all bulk ships that are ending up on the beaches of these countries for demolition: the market has been suffering from excess capacity for some time and shipping companies are trying to find a remedy. But it is not just older ships that are ending their service life, newer units are as well. In particular, with Diana Containership's decision to demolish the "Ym Los Angeles" (with a capacity of 4,900 teu, launched in 2006), the psychological and economic barrier of scrapping vessels less than 10 years old has collapsed.
The most surprising data come from the container ship sector, which in 2016 saw the elimination of 182 ships, the equivalent of 640 thousand teu (the unit of measurement of a 20-foot container) of demolished capacity. In addition to the crisis, the sector was also affected by the renewed opening of the Panama Canal, which will allow larger ships to transit the passage between the Pacific and Atlantic. This means that smaller ships (Panamax and Post-Panamax, between 3,500 and 7,000 teu) are no longer needed for that route and end up being demolished.
Demolitions have also affected the dry bulk sector (376 units, with a gross capacity of 29 million tonnes) and the tanker segment, including those for the transport of crude oil and those for processed products (28 units, of which 9 crude carriers and 19 product carriers).
In addition, Beijing continues to lavish subsidies on Chinese shipping companies that reduce their capacity, in order to induce them to modernize the fleet, offsetting the expense of new ships with state funds.
Demolition prices, on the other hand, continue to be low, with prices that in Bangladesh are between 290 and 340 dollars per gross tonne.

Orders for new ships have collapsed, with 2016 ranking as the second worst year since 2000 from this point of view.
In 2016 the shipyards were commissioned for 64 new container ships (290 in 2015), 36 dry-bulk ships (380 in 2015 and all of 933 in 2013) and 59 tankers (383 in 2015).

In the hope of an improvement in the macro-economic situation, the combination of lower orders and higher demolitions could herald a recovery and be a sign of confidence in the future of the maritime sector in the medium term.
In light of this, some international operators are buying second-hand ships. Among them, some Greek shipowners are to the fore with numerous purchases of bulk carriers built in the 2000s.

On the maritime piracy front, the total number of attacks in West Africa fell overall in 2016. They occurred mainly in Nigerian waters and off the coast of Côte d'Ivoire, above all in the Niger Delta.
As a result, Nigeria is being accused at an international level of not being able to provide adequate security for the ships sailing in its territorial waters. The hazards and risks related to navigation in Nigerian waters are reflected in premium rates applied to shipowners operating in that area. In fact, the insurance premium for ships that touch this African country has recently increased by almost 60%.

The gangs of sea pirates are targeting not only the cargo on board the ships, but often also kidnap the crew, holding them to ransom. Tankers full of crude oil are particularly prone to attack, but fishing boats are also affected.

Between 2015 and 2016 the value of the world fleet has dropped, with a decrease largely attributable to dry bulk and off-shore vessels, but above all to container ships, which have lost up to 30% of their value.
Greek shipowners continue to maintain, and increase, their share of the total world fleet in terms of capacity. Behind Greece ranks Japan and then, on the lowest step of the podium, China.
Europe defends itself with Germany in fourth place, and the United Kingdom coming in tenth, while Italy is sixteenth, just behind Turkey.
In the ranking of companies, Maersk Line remains first with a 15.1% share of total capacity, followed by MSC with 13.4% and CMA CGM with 9.2%.

At the same time, the low level of freight rates has prompted some equity funds (particularly those that invested in dry cargo) to abandon the shipping world, which they entered during the years following the crisis of 2009-2010, investing conspicuously, and in 2013 opening a direct channel with the shipowners.
Similarly, the trend in bank loans for shipowners is also on the decline, with a significant process of disintermediation of shipping finance, which once upon a time was a prerogative of the banks. However, even they are pulling out of the shipping sector, partly because of the strict rules imposed by the supervisory regulations (Basel III).
In particular, the problems linked to the shipping industry, which the European Central Bank put in its sights this year, are turning out to be pretty heavy for the German banking system. In fact, they were among the causes of the difficulties suffered by Commerzbank, as well as by several Landesbanken (regional banks), including HSH. Deutsche Bank recently sold off part of its portfolio of maritime loans for about € 1 billion (out of a total exposure to the sector of around € 5-6 billion).
The most striking case is that of Bremer Landesbank, a German regional bank owned by the Government, whose disaster in maritime loans risks putting it into insolvency.
In light of the above, the relationship between shipowners and private investors is becoming more and more direct, through instruments such bonds and private placements, as well as recourse to the Stock Exchange.

SHIPBUILDING

2016 was a difficult year for the shipbuilding industry, which suffered a decline in orders for new units of more than 60% compared with 2015. In that year, just over 400 contracts were signed, half of which came from the cruise sector.

In fact, the crisis of freight rates is also reflected in shipbuilding, implying a brake on new orders, especially for tankers and container ships. However, there is one very significant exception concerning shipyards that build cruise ships, which is experiencing a boom in orders.
Because these yards are almost all in Europe, the Old Continent is benefiting more from this favourable moment, first of all Germany, which ranks first in terms of order backlog, and Italy.

So, the sceptre in the construction of passenger ships of all sizes remains in Europe, which has withstood the competition from Japan and South Korea, and now faces the attempts coming from China as well.

The Chinese shipbuilding industry, which in recent years has become the world leader (in terms of ships built, new orders received and construction in progress), believes that it has sufficient facilities and skills to become a prominent player in the cruise industry too. This would allow Chinese shipyards to overcome the current crisis, save their industry and demonstrate that this can be based not only on cheap labour, but also on quality.

The boom in the cruise industry also helps the entry of new players to the market, such as the German yards MV Werften, recently purchased by the Chinese group Genting Hong Kong.


KABEL

Moreover, the capacity of European shipyards is no longer sufficient to meet the demand for new ships.
It is estimated that the European construction capacity is around eight large cruise ships a year, while demand is expected to reach thirteen ships per year (seven of which are to replace older tonnage and six to cope with market expansion, especially in Asia).

The demand for innovative projects is increasing constantly, partly because of a growing environmental awareness, but above all aiming for an overall reduction in operating costs.
In this regard, compared with last year, orders for new passenger ships powered by liquefied natural gas (or LNG, the fuel of the future according to many) have increased by more than 40% worldwide. The number of boats already using liquefied natural gas also rose during 2016.

On the other hand, the slowdown in orders for freighter ships, of which Asian countries are the main manufacturers, is having a serious impact on the Japanese, Chinese and Korean shipbuilding industry.

There seems to be no end to the crisis in South Korean shipyards, which after heavy losses in 2015, in 2016 experienced the largest contraction in orders ever recorded in the last twelve years, leading to the collapse of Hanjin Shipping.
For this reason, the three main groups (Hyundai, Daewoo and Samsung), which operate in this field, were forced to sell assets for a total of $ 7.3 billion to the highest bidder.
In addition, the Korean government, in collaboration with the Bank of Korea, has set up a fund of $ 9.5 billion to help the industry settle with its creditors (which include some of the major national banks).
However, a partial shot in the arm for the Seoul yards could arrive from the order, worth a total of $ 2.4 billion, that Iran has placed for the construction of ships for the transport of crude oil and petroleum products. Help has also come from Europe, as the first Greek shipping group has ordered eight new vessels from Daewoo shipyard, for delivery by the end of 2019.

The large Italian private ship repair yards are investing, but they are doing so mainly because they have bought dry docks and other assets abroad.
Investing abroad is a matter of survival, in a business that is international and constantly on the move, also because of the fact that in Italy, investments tend to be hampered by bureaucracy and immobility.

As regards the shipbuilding industry, after a long period of crisis, the Italian sector is resurfacing, driven by the builders of large yachts, which remain firmly at the top of the ranking in this sector.
In fact, the industry confirmed a good growth trend in 2016, with even more favourable expectations for 2017.
In particular, Italy confirms itself at the top of this industry worldwide, ahead of the Netherlands and Germany, holding the leading position in terms of exports of inboard recreational boats.

THE INSURANCE MARKET

In 2016, the international insurance industry has seen an acceleration of the consolidation process, both in the USA (with the acquisition of Endurance by Sompo Japan Nipponkoa Insurance) and in Europe (where the NN Group has launched a takeover bid for Delta Lloyd).
The trend towards shopping abroad by Japanese companies is dictated by the difficult domestic market conditions and non-existent or modest growth prospects, especially in light of the decline in the country's population.
Lately, with negative interest rates and a recovery in the yen, Japanese insurance groups are even more tempted to buy abroad. In addition to the UK/USA, their purchases have been directed primarily at emerging markets.
However, while mergers among worldwide companies have been going on for the last two years, Europe has so far remained substantially out of it, due to the regulatory issues raised by Solvency II.
Moreover, many believe that consolidation on the Continent will occur with the acquisition of medium and small enterprises by the big ones; whereas it seems more difficult to imagine marriages between European champions in this sector, also as a result of Brexit which is making everything more fluid and volatile.

On the basis of the provisional figures that are currently available, the insurance industry in Italy saw an overall decline in premiums written in 2016 compared with 2015.

This decline was more marked in life insurance, especially because of a significant drop in premiums for branch I, which accounts for about two-thirds of new life business.
As regards the non-life business, the continuing decrease in motor insurance premiums was only partly offset by a rise in premiums in other segments, resulting in an overall decline of around 2 percentage points.

As regards the Solvency II regime, which is applicable to the European insurance industry from 1 January 2016, the supervisory rules and practices have been harmonized throughout the community, leaving few options to individual member countries, also with a view to ensuring greater financial stability.
This regime has increased insurance companies' attention to monitoring and measuring risk, also redesigning their board's duties and responsibilities, making them compulsory.

In this context, the "Marine" insurance industry has continued to be extremely competitive with the result that premium rates are still unsatisfactory from a technical point of view.

With regard to the "Hulls" sector, the strong international competition continues unabated and premium rates continue their downward trend, particularly for large European and Far Eastern fleets, with substantial premiums and appreciable statistical results.
In fact, the main players in the Marine industry (London, and Lloyd's in particular) have plenty of underwriting capacity and are oriented towards increasing their turnover.

In the "Cargo" sector, the ongoing uncertainty in the international economic scenario has not yet generated the desired growth in domestic trade, and hence in the domestic insurance market for this sector, which depends on companies' trading volumes and sales.
This situation then combines with a market featuring excess supply of insurance capacity, which generates a high degree of competition among operators and a consequent downward trend in premium rates applied to the cargo values and sales mentioned above.

Lastly, as regards the outward reinsurance market, 2016 did not see any significant changes compared with the recent past, with professional operators continuing to show the same interest in the technical validity of the business transferred to them.
In particular, for optional transfers (of both Hulls and Cargo business) the market offers ample capacity and no real changes are expected in the near future.

Based on the latest available official data published by Ania concerning the premiums for Italian direct business written in 2015, your Company continued to rank near the top of the "Marine" sector.
In particular, it came third in the "Hulls" sector and fourth in the "Cargo" sector, with shares of 22% and 9% respectively.

In 2016, as in the past, the Company continued in its intent to provide the best possible service to policyholders, while adopting a technical underwriting policy for new business designed to earn satisfactory and adequate margins.
Also of primary importance is the goal to maintain and strengthen the relationship with our customers, with a view to continuity of relationship, which is also sought in dealings with our reinsurance counterparties.

THE REGULATORY FRAMEWORK

The new Code of Private Insurance (CPI), published on 16 June 2015 in the Official Gazette, which incorporated Legislative Decree no. 74 of 12 May 2015 in order to implement EC Directive 2009/138/CE ("Solvency II") which took effect on 1 January 2016, envisaged an essential review of much of the secondary regulations issued by IVASS.

In this context, the rules governing the financial statements of insurance companies have also been revised, reflecting among other things the changes to the Italian Civil Code as a result of implementing the so-called "Accounting Directive".

This directive was transposed into Italian law through the approval of Legislative Decree no. 139/2015 and Legislative Decree no. 136/2015, which introduced several innovations relating to the preparation of separate and consolidated financial statements.
The new provisions apply to financial statements for periods commencing from 1 January 2016 onwards.
The main changes relate to the general principles for the preparation of financial statements, the initial recognition of certain items, the methods of measurement and the information to be provided in the notes and directors' report.

At the same time, the new Solvency II regime has required a review of the entire reporting package for supervisory purposes to assess its effective and harmonized compliance with the new legislation.

RESULTS OF OPERATIONS

Given all of the above, the Company closed 2016 with a profit before tax of € 9,118 thousand, higher than the € 8,050 thousand reported in 2015.

Net profit for 2016 was € 6,164 thousand, compared with € 5,368 thousand in the prior year, with a marginal decrease of tax pressure.

The following table summarises the statement of income for 2016, with comparative figures for 2015:

(in thousands of euro)	2016	2015
Underwriting result	**7,008**	**6,749**
Net investment income	3,956	3,660
Capital and financial charges	(1,538)	(1,669)
Investment return transferred to the technical account	(1,418)	(1,172)
Other income (expenses), net	634	132
Net extraordinary income (expenses)	476	350
Profit (loss) before taxes	**9,118**	**8,050**
Income taxes for the year	(2,954)	(2,682)
Net profit for the year	**6,164**	**5,368**

With respect to the results for 2016, based on the data set out above, the key factors, which will be discussed more fully in the rest of this report, are as follows:

- The underwriting result, net of the increased investment return transferred from the non-technical account, is largely unchanged from the previous year;
- investment income, net of the related capital and financial charges, shows an improvement due to the increase in gains from sale and the decrease in operating expenses of the real estate sector.
  Further information on this is provided below in the section on "Property and financial management";
- a portion of the investment return was transferred to the technical account on the basis of the criteria laid down in art. 22 of ISVAP Regulation 22 of 4 April 2008.
  It has increased essentially because of this progress made in investment management;

- other income (expenses) net, show again a positive balance, with an increase compared with 2015. The following items, among others, contributed to the formation of this balance, the effects of the trend in foreign exchange differences, which produced a positive net balance of € 40 thousand (having been positive for € 103 thousand in 2015), is mainly due to fluctuations in the US dollar and in the UK pound exchange rate.
  In this regard, note that careful management of the mismatching in foreign currencies allowed us, as in the past, to minimise the effects of exchange differences, despite there being a high proportion of foreign currencies (especially the US dollar) used in the Marine sector.
  For further comments on "Other income" and "Other expenses", reference should be made to Section 21, points III.7 and III.8, of the notes to the financial statements.
- extraordinary items, net, have increased due to higher non-recurring proceeds and mainly include out-of-period income and expenses.
- the tax pressure (32.4%) is just lower than the previous year (33.3%).
  Income taxes are made up of IRES for € 2,400 thousand (€ 2,200 thousand in 2015) and IRAP for € 350 thousand (€ 380 thousand in 2015).
  As in 2015, they do not include any amount for taxes to be paid in EU countries where there are foreign permanent establishments (which would not be recoverable in Italy), as there is no reason for such a provision.
  Income taxes include deferred tax assets of € 282 thousand (€ 289 thousand in 2015) and deferred tax liabilities of € 78 thousand (€ 187 thousand in 2015).
  As regards the deferred tax assets and liabilities, the amounts referred to above take account of the reduction in the IRES rate from 27.50% to 24.00%, which will apply from 2017. In particular, this resulted in the recognition of an expense of € 213 thousand for deferred tax assets and income of € 41 thousand for deferred tax liabilities in 2015.
  Further details are provided in Section 21, point III.14, of the explanatory notes.

Lastly, it is worth mentioning that the very positive result achieved in 2016 was thanks to the usual professionalism and competence demonstrated by the entire staff, to whom we reiterate our esteem. We are counting on their support to do even better in the future.

INSURANCE BUSINESS

Underwriting result

The underwriting result for the years ended 31 December 2016 and 2015 is composed of the following:

(in thousands of euro)	2016	2015
Earned premiums	134,021	127,576
Charges related to claims	(73,358)	(89,007)
Other technical income	(1,599)	(425)
Operating expenses	(29,942)	(27,629)
Gross underwriting result	**29,122**	**10,515**
Balance of outward reinsurance	**(23,441)**	**(4,856)**
Change in other non-technical reserves	(91)	(82)
Investment return transferred to the non-technical account	1,418	1,172
Net underwriting result	**7,008**	**6,749**

The above amounts are for direct and indirect business taken as a whole.

They show a significant increase in the gross underwriting result, which, given the policy adopted by your company, are largely transferred to reinsurers.
This progress confirms the technical validity of the business taken on, also as a result of the selection made in past years which, given a progressive reduction in premiums (stopped in 2015), has seen a more than proportional decline in claims.

A brief analysis of the individual amounts shown above leads to the following considerations:

- earned premiums have risen in line with the related increase in the volume of premiums written (+9.0% than in 2015);
- charges related to claims show a significant reduction, for the lower impact of serious accidents (in terms of number and amount) related to the "Hulls" sector. As in the past, we would reiterate the usual caution that your company normally applies when making reserves;
- other technical items show a higher negative balance, especially following a more appropriate classification of mandate commission income.
  Indeed, since 2016, it has been recorded as a reduction of "Paid claims" in compliance with accounting classification standards adopted by the Group;
- the amount of the change in other technical reserves is in line with that of the previous year;
- as regards the investment return transferred from the non-technical account, it has increased as a result of the better return on investments, net of capital charges, compared with 2015.

The foregoing is also reflected in the net combined ratio, which comes to 86.1% and has slight increased compared with the prior year ratio of 85.1%.
The combined ratio mentioned previously is in a position of absolute pre-eminence in the Italian insurance market.

Gross premiums earned and recorded

The premiums earned in 2016, compared with those of 2015, are as follows:

(in thousands of euro)	2016	2015
Gross premiums written	132,854	121,930
Premiums transferred for reinsurance	(92,214)	(83,410)
Change in the gross unearned premiums reserve	701	3,595
Change in the unearned premiums reserve to be borne by reinsurers, including the balance of portfolio movements	(499)	(4,774)
Net exchange differences on the incoming unearned premiums reserve	142	550
Earned premiums, net of reinsurance	**40,984**	**37,891**

There has been a substantial stability in the incidence of total premiums ceded to reinsurers, which comes to 69.4% (versus 68.4% the previous year).

The following table gives details of premiums earned in 2016, with comparative figures for the previous year:

(in thousands of euro)	2016	2015
Italian direct business		
Hull	83,306	70,318
Marine Cargo	23,283	22,588
	106,589	**92,906**
Motor third-party liability	3,323	3,155
General third-party liability	2,568	2,481
Pecuniary losses	1,344	1,551
Other property damage	1,147	1,151
Other minor business	312	118
	8,694	**8,456**
Total direct business	**115,283**	**101,362**
Indirect business - Italy		
Cargo	10,106	11,906
Motor third-party liability	3,504	4,353
Hull	3,257	3,591
Other minor business	591	606
	17,458	**20,457**
Indirect business - Abroad	**113**	**111**
Total indirect business	**17,571**	**20,568**
Grand total	**132,854**	**121,930**

Note that direct business is entirely Italian and includes all policies issued by permanent establishments abroad, all located in EU member countries.
To be more specific, they are situated in Belgium and Germany.

Comments on these figures are summarised below:

- 2016 production is essentially attributable to the "Marine" sector, as in the past.
  However, as required by the regulations governing financial statements and having regard for the insurance cover provided under contract, part of this production has been allocated to non-Marine sectors.
  In particular, carrier third-party liability coverage, which comes from the "Cargo" sector with premiums classified to Motor Third-Party Liability, represents almost all of this sector's premiums;

- generally speaking, production for the year shows a considerable increase. This refers to direct business, as indirect premiums have suffered a setback.

The progress in direct business is essentially attributable to the Hulls sector.
Indirect business is mainly constituted by transfers from the parent company UnipolSai Assicurazioni S.p.A.
These figures have been positively affected, although slightly, by the considerable appreciation of the US dollar during the year (its exchange rate to the euro was 1.0541 at 31 December 2016, compared with 1.0887 at 31 December 2015), having revalued by around +3.2% against the EU currency during 2016.
In fact, much of our business is written in US dollars, especially in the "Hulls" sector;

- premiums of the "Hulls" sector show a significant increase mainly due to the positive effect of the time difference of policy renewal of important fleets, which are over 12 months, and to coverage of new construction risk for the "Shipyards" sector.
  This increase was helped by the "A–" rating assigned in May 2016 by the leading international rating agency AM Best, which specializes in the insurance industry. This rating made it possible to recover some of the ground lost in recent years and to acquire new customers, both in Italy and abroad.
  Despite difficult market conditions, the Company managed to maintain its Italian and foreign customer portfolios, also making appropriate contract changes where necessary, and in some cases increasing its presence in select quality deals.
  As usual, production was generated by applying unchanged, strict underwriting policies and by focusing on the retention of business that is likely to be remunerative;

- the "Marine Cargo" sector's direct premiums are stable with respect to 2015, despite the continuing and still unfavourable economic situation (especially as regards the domestic component).
  In this difficult context, the Company remained true to its policy, by avoiding the assumption of risks that had not been correctly measured with inadequate premiums, while we continued to analyse individual risks carefully, without overlooking any technical aspects. Where possible, lost contracts were replaced by new business;

- direct premiums in the Elementary and TPL Motor sectors as a whole are showing significant changes on the previous year.
  As indicated above, these premiums are fed almost exclusively by business from the "Marine" sector;

- as regards indirect business, where foreign business continues to be insignificant, there has been a generally setback in its production.
  In addition, the indirect business in the Motor third-party liability sector relates entirely to carrier liability business coming from the Cargo sector;

- indirect premiums from the unrestricted provision of services were not significant, while the related direct premiums totalled € 39,333 thousand (€ 35,022 thousand in 2015).
  These premiums relate solely to the Hulls sector for € 34,489 thousand (€ 30,155 thousand in 2015) and to the Cargo sector for € 4,844 thousand (€ 4,867 thousand in 2015);

- a geographical analysis of gross direct and indirect premiums is provided below:

(in thousands of euro)	2016	2015	2016	2015
• in Italy			122,495	112,989
• abroad, via permanent establishments located in:				
Belgium	4,752	4,684		
Germany	5,607	4,257	10,359	8,941
			132,854	121,930

Lastly, no new insurance products worthy of mention were launched during the year.

Outward reinsurance

There were no significant changes in the Company's policy regarding reinsurance in 2016.

In general terms, a fairly high percentage of our "Marine" business, especially with reference to the "Hulls" sector, continues to be placed on a proportional basis with reinsurers, in view of the substantial exposures and often large sums insured.

Moreover, the residual exposure is usually reduced by stop-loss cover in the event of serious disasters.

The outward reinsurance plan and the reinsurance guidelines for 2016 were approved by a special resolution of the Board of Directors, as foreseen in IVASS Circular 574D/2005.

Charges related to claims

Charges related to claims in 2016, with comparative figures for 2015, are as follows:

(in thousands of euro)	2016	2015
Gross claims settled	100,259	130,235
Claims settled borne by reinsurers	(71,765)	(103,117)
Change net of recoveries	(1,515)	(1,020)
Change in the gross claims reserve	(20,692)	(34,020)
Change in the claims reserve borne by reinsurers, including the balance of portfolio movements	16,524	31,927
Net exchange differences on the incoming claims reserve	(574)	(1,607)
Settlement costs, transferred from the non-technical account	1,277	1,211
Expenses related to claims, net of recoveries and reinsurance	**23,514**	**23,609**

The amount of claims settled in 2016, before recoveries from reinsurers and before allocating internal settlement costs, is summarised below according to the main categories:

(in thousands of euro)	Direct business	Indirect business	Total
Claims paid	86,064	8,408	**94,472**
Settlement costs	4,164	–	**4,164**
Direct costs	1,623	–	**1,623**
	91,851	8,408	**100,259**

With regard to direct business, the following breakdown by sector of claims settled in 2016 is compared with similar data for the previous year:

(in thousands of euro)	2016	2015
Hulls	64,109	90,487
Marine Cargo	12,392	15,822
	76,501	**106,309**
General third-party liability	4,177	1,375
Motor third-party liability	3,073	2,698
Other property damage	1,284	1,325
Pecuniary losses	1,007	518
Rolling stock	10	511
Deposits	5	812
Other minor business	7	175
	9.563	**7.415**
Total direct business	**86.064**	**113.724**

Analysis of the above data indicates a significant decrease in direct business claims settled in 2016 compared with the previous year.
The decrease is mainly attributable to the Hulls sector and is explained below.

In addition, payments in these periods were affected by the marginal appreciation (+3.2%) of the dollar against the euro, with a closing rate at 31 December 2016 of 1.0541, compared with 1.0887 at 31 December 2015.

An analysis of claims settled for direct business is presented below:

- for the Hulls sector, the decrease change in the amount of claims settled is due to a number of serious claims settled during 2015, first and foremost the "Norman Atlantic", amounting to € 26,538 thousand;
- for the Cargo sector, the amount of payments in 2016 went down due to the trend in payments rather than for specific reasons;
- for the other sectors, the increase is correlated to the general Motor third-party liability segment, for which some claims under third-party mandate were settled for a significant amount taken individually.
  Claims relating to carrier third-party cover (from the Cargo sector) represent a significant part of the payments made in relation to the Motor third-party liability sector.

In addition, with regard to direct Italian business, it is not considered necessary to report the speed of claims settlement in the elementary and motor sectors (excluding the business deriving from the "Marine" sectors), since the steady reduction in the related portfolio and the sharp contraction in the numbers concerned mean that this indicator is no longer relevant. On the other hand, for the Hull and Cargo sectors, no indication of settlement speed is given as it is not considered representative of the situation in question.


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SALES ORGANISATION

During the year, the distribution organisation did not change, both in Italy and abroad.

In Italy, the distribution network at 31 December 2016 consists of 16 general agents and 198 brokers (15 and 211, respectively, at 31 December 2015).
Geographically, 77.1% are located in the North (165 intermediaries, compared with 175 at 31 December 2015) and 22.9% in the Centre-South (49 intermediaries, compared with 51 at 31 December 2015).

Abroad, the organisational structure consists of permanent establishments located in Belgium, and Germany.

As in the past, intermediaries (in both Italy and abroad) are coordinated solely from the offices in Genoa.

Acquisition expenses totalled € 23,029 thousand € (€ 21,027 thousand in 2015), up on the previous year due to the growth in production.
Of these costs, € 18,742 thousand related to direct business (€ 16,163 thousand in 2015) and € 4,287 thousand to indirect business (€ 4,864 thousand in 2015).

The ratio of commissions paid to third parties for new direct business to the related premium income was 16.2% (15.9% in 2015).

PERSONNEL AND ADMINISTRATIVE EXPENSES

At 31 December 2016, the Company had 102 employees (101 at 31 December 2015), including 4 executives, 15 middle managers and 83 office staff.
Among them, 47 were on part-time secondments to subsidiaries.

In addition to these, at the same date the staff also included 49 employees in Group companies (49 in 2015) the latter on secondments (27 full-time and 22 part-time) seconded to the Company principally in the performance of duties related to the operations of the "Marine Hub".
In addition, there are no freelance collaborators (1 in 2015).

The full time equivalent (FTE) headcount, that is, considering actual working hours, in 2016 was 143 employees (140 in 2015).

After allocating a proportion of personnel expenses and the depreciation of tangible assets to policy acquisition and claims settlement, administrative expenses amounted to € 6,912 thousand (€ 6,601 thousand in 2015).

PROPERTY AND FINANCIAL MANAGEMENT

During 2016, financial management operated in accordance with the guidelines of the Investment Policy adopted by the Company, and with the guidelines provided by the Group Investment Committee, maintaining substantially the same asset allocation.

Transactions were carried out in accordance with the general principles of prudence and enhancement of asset quality in the medium to long term.
These principles were applied in a way that gave priority to the realization of profitability targets as consistent as possible with the yield profile of the assets and with the dynamics and characteristics of the liabilities, with a multi-year time profile.

The criteria of investment marketability and prudence have been the guideline for our investment policy, while maintaining the necessary consistency with the profile of liabilities.

Financial management has focused on the bond sector, where we increased our exposure to government bonds.

The exposure to equities has slightly increased.

We maintained an adequate cash position in the portfolio to meet the needs of the core business.

Trading on financial markets has been designed to achieve our profitability targets.

At 31 December 2016, the duration of the portfolio is 3.16 years, an increase on the end of 2015 (2.85 years), while complying with the limits imposed by the Investment Policy.

In the portfolio, which is denominated mainly in euro, there are positions in other currencies for which the exchange rate risk has not been hedged because of the peculiarities of the core business, which operates mainly in US dollars.

At 31 December 2016 total investments amounted to € 124,984 thousand (€ 116,706 thousand at 31 December 2015), 7.1% up on the previous year.

Details are provided below:

(in thousands of euro)	31.12.2016	31.12.2015
Buildings	18,348	17,690
Shares and quotas	150	41
Mutual funds	1,224	1,224
Bonds and other fixed-income securities	103,842	96,345
Loans	68	80
Restricted deposits with bank	491	491
Deposits with ceding undertakings	861	835
	124,984	**116,706**

Bonds and other fixed-income securities and buildings continue to represent the bulk of total investments (97.8%, compared with 97.7% at 31 December 2015).

With regard solely to financial investments (excluding those in Group companies), shares and mutual funds invested in equities represent 1.3% of the total (1.3% at 31 December 2015) due to continuing caution in this area.

The main comments on each type of investment are as follows:

- buildings have increased in amount as a result of the improvements made and capitalised during the year.
  This caption is made up entirely of the commercial property that houses the Company's offices.
  A significant proportion of this building is rented to the parent company UnipolSai Assicurazioni S.p.A., while another part (which is also destined to be leased) is currently undergoing redevelopment;
- shares and quotas continue to be insignificant, even if their balance has increased.
  It refers to 43,192 shares of the indirect parent company Unipol Gruppo Finanziario S.p.A., for an amount of € 109 thousand, purchased in June 2016 and held to service the "performance share" stock-based compensation plan for the Company's top managers.
  In addition to the above, this item also includes the shares of the affiliate UnipolSai Servizi Consortili S.c.a.r.l., for a total of € 41 thousand;
- the units in mutual funds (most of them equity-based) are unchanged in amount;

- bonds and other fixed-interest securities increase on the end of the previous year.
  A distinct preference for government issues (especially domestic ones).
  The portfolio, mainly in euro, includes positions in other currencies (exclusively US Dollars).
  These are represented by fixed-income securities, € 72,031 thousand, and variable-income securities, € 31,811 thousand (€ 52,729 thousand and € 43,616 thousand respectively at 31 December 2015).
  The long-term securities have a book value of € 20,577 thousand (€ 5,906 thousand at 31 December 2015).
  They are represented by BTPs, having varying maturities between 2024 and 2032, with a carrying value of € 14,607 thousand.
  In addition, they comprise € 3,995 thousands of Spanish government bonds and € 1,975 thousand of Portuguese government bonds.
  At the year-end, the total market value of long term securities amounts to € 21,513 thousand.
  During the year, long-term securities have not be sold or transferred to other portfolios.
- restricted deposits with banks, which consist of cash collateral, did not change in the year-end balance;
- deposits with ceding undertakings and loans are essentially unchanged.

No use was made of derivatives during the year and there were no derivative contracts outstanding at 31 December 2016 (as at 31 December 2015).

The following subordinated bonds are held at year end:

Issuer:	**Vodafone Group**
ISIN code:	US92857WAZ32
Par value:	1,000,000 USD
Book value:	877,133 €
Issue:	26 September 2012
Maturity:	26 September 2022
Structure:	make whole, up to maturity

Issuer:	**Monte dei Paschi**
ISIN code:	IT0005013971
Par value:	150,000 €
Book value:	149,782 €
Issue:	17 April 2014
Maturity:	16 April 2021
Structure:	covered bond

Issuer:	**Pfizer Inc.**
ISIN code:	US717081DH33
Par value:	1,500,000 USD
Book value:	1,403,359 €
Issue:	3 June 2013
Maturity:	15 June 2023
Structure:	callable at par up to maturity

Issuer:	**eBay Inc.**
ISIN code:	US278642AE34
Par value:	1,500,000 USD
Book value:	1,343,970 €
Issue:	24 July 2012
Maturity:	15 July 2022
Structure:	callable at par up to maturity

Issuer:	**Apple Inc.**
ISIN code:	US037833AK68
Par value:	1,300,000 USD
Book value:	1,184,951 €
Issue:	3 May 2013
Maturity:	3 May 2023
Structure:	callable at par up to maturity

At year-end, the book value of the securities portfolio was € 5,820 thousand lower than its market value at the same date (€ 7,692 thousand at 31 December 2015).
This unrealised capital gain is related to bonds and other fixed-income securities for € 5,484 thousand (€ 7,200 thousand at 31 December 2015), to mutual funds for € 304 thousand (€ 492 thousand at 31 December 2015) and to equities for € 32 thousand (none at 31 December 2015).
As regards the capital gain on bonds and other fixed income securities, the amount related to investment securities was € 936 thousand (€ 1,102 thousand at 31 December 2015).

Additional information can be found in the notes to the financial statements.

Summary data regarding income from property and financial management is shown below for each type of investment, with comparative figures for the previous year:

(in thousands of euro)	2016	2015
Net profit from:		
shares		
dividends paid	–	–
net gains (losses) on disposals	3	(13)
net write-backs (writedowns)	–	–
	3	**(13)**
bonds and other fixed-income securities		
interest income	2,691	2,645
net gains (losses) on disposals	584	355
net write-backs (writedowns)	(55)	(122)
	3,220	**2,878**
other financial investments	**–**	**5**
buildings		
rental income	537	553
depreciation	(619)	(599)
	(82)	**(46)**
Total income, net	**3,141**	**2,824**
Expenses		
operating expenses	714	825
interest expense	8	9
Total expenses	**722**	**834**

As a whole, investment management produced a result significantly better than that of 2015, in terms of both income and expenses.
As regards income, bonds obtained the highest return, whereas in terms of expenses, most are attributable to the property sector.

Further information on the individual types of investment is provided below:

- for equities, with figures that confirm the lack of interest in this type of investment;
- for bonds and other fixed-income securities, there has been a modest increase in profitability during the year, due to:
  - no change in accrued interest, given that interest rates have been stable;
  - an increase in the trading balance, while protecting the profitability implicit in the existing portfolio;
  - a less negative balance of write-downs, net of write-ups.
- for other financial investments, the result is immaterial, as in the previous year;
- for buildings, represented exclusively by the property in Genoa, where the head office and the company's operations are located, in addition to marginal changes in the overall balance, we would point out the following with regard to just the portion intended for use by third parties:
  - continuing renovations on the ground floor, though they are now at an advanced stage of completion, stepping up the work so that the property can start earning rent;
  - the lease of four floors to the parent company UnipolSai Assicurazioni S.p.A. at current market conditions.

Operating expenses concerned the property sector for € 530 thousand (€ 649 thousand in 2015) and the securities sector for € 184 thousand (€ 176 thousand in 2015).
Operating expenses of the property sector mainly decrease for lower non-capitalisable extraordinary maintenance (€ 60 thousand, versus € 149 thousand in 2015) and mainly relate to IMU (€ 225 thousand, the same as in 2015).

Interest expense related exclusively to the remuneration of reinsurance deposit accounts.

OWN SHARES, SHARES IN THE PARENT COMPANY AND ITS SUBSIDIARIES

The Company forms part of the "Unipol Insurance Group" (Register of Insurance Groups, no. 046), which in turn is subject to the direction and coordination of Unipol Gruppo Finanziario SpA.
This means that your Company is subject to the direction and coordination of Unipol Gruppo Finanziario SpA, pursuant to arts. 2497 of the Civil Code.
This activity had no effect on the company and its results.
UnipolSai Assicurazioni S.p.A. is the direct parent company, as it holds 94.61% of the share capital of your company.

Having said that, note that the company does not hold, nor has it traded during 2016, any of its own shares or shares in companies belonging to "Gruppo Assicurativo Unipol, except as indicated below.

In fact, in addition to a marginal investment in UnipolSai Servizi Consortili S.c.r.l. (acquired in previous years), in June 2016 the Company purchased 55,000 ordinary shares of the indirect parent company Unipol Gruppo Finanziario S.p.A. to service the "performance share" stock-based compensation plan for the Company's top management.
This plan was approved by the Shareholders' Meeting of 18 June 2013 and the acquisition was made to implement the resolution of the Shareholders' Meeting held on 18 April 2016.
Of these Unipol Gruppo Finanziario S.p.A. shares, 43,192 still remain at 31 December.

INTERCOMPANY TRANSACTIONS

With regard to transactions with related companies, the principal intragroup activities relate to insurance business in the broadest sense (mainly reinsurance and coinsurance), the management of property and securities, IT services and the settlement of claims.

As required by art. 2427.22-bis of the Italian Civil Code, it is confirmed that these transactions with related parties (which are mentioned below with reference to each Group company) have been carried out at normal market terms.

UnipolSai Assicurazioni S.p.A. has been granted mandates to provide internal audit, compliance, risk management services and actuarial function.
In addition, reinsurance transactions are entered into with this company, in relation to the Marine sector.

Moreover, the following services were received from the parent company UnipolSai Assicurazioni SpA:

- technical and administrative matters, together with services relating to the management of claims in the "non-Marine" sectors";
- information technology;
- management of personnel and systems;
- purchase of goods;
- purchase of non-insurance services;
- management of property;
- management of financial investments.

Your company and the indirect parent company Unipol Gruppo Finanziario S.p.A. have in effect a joint option for the tax consolidation.
The related agreement involves the transfer to the indirect parent company of the taxation and advances payable in relation to the Company's taxable income for IRES purposes.
Conversely, the indirect parent company pays over to the Company the amount of any taxes not paid as a result of using the tax losses, if any, transferred to it by the Company.

We also have reinsurance relationships with the affiliates UnipolRe and UnipolSai Assicurazioni S.p.A.
More specifically, the first case is outward reinsurance, in relation to the elementary and motor sectors, for claims that took place in years prior to 2005.
With the parent company UnipolSai Assicurazioni S.p.A., on the other hand, we have had active reinsurance relationships in the "Marine Insurance" sector.

Conversely, the Company provides UnipolSai Assicurazioni S.p.A. with technical, operational and administrative services in the "Marine Insurance" sector.

The Company receives services from Unipol Banca SAI S.p.A. relating to the bank account maintained with it, as well as safekeeping of the securities deposited with it.

The amounts relating to transactions and balances with companies belonging to the "Gruppo Assicurativo Unipol" are disclosed in the notes.

With regard to transactions with companies subject to the management and coordination of the indirect parent company Unipol Gruppo Finanziario S.p.A., we show below a summary of the significant ones, in accordance with the provisions of the Civil Code, art. 2497-bis, paragraph 5:

Insurance and reinsurance transact. (in thousands of euro)				reserve			
	Debtors	Creditors	Premiums	Claims	Premiums	Claims	Commissions
UnipolSai S.p.A *(parent company)*							
Coinsurance trans.	–	(26)	–	–	–	–	–
Reinsurance trans. – active	2,028	–	(4,294)	(37,761)	16,855	(7,948)	(3,371)
– passive	–	–	8	22	(20)	–	–

Commercial transactions (in thousands of euro)	Debtors	Creditors	Costs	Revenues
UnipolSai S.p.A. *(parent company)*				
services	1,639	(1,001)	(1,067)	1,865
personnel on secondment	39	(1,142)	(2,233)	1,131
rental income and expenses	–	–	–	537

Financial transactions (in thousands of euro)	Debtors	Creditors	Costs	Revenues
Unipol Banca S.p.A. *(affiliated company)*				
Bank deposits	824	–	(17)	12
safekeeping of securities	–	(41)	(81)	–

Fiscal relations (in thousands of euro)	Debtors	Creditors	Costs	Revenues
Unipol Gruppo Finanziario SpA *(indirect parent company)*				
tax group arrangements	2,584	(2,400)	–	–

Key: (...) Creditors / Costs

PRIVACY POLICY

The Company has put in place all the required measures to ensure compliance with the obligations imposed by the legislation on the protection of personal data (Legislative Decree no. 196/2003), in order to ensure the protection and integrity of the data of customers, employees and anyone else with whom it comes in contact.

ACTIVITIES TO COMBAT AND PREVENT INSURANCE FRAUD IN THE AREA OF THIRD-PARTY LIABILITY ARISING FROM THE USE OF MOTOR VEHICLES ("TPL MOTOR")

In the field of fraud prevention and detection, Decree Law 1 of 24 January 2012, converted with amendments into Law 27 of 24 March 2012, resulted in IVASS issuing Regulation 44 of 9 August 2012.
This Regulation requires insurance companies to sent the Authority an annual report containing the information needed to assess the efficiency of processes, systems and people, in order to ensure the adequacy of the company's organisation vis-à-vis the objective of preventing and combating fraud in the TPL Motor sector.

The same Decree Law also provides that insurance companies are required to indicate in the report or in the accompanying notes to the annual financial statements, and to publish on their websites or other appropriate form of dissemination, an estimate of the reduction in charges for claims as a result of discovering cases of fraud.

Pursuant to art. 30, paragraph 2, of Decree Law 1/2012, the estimated reduction in charges for claims as a result of combating fraud is unquantifiable, as no claims were assessed for fraud during the year 2016.
This is also a result of the low number of policies pertaining to the business sector in question.

INFORMATION ON COMPANY RISKS

With regard to the identification, assessment and control of business risks, the company makes use of the work performed by the risk management function within UnipolSai Assicurazioni S.p.A.

Set out below are additional disclosures to facilitate an assessment of the Company's financial position.

This assessment has been performed in accordance with ISVAP Regulation No. 20 issued in 2008 and Solvency II legislation.

The control of financial risk is performed by means of periodic monitoring of the key indicators of exposure to interest rate risk, credit risk, equity risk and liquidity risk.

Interest rate risk

At 31 December 2016, the duration of the class C investment portfolio, an indicator of the Company's exposure to interest rate risk, amounted to 3.16 years.
With specific reference to the bond portfolio, the duration is equal to 3.35 years (2.85 years at 31 December 2015).

Risk Sector	Composition	Duration	Increase 10 bps	Increase 50 bps
Government	83.16%	3.11	−283,118	−1,415,589
Financial	12.25%	4.19	−56,240	−281,201
Corporate	4.60%	5.45	−27,426	−137,131
Bonds	**100.00%**	**3.35**	**−366,784**	**−1,833,921**

The table below shows the sensitivity, limited to the bond portfolio, to a parallel shift in yield curves for financial instruments.

Credit risk

The policy is for the securities portfolio to be invested primarily in investment-grade securities (96.96% of the bond portfolio, compared with 98.46% at 31 December 2015).
In particular, 9.28% of the bonds are rated double A, 1.22% single A and 86.46% triple B.

Credit risk is monitored by means of the measurement of the sensitivity of the portfolio to changes in the credit spread.

Rating	Composition	Increase 1 bps	Increase 10 bps	Increase 50 bps
AA	9.28%	−2,930	−29,298	−146,488
A	1.22%	−497	−4,971	−24,857
BBB	86.46%	−42,725	−427,252	−2,136,258
NIG	3.04%	−2,187	−21,869	−109,345
Bonds	**100.00%**	**−48,339**	**−483,390**	**−2,416,949**

Equity risk

Equity risk is monitored by analysing the sensitivity of the equity portfolio to fluctuations in equity markets as represented by sectoral indices.

Sector	Composition	Beta	Shock −10%
Funds	91.42%	0.87	−157,536
Finance	8.58%	1.19	−14,789
Equity	**100.00%**	**0.89**	**−172,325**

Liquidity risk

The construction of the investment portfolio as coverage for reserves is done by giving a preference to highly liquid financial instruments and by limiting the purchases of securities, for which, due to their specific nature and conditions, there is no guarantee that they can be sold promptly on fair terms.
From this point of view, the Company constantly monitors cash flow matching between assets and liabilities in order to limit the need to sell off investments without adequate notice.

SOLVENCY CAPITAL REQUIREMENT AND ELIGIBLE OWN FUNDS

Solvency II was introduced in Italy from 1 January 2016 and has profoundly changed the solvency capital requirements, concentrating them essentially on the risks assumed by the insurance company (or group of insurance companies).
Based on the results at 31 December 2016, the Company has a Solvency Capital Requirement of € 38,536 thousand and a Minimum Capital Requirement of € 14,144 thousand.
Again on the basis of these results, the Own Funds available to cover them amount to € 65,384 thousand, so the Company has a cushion in terms of excess capital of € 26,848 thousand.
So, on the basis of the above, at 31 December 2016 the Solvency II ratio stood at 170.0%.

OTHER INFORMATION

With regard to the information relating to:

- disputes with the Tax Authorities for value-added tax on co-insurance relationships, please refer to Section 12, Part E.2 of the Notes.
  Given the importance of this matter, it is worth noting that on 8 March 2017 the Supreme Court filed a long-awaited judgement, that was well articulated and motivated, which upheld the Company's argument, enshrining a principle of law that is favourable to us;
- significant events subsequent to the year end and the outlook for operations, please read Part D of the Notes to the financial statements.

Bologna, 14 March 2017

For the Board of Directors
The Chairman
(Fabio Cerchiai)

02 ANNUAL ACCOUNTS

BALANCE SHEETS

STATEMENT OF INCOME

NOTES TO THE FINANCIAL STATEMENTS

ATTACHMENTS

BALANCE SHEETS
AS OF 31 DECEMBER 2016 AND 2015

(in thousands of €)

	ASSETS	31.12.2016		31.12.2015	
B.	INTANGIBLE ASSETS				
	5. Other deferred costs		168		92
C.	INVESTMENTS				
	C.I Property				
	1. Property used for business purposes	6,252		6,102	
	2. Property used by third parties	12,096	18,348	11,588	17,690
	C.II Investments in group and related companies		150		41
	C.III Other financial investments				
	1. Shares and quotas	0		0	
	2. Mutual fund units	1,224		1,224	
	3. Bonds and other fixed-interest securities	103,842		96,345	
	4. Loans	68		80	
	6. Restricted deposits with banks	491	105,625	491	98,140
	C.IV Deposits with ceding undertakings		861		835
	TOTAL		124,984		116,706
D.bis	TECHNICAL RESERVES CARRIED BY REINSURERS				
	1. Unearned premiums reserve	31,051		31,550	
	2. Claims payable reserve	125,969	157,020	147,749	179,299
E.	DEBTORS				
	E.I Receivables arising out of direct insurance				
	1.a Due from policyholders for current premiums	42,403		39,595	
	1.b Due from policyholders for premiums relating to prior years	3,733		2,565	
	2. Due from agents and others intermediaries	10,214		8,663	
	3. Due from insurance companies	4,158		6,177	
	4. Due from policyholders and third parties	3,074	63,582	0	57,000
	E.II Reinsurance debtors				
	1. Insurance and reinsurance companies	4,040		10,481	
	2. Reinsurance intermediaries	0	4,040	0	10,481
	E.III Other debtors		9,761		9,850
	TOTAL		77,383		77,331
F.	OTHER ASSETS				
	F.I Tangible assets				
	1. Furniture and office machine	218		213	
	3. Plant and equipment	0	218	3	216
	F.II Cash and cash equivalents				
	1. Bank accounts	4,078		7,270	
	2. Cheques and cash	4	4,082	1	7,271
	F.IV Other assets				
	1. Temporary reinsurance accounts	0		0	
	2. Other	1,331	1,331	1,732	1,732
	TOTAL		5,631		9,219
G.	PREPAYMENTS AND ACCRUED INCOME				
	1. Interest	777		745	
	2. Other	13	790	40	785
	TOTAL ASSETS		365,976		383,432

LIABILITIES AND EQUITY		31.12.2016		31.12.2015
A. CAPITAL AND EQUITY RESERVES				
A.I Share capital		38,000		38,000
A.IV Legal reserve		1,818		1,549
A.VI Reserve for parent company's shares		109		0
A.VII Other reserves		16,581		14,631
A.IX Net profit (loss) for the year		6,164		5,368
TOTAL		**62,672**		**59,548**
B. SUBORDINATED LIABILITIES		**0**		**0**
C. TECHNICAL RESERVES				
1. Unearned premiums reserve	43,144		43,845	
2. Claims payable reserve	199,091		219,784	
5. Other technical reserves	1,967	**244,202**	1,876	**265,505**
E. PROVISIONS FOR RISKS AND CHARGES				
2. Provision for taxation	1,469		1,655	
3. Other provisions	0	**1,469**	50	**1,705**
F. DEPOSITS FROM REINSURERS		**136**		**587**
G CREDITORS AND OTHERS LIABILITIES				
G.I Payables arising out of direct insurance				
1. Due to agents and other intermediaries	2,948		3,291	
2. Due to insurance companies	2,551		5,420	
4. Guarantee funds in favour of policyholders	0	**5,499**	0	**8,711**
G.II Reinsurance creditors				
1. Insurance and reinsurance companies	21,436		24,957	
2. Reinsurance intermediaries	26	**21,462**	1	**24,958**
G.VII Termination indemnities		**1,129**		**1,238**
G.VIII Other creditors				
1. Taxes paid by policyholders	477		454	
2. Miscellaneous taxes payable	780		838	
3. Due to social security and welfare institutions	290		232	
4. Sundry creditors	5,665	**7,212**	3,234	**4,758**
G.IX Other liabilities				
1. Temporary reinsurance accounts	0		0	
2. Commission on premiums to be collected	6,789		5,711	
3. Sundry liabilities	15,406	**22,195**	10,711	**16,422**
TOTAL		**57,497**		**56,087**
H. DEFERRED INCOME AND ACCRUED LIABILITIES				
1. Interest		**0**		**0**
TOTAL LIABILITIES AND EQUITY		**365,976**		**383,432**

STATEMENT OF INCOME

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(in thousands of €)

I. TECHNICAL ACCOUNT	31.12.2016		31.12.2015	
1. EARNED PREMIUMS, NET OF REINSURANCE				
a. Gross premiums written	132,854		121,930	
b. Outward reinsurance premiums	(92,214)		(83,410)	
c. Change in unearned premium reserve	1,166		5,646	
d. Change in unearned premium reserve carried by reinsurers	(822)	**40,984**	(6,275)	**37,891**
2. INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT		**1,418**		**1,172**
3. OTHER TECHNICAL INCOME, NET OF RECOVERIES AND REINSURANCE		**652**		**2,863**
4. CLAIMS INCURRED, NET OF RECOVERIES AND REINSURANCE				
a. Claims paid				
aa. Gross amount	(101,536)		(131,446)	
bb. (less) ceded to reinsurers	71,765	**(29,771)**	103,117	**(28,329)**
b. Change in recoveries, net of reinsurance				
aa. Gross amount	5,515		1,833	
bb. (less) ceded to reinsurers	(4,000)	**1,515**	(812)	**1,021**
c. Changes in claims payable reserve				
aa. Gross amount	22,664		40,606	
bb. (less) ceded to reinsurers	(17,921)	**4,743**	(36,907)	**3,699**
TOTAL		**(23,513)**		**(23,609)**
6. PROFIT COMMISSIONS, NET OF REINSURANCE		**(145)**		**(132)**
7. OPERATING EXPENSES				
a. Aquisition commissions	(20,712)		(19,525)	
b. Other acquisition costs	(2,317)		(1,503)	
d. Collection commissions	(1)		0	
e. Other administrative expenses	(6,913)		(6,601)	
f. Commission and other income from reinsurers	19,489	**(10,454)**	17,713	**(9,916)**
8. OTHER TECNICAL EXPENSES, NET OF REISURANCE		**(1,843)**		**(1,438)**
9. CHANGE IN OTHER TECHNICAL RESERVES		**(91)**		**(82)**
UNDERWRITING RESULT		**7,008**		**6,749**

	III. NON-TECHNICAL ACCOUNT	31.12.2016		31.12.2015	
1.	NET INVESTMENT INCOME				
	a. Income from shares	0		0	
	b. Income from other investments				
	aa. Income on properties	537		553	
	bb. Income from financial investments	2,691		2,646	
	c. Writebacks	61		5	
	d. Gains on sale of investment	667	3,956	456	3,660
5.	CAPITAL AND FINANCIAL CHARGES				
	a. Investment management charges and interest expense	(722)		(834)	
	b. Writedowns	(735)		(726)	
	c. Losses on sale of investment	(81)	(1,538)	(109)	(1,669)
6.	INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT		(1,418)		(1,172)
7.	OTHER INCOME		4,364		4,394
8.	OTHER EXPENSES		(3,730)		(4,263)
10.	EXTRAORDINARY INCOME		581		507
11.	EXTRAORDINARY EXPENSES		(105)		(156)
	NON-TECHNICAL RESULT		2,110		1,301
	PROFIT (LOSS) BEFORE TAXES		9,118		8,050
14.	INCOME TAXES FOR THE YEAR		(2,954)		(2,682)
	NET PROFIT (LOSS) FOR THE YEAR		6,164		5,368


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NOTES TO THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2016 comprise the balance sheet and statement of income, prepared in accordance with ISVAP Regulation 22 of 4 April 2008, as amended and supplemented by IVASS Instruction no. 53 of 6 December 2016 and these explanatory notes, prepared in compliance with Attachment 2 of the said Regulation. As required by this Regulation, a statement of changes in financial position is attached to the financial statements.

Following the change in Regulation no. 22 mentioned above, the balance sheet no longer includes memorandum accounts.

The financial statements have been prepared in accordance with Legislative Decree 209 of 7 September 2005, Legislative Decree 173 of 26 May 1997 (for the parts applicable as of today) and the provisions of IVASS Regulation 22 of 4 April 2008, as amended and supplemented by IVASS Instruction no. 53 of 6 December 2016, as well as current laws.

The financial statements, accompanied by the directors' report on operations, have been audited by PricewaterhouseCoopers S.p.A., who were appointed as auditors for the period 2013-2021, pursuant to current legislation and the shareholders' resolution of 28 November 2013.

A statement of changes in financial position is attached to the financial statements.

These notes are organised into the following parts:

Part A	Accounting policies
Part B	Balance sheet and statement of income
Part C	Other information

In addition, they are accompanied by the Attachments, which form an integral part of the Notes.

Comparative figures are provided, as required by ISVAP Regulation 22 of 4 April 2008, in order to enhance the clarity of presentation.

The presentation of these notes follows the division into parts and sections indicated in Attachment 2 of ISVAP Regulation 22 of 4 April 2008, supplying the information required therein.
For simplicity, the comments on the balance sheet and statement of income captions are coded in the same way as the schedules.

The financial statements have been translated into English from the original version in Italian solely for the convenience of international readers.

They have been prepared in accordance with the Italian law related to financial statements of insurance companies, interpreted and integrated by the accounting principles established by the Italian Accounting Profession.

Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Italy may not conform with generally accepted principles in other countries.

CHANGES IN ACCOUNTING POLICIES

In August 2015, the Council of Ministers approved Decree no. 139/2015 (published in the Official Gazette on 4 September 2015) and Legislative Decree no. 136/2015, which implemented the EU Directive 2013/34/EU (the so-called "Accounting Directive"), introducing numerous innovations related to the preparation of separate and consolidated financial statements and applicable to financial statements for years starting from 1 January 2016.

Legislative Decree no. 139/2015, among other things, made a number of substantive changes to the articles of the Italian Civil Code governing the preparation of financial statements, giving explicit mandate to the OIC to update the national accounting standards in order to present figures on the economic-financial situation in a more timely and consistent manner. This also in view of the trend towards international accounting standards (IAS/IFRS).
On 22 December 2016, the Italian Accounting Body (OIC) issued the new set of Italian accounting standards, which define the criteria for the preparation and measurement of annual and interim financial statements.

The new accounting rules also involve the financial statements of insurance companies, which - as is well-known - are governed by a special sector regulations.
In fact, Legislative Decree no. 139/2015 amends the provisions of the Civil Code regarding the financial statements as well as Legislative Decree 173/1997, but limiting the number of changes that are applicable to the insurance industry.

With Instruction 53 of 6 December 2016, IVASS made changes and additions to ISVAP Regulation 22 of 4 April 2008 concerning the instructions and formats for the preparation of financial statements of insurance companies.
Among other things, this Instruction also included the amendments in the field of financial reporting introduced by the Decree, as well as the changes required by the Code of Private Insurance on harmonization with the Solvency II rules.

The main changes relate to the general principles for the preparation of financial statements, the recognition of certain items, the methods of measurement and the information to be provided in the notes and directors' report.
The main changes dictated by the reform are:

- changes to the balance sheet and statement of income;
- elimination of memorandum accounts from the financial statements and inclusion of their disclosures in the notes;
- amending and supplementing the information to be presented in the report on operations and in the notes;
- changes in the following recognition/measurement criteria:
  - *intangible assets:* research and advertising costs can no longer be capitalised. Such costs are therefore charged to the statement of income in the year they are incurred;
  - *own shares in portfolio:* they must be recognised at purchase cost as a reduction of shareholders' equity, in a specific caption called "Negative reserve for own shares in portfolio". This means that a special reserve in shareholders' equity that offsets the investments in own shares previously recorded as assets no longer has to be set up.
    The differences realised on the sale of own shares should not be recognised in the statement of income, but charged to an equity account.
    The rules regarding the purchase of shares in the parent company have not been changed.
    Caption A.VI of shareholders' equity, which also included the reserve for own shares, is now renamed "Reserve for parent company's shares in portfolio";
  - *dividends from subsidiary companies:* they can no longer be recorded in the year of maturity, but should only be recognised when there is a legal right to the dividend, which normally coincides with the date of the Meeting that approves its distribution.

These innovations did not apply to the financial statements at 31 December 2016.

Part A

ACCOUNTING POLICIES

DESCRIPTION OF ACCOUNTING POLICIES SECTION 1

The accounting policies applied for the preparation of these financial statements are in conformity with applicable laws and refer to the accounting standards issued by the OIC (Italian Accounting Board) for interpretation.

The accounting policies are the same as those applied in the previous year.

The various items in the financial statements have been valued on a prudent, going-concern basis.

Moreover, we have borne in mind the economic function of each asset or liability; in other words, substance has been preferred over form.

The more important accounting policies adopted for the preparation of these financial statements are discussed below:

Start-up and expansion costs and other deferred costs

These are booked at historical cost and systematically reduced by direct amortisation calculated in relation to their estimated useful lives, which does not exceed five years.

Property

Tangible assets are recorded at purchase cost, including related charges and any revaluation made in accordance with specific laws. They are shown net of accumulated depreciation.
The carrying value is written down in the event of permanent losses.
The amounts recorded in the financial statements include improvements and conversion costs incurred to increase the income-earning capacity of property, or prolong its useful life.
Premises used for business purposes directly by the Company or leased to third parties, are systematically depreciated using rates that reflect their residual useful lives.
Depreciation of wholly-owned property is calculated on the value of the building, net of the value of the land on which it is built.

Shares, quotas, bonds and other fixed-income securities

LONG-TERM INVESTMENTS
Bonds that the Company intends to keep permanently on its balance sheet are recorded at book value.
Carrying value, determined on a weighted moving-average cost basis, is represented by their purchase or subscription cost. It is adjusted or integrated to take account of the amount accrued in the year relating to the negative or positive difference between the redemption value and the purchase cost, with separate disclosure of the amount accrued relating to any issue or trading discounts.
Investments in unlisted companies held as long-term investments are booked at purchase cost, determined on a weighted moving-average basis.
The carrying value is written down in the event of permanent losses.
Original cost is reinstated in future accounting periods if the reasons for any writedowns cease to apply.

SHORT-TERM INVESTMENTS
These are stated at the lower of carrying or market value.
Carrying value, determined on a weighted moving-average cost basis, is represented by their purchase or subscription cost, as adjusted in the case of bonds and other fixed-income securities by the accrued net issue discount.
Original cost is reinstated in future accounting periods if the reasons for any writedowns cease to apply.
The market value of securities listed on organised markets is determined as the simple average of stock market prices struck during the last month of the year.

For securities not listed on organised markets, market value is determined with reference to their estimated realisable value considering the market value of listed securities with similar characteristics or, otherwise, using objective criteria applied on a consistent basis.

Repurchase agreements

Transactions involving the purchase or sale of securities with an obligation to return them after a certain period of time (so-called "repurchase agreements" or "reverse repurchase agreements" - "repos" for short) are booked by disclosing the spot value of the securities bought under "Other financial investments" and maintaining the assets involved in the transactions in the balance sheet of the seller.
The proceeds of such transactions are booked on an accruals basis.

Debtors

These are stated at their estimated realisable value, as provided for by Legislative Decree no. 173/1997, article 16, paragraph 9.
They are shown net of a provision for bad and doubtful accounts.

Tangible assets

Tangible assets are recorded at purchase cost, including related charges, and depreciated on a systematic basis using rates that reflect their residual useful lives.
They are stated net of accumulated depreciation.

Accruals and deferrals

Accruals and deferrals are calculated in order to match costs and revenues that refer to more than one year in the accounting periods to which they relate.

Unearned premiums reserve

This includes the apportioned premiums reserve and the provision for unexpired risks, if applicable.
These are calculated together, in accordance with Attachment 15 of ISVAP Regulation 22 dated 4 April 2008, to cover the cost of accidents and the related expenses that will occur after year-end, to the extent of the cover provided by the premiums paid by policyholders.

DIRECT BUSINESS
The apportioned premiums reserve is calculated on a detailed, accruals basis considering the gross premiums recorded net of acquisition commissions and other costs directly attributable to the acquisition.
This reserve includes specific provisions required by law to cover risks of a particular nature (such as bond insurance, hail and other natural disasters, and those relating to nuclear energy).
In limited cases, with reference to certain premiums accepted by the foreign branches, the accruals basis is applied using inductive systems that are considered to produce essentially the same result.
The reserve for unexpired risks is determined, segment by segment, to cover the risks outstanding after year-end in cases where estimated indemnities and expenses deriving from contracts written before the year-end exceed any related unearned premiums and premiums to be collected. As required by Attachment 15 of ISVAP Regulation 22 dated 4 April 2008, the related calculation is based on the ratio of claims to current generation premiums (net of acquisition commission and other directly attributable acquisition costs), compared with the same ratio in previous years.
The share of the apportioned premiums reserve and the reserve for unexpired risks borne by reinsurers in relation to the Hull, Cargo and Motor third-party liability segments is determined on a detailed accruals basis.
With regard to the other segments, this share is determined by applying to the related reserves the ratio of premiums transferred to reinsurers (net of excess-of-loss transfers) to the gross premiums written on direct business.

INDIRECT BUSINESS

The apportioned premiums reserve is calculated on an accruals basis with reference to related communications received from reinsurers. If reinsurers do not provide sufficient information for this method to be applied, an overall approach is taken.

The general principle of sufficiency required by Attachment 15 of ISVAP Regulation 22 dated 4 April 2008 is applied in every case.

The reserve for outstanding risks is determined using criteria similar to those employed for direct business.

The share of the unearned premiums reserve carried by reinsurers is determined by applying to this reserve the ratio of premiums transferred to reinsurers to the premiums written on indirect business.

Claims payable reserve

This comprises the reserve for accidents already reported and the reserve for accidents that have occurred, but which have not yet been reported.

These are calculated together, in accordance with Attachment 15 of ISVAP Regulation 22 dated 4 April 2008, to cover the cost of accidents that took place in the current or prior years (regardless of the date of the claim) but which have not yet been settled, together with the related direct and indirect settlement costs.

DIRECT BUSINESS

The claims payable reserve is determined on a prudent basis considering all claims not yet settled at year-end, applying objective criteria and taking into account for each segment all foreseeable future charges (using available historical data and considering the specific characteristics of each company), in order to cover a reasonable estimate of all outstanding commitments.

For this reason, the reserve also includes an estimate of accidents that have occurred, but which have not yet been reported at year-end.

The share of the claims payable reserve carried by reinsurers is determined on the basis of the estimated amount recoverable, taking into account the related contractual agreements.

INDIRECT BUSINESS

This is determined on the basis of communications from reinsurers or, if unavailable or insufficient, using an inductive approach that takes historical experience into account.

The share of the claims payable reserve carried by reinsurers is determined using the criteria described for direct business.

Equalisation reserve

The reserve for natural disasters, which has been set up to offset the trend in claims over time, and the compensation reserve of the credit insurance business, designed to cover any negative technical balance retained at the end of each year, have been determined on the basis of the criteria laid down in Attachment 15 of ISVAP Regulation 22 dated 4 April 2008.

Provisions for risks and charges

These provisions cover known or likely charges, whose timing and extent cannot be determined at year-end.

Provisions reflect the best possible estimates, based on the information available.

Creditors

These are stated at their nominal value.

Termination indemnities

This reserve reflects the Company's liability to all employees, pursuant to Art. 2120 of the Italian Civil Code and current labour contracts, taking into account their length of service at year-end and their remuneration.

Premiums

Gross premiums include all amounts earned during the year on insurance contracts, whatever their collection date.
They are booked net of related taxes and duties collected from policyholders and technical cancellations of securities issued during the year.
Direct business premiums include apportioned premiums for the Hulls and related third-party liability businesses.
The accruals basis is applied by provisions to the reserve for unearned premiums.

Claims

The gross value of claims includes sums paid for direct and indirect business in settlement and as claim settlement expenses.
The latter, in particular, include personnel costs and the depreciation and amortisation of the tangible and intangible assets used in the management of claims.

Interest and other costs and revenues

These are booked on an accruals basis.

Dividends

Dividends are recorded when collected.

Income taxes

Income taxes are provided on the basis of an estimate of taxable income made in accordance with current tax laws, taking account of any tax losses carried forward and costs disallowed for fiscal purposes.
When timing differences arise (deductible or taxed) between the results for the year and taxable income for corporate income tax purposes, the related taxation is allocated to other liabilities or assets using the tax rate expected at the time the differences reverse.
Deferred tax assets are only recorded if it is reasonably certain that they will be recovered in the future.

Translation of foreign currency balances

Foreign currency balances are recorded by means of a multicurrency accounting system.
Foreign currency balances (excluding non-current assets) are shown in the financial statements after they have been translated into the functional currency (euro) using year-end exchange rates.
The effects of translation are recorded in the statement of income as either “Other income” or “Other expense”, depending on whether they give rise to a gain or a loss.
When the financial statements are approved and the results allocated, any net profits deriving from this translation represent an unrealised gain and are transferred to a non-distributable reserve until they are realised, pursuant to article 2426, paragraph 8 of the Italian Civil Code.

Exchange rates used

The exchange rates applied for the translation to euro of the principal currencies used by the company are reported below (determined with reference to the official rates at 31 December each year), together with the percentage changes with respect to the prior year:

Exchange rate against the euro	31.12.2016	31.12.2015	Change %
US Dollar	1.0541	1.0887	3.2
Swiss Franc	1.0739	1.0835	11.9
British pound	0.8562	0.7379	5.8
Japanese Yen	123.40	131.07	9.7

Functional currency

All amounts shown in the financial statements are expressed in Euro (€), without decimals.
The only exception to this are the figures shown in the Notes to the financial statements and in the Attachments, which are expressed in thousands of euro, with the roundings envisaged in art. 4 of ISVAP Regulation 22 of 4 April 2008.

The above accounting policies are the same as those applied in the previous year.

Exemptions pursuant to Art. 2423, paragraph 4, of the Civil Code

No exemptions have been taken in accordance with the article in question.

TAX ADJUSTMENTS AND PROVISIONS SECTION 2

As envisaged under current regulations, no adjustments and/or provisions have been recorded solely for tax purposes.


CALL SIGN :
MMSI No :
HDG/G
225.0
ROT
0.2 °/min
HEADING
225.1 °
RUDDER
0 °
ENGINE
0 rpm
Setup
Exit

Part B

BALANCE SHEET AND STATEMENT OF INCOME

Balance Sheet - ASSETS

INTANGIBLE ASSETS (CAPTION B) SECTION 1

B. "Intangible assets", which will all benefit future years, amount to € 168 thousand (€ 92 thousand at 31 December 2015) and comprise:

(in thousands of euro)	31.12.2016	31.12.2015	Change
5. Other deferred costs	168	92	76

Attachment 4 shows the changes during the year in the above caption, being additions of € 124 thousand and amortisation for the year of € 48 thousand.

B.5 "Other deferred costs" refer solely to software, which have a useful life of several years, for the residual portion yet to be amortised.

They are stated net of the direct amortisation charge accumulated at year-end.

INVESTMENTS (CAPTION C) SECTION 2

C. "Investments" total € 124,984 thousand (€ 116,706 thousand at 31 December 2015) and comprise:

(in thousands of euro)	31.12.2016	31.12.2015	Change
I. Property	18,348	17,690	658
II. Investments in group and related companies	150	41	109
III. Other financial investments	105,625	98,140	7,485
IV. Deposits with reinsurers	861	835	26
	124,984	**116,706**	**8,278**

C.I "Property" amounts to € 18,348 thousand (€ 17,690 thousand at 31 December 2015) and comprises:

(in thousands of euro)	31.12.2016	31.12.2015	Change
1. Property used for business purposes	6,252	6,102	150
2. Property used by third parties	12,096	11,588	508
	18,348	**17,690**	**658**

These are shown net of accumulated depreciation at 31 December 2016, amounting to € 5,945 thousand (€ 5,326 thousand at 31 December 2015).

The related depreciation charge for the year (€ 619 thousand) is calculated at 3% per year and starts when the property is available and ready for use.

The buildings concerned are considered to be long-term assets as the company intends to hold them over time as a stable investment.

Attachment 4 shows the changes during the year in the above caption.

At 31 December 2016, the market value of the above property was estimated to be € 26,920 thousand (€ 26,032 thousand at 31 December 2015).
Market value was determined in accordance with the rules laid down by ISVAP Regulation 22, articles from 16 to 20. This represents the price at which each property could be sold, at the time of the valuation, by private contract between a seller and a purchaser, assuming that the sale takes place on normal terms and, for property leased to third parties, taking into account the lease instalments and the expiry date of the contract.

The above market value has been determined on the basis of a separate valuation for each building, as shown in the appraisal prepared by an independent expert, bearing in mind the characteristics and income-earning capacity of each property.

The value of property still owned by the Company was not restated under revaluation laws in previous years.

Property is not mortgaged.

C.I.1 **"Property used for business purposes"** relates entirely to part of the building situated at Via V Dicembre 3, Genoa, where the Company's headquarters are located.

This increased by € 444 thousand due to work done in the year on improvements and renovation and decreased by € 294 thousand due to depreciation

C.I.2 **"Property used by third parties"** are only for business purposes and include a portion of the building situation at via V Dicembre 3, Genoa.

This increased by € 833 thousand due to work done in the year on improvements and renovation and decreased by € 325 thousand due to depreciation.

Rentals and the related expenses received (only the Parent Company UnipolSai Assicurazioni S.p.A.) amount to € 369 thousand and € 168 thousand respectively.

No property is subject to finance leasing contracts.

C.II **"Investments in group and other companies"** amount to € 150 thousand (€ 41 thousand at 31 December 2015), an increase of € 109 thousand.

They consist solely of quotas.

C.II.1 **"Shares and quotas"** comprise:

(in thousands of euro)	31.12.2016	31.12.2015	Change
a) parent companies	109	–	109
b) subsidiary companies	–	–	–
c) related companies	40	40	–
e) other	1	1	–
	150	**41**	**109**

The increase in relation to parent companies refers to the purchase of 55,000 ordinary shares of the indirect parent company Unipol Gruppo Finanziario S.p.A.
This purchase was made during the year for future use as part of the performance share stock-based compensation plan for managers of the company.
Subsequently, 11,808 shares were assigned to management, making a capital gain of € 3 thousand.
There are still 43,192 shares, whose book value is € 32 thousand lower than their market value at the reporting date.

These investments, with the exception of the indirect parent company's shares referred to above, are considered to be long-term assets as the company intends to hold them over time as a stable investment.

The definition of related companies makes reference to Art. 5.1.c) of Decree 173 of 26 May 1997.
The definition of subsidiary and associated companies makes reference to art. 2359 of the Italian Civil Code.
"Other" companies mean equity investments as defined in Art. 4.2 of Decree 173 of 26 May 1997.

Attachments 5 and 7 summarise and analyse the changes in this caption during the year.

General information on equity investments is provided in Attachment 6.

C.III "Other financial investments" amount to € 105,625 thousand (€ 98,140 thousand at 31 December 2015) and comprise:

(in thousands of euro)	31.12.2016	31.12.2015	Change
2. Mutual fund units	1,224	1,224	–
3. Bonds and other fixed-income securities	103,842	96,345	7,497
4. Loans	68	80	(12)
6. Restricted deposits with banks	491	491	–
	105,625	**98,140**	**7,485**

As indicated in Attachment 8, the above financial investments are all considered to be short term, with the exception of certain listed government bonds that have been allocated to long-term investments.

(in thousands of euro)	Par value	Book value	Market value
BTP 1° March 2030 – 3,5%	2,000	2,040	2,300
BTP 11 April 2024 – 0,4%	6,500	6,426	6,486
BTP 1° June 2025 – 1,5%	1,500	1,494	1,484
BTP 1° March 2024 – 4,5%	3,000	2,998	3,642
BTP 15 September 2032 – 1,25%	1,500	1,649	1,555
Spain 30 November 2030 – 1,0%	4,000	3,995	4,182
Portugal 21 July 2026 – 2,875%	2,000	1,975	1,864
		20,577	**21,513**

Attachment 8 also compares the book value of each type of investment with its market value. The latter was determined on the basis described in Part A, Section 1, to which reference is made.

As shown in this Attachment, the book value at 31 December 2016 of "Other financial investments" is € 5,820 thousand (€ 7,692 thousand at 31 December 2015) lower than their market value at that date.

The changes in "Mutual fund units" and "Bonds and other fixed-income securities" during the year are analysed below:

(in thousands of euro)	Mutual fund unit	Bonds and other fixed-income securities
Opening balance	**1,224**	**96,345**
Purchases	–	49,138
Writebacks	–	61
Issue discounts and trading	–	170
Gains on redemption	–	–
Losses on redemption	–	–
Sales and reimbursements	–	(42,112)
Adjustments	–	(116)
Exchange differences	–	356
Closing balance	**1,224**	**103,842**

C.III.2 **"Mutual fund units"** comprise open-end funds invested in shares.

Their book value is € 304 thousand (€ 492 thousand at 31 December 2015) lower than their year-end market value.

C.III.3 **"Bonds and other fixed-income securities"** consist of:

(in thousands of euro)	31.12.2016	31.12.2015	Change
a) Listed shares	103,835	96,335	7,500
b) Unlisted	7	10	(3)
	103,842	**96,345**	**7,497**

Their book value is € 5,484 thousand (€ 7,200 thousand at 31 December 2015) lower than their year-end market value. This unrealised capital gain relates to long term securities for, € 936 thousand (€ 1,102 thousand at 31 December 2015).

"Bonds and other fixed-income securities" denominated in euro total € 92,615 thousand, while those in other currencies (exclusively US dollars) amount to € 11,227 thousand (€ 85,500 thousand and € 10,845 thousand at 31 December 2015).

They comprise investments earning interest at fixed rates, € 72,031 thousand, and floating rates, € 31,811 thousand (€ 52,729 thousand and € 43,616 thousand at 31 December 2015).

As for listed "Bonds and other fixed-income securities", government and corporate securities amount to € 87,017 thousand and € 16,825 thousand, respectively (€ 80,848 thousand and € 15,487 thousand).

The issue discounts booked to the statement of income relating to this caption are positive for € 141 thousand and negative for € 6 thousand, while positive and negative trading discounts amount to € 99 thousand and € 64 thousand.

An analysis of significant positions by issuer is presented below, it being understood that all of the securities shown here are listed on regulated markets:

issuer	Amount (in thousands of euro)
Italy	69,128
Spain	4,992
France	4,004
Cassa Depositi e Prestiti	1,991
Portugal	1,975
Comunidad Madrid	1,940
USA	1,421
Goldman Sachs	1,418
Pfizer Inc.	1,403
Barclays Plc	1,360
eBay Inc.	1,344
Apple Inc.	1,185
Bank of America	1,135
Chile	1,093

Note that the bonds and other fixed-income securities have been measured without recourse to the option (provided for by ISVAP Regulation 43 of 12 July 2012) to measure them at other than market value at 31 December 2016.

C.III.4 **"Loans"** relate to loans granted to employees.

The changes during the year are shown in Attachment 10.

C.III.6 **"Restricted deposits with banks"** relates exclusively to a restricted deposit (without deadline) that has been provided as security on our behalf and for the same amount by a bank in connection with domestic insurance business.

The changes during the year are shown in Attachment 10.

C.IV **"Deposits with ceding undertakings"** amount to € 861 thousand (€ 835 thousand at 31 December 2015) and have increased by € 26 thousand.

These solely comprise cash deposits held by reinsurers on the basis of contractual terms regarding their reinsurance risks.

Deposits with ceding undertakings were not written down at any time during the year.

SECTION 4

TECHNICAL RESERVES CARRIED BY REINSURERS (CAPTION D BIS)

D.bis. "Technical reserves carried by reinsurers" amount to € 157,020 thousand (€ 179,298 thousand at 31 December 2015) and consist of:

(in thousands of euro)	31.12.2016	31.12.2015	Change
1. Unearned premiums reserve	31,051	31,550	(499)
2. Claims payable reserve	125,969	147,748	(21,779)
	157,020	**179,298**	**(22,278)**

The changes in this caption are the same as though affecting "Technical reserves".
Accordingly, reference is made to Section 10 for the related discussion.

The amount of technical reserves carried by the parent company UnipolSai Assicurazioni S.p.A. amount to € 30 thousand, of which € 22 thousand by way of claims payable reserve and € 8 thousand by way of unearned premiums reserve.

SECTION 5

DEBTORS (CAPTION E)

E. "Debtors" total € 77,383 thousand (€ 77,331 thousand at 31 December 2015) and comprise:

(in thousands of euro)	31.12.2016	31.12.2015	Change
I. Receivables arising out of direct insurance	63,582	57,000	6,582
II. Reinsurance debtors	4,040	10,481	(6,441)
III. Others debtors	9,761	9,850	(89)
	77,383	**77,331**	**52**

E.I "Receivables arising out of direct insurance" amount to € 63,582 thousand (€ 57,000 thousand at 31 December 2015) and are due from:

(in thousands of euro)	31.12.2016	31.12.2015	Change
1.a Due from policyholders for current premiums	42,403	39,595	2,808
1.b Due from policyholders for premiums relating to prior years	3,733	2,565	1,168
2. Due from agents and other intermediaries	10,214	8,663	1,551
3. Due from insurance companies	4,158	6,177	(2,019)
4. Due from policyholders and third parties	3,074	–	3,074
	63,582	**57,000**	**6,582**

E.I.1 **"Due from policyholders"** for current and prior year premiums amount in total to € 46,136 thousand (€ 42,160 thousand at 31 December 2015) and are shown net of the related provision for doubtful accounts, which amounts to € 978 thousand (€ 852 thousand at 31 December 2015).

"Due from policyholders" were written down by € 321 thousand during the year, given that they were considered uncollectable after an analytical valuation; this writedown was charged to "Other technical expenses, net of reinsurance" in the statement of income.

At the same time, the provision for doubtful accounts was reduced by € 195 thousand as a result of changes in estimates; this amount was charged against "Other technical expenses, net of reinsurance" in the statement of income.

These receivables include € 25,764 thousand in premium instalments not yet due for the Hull and related third-party liability segments (€ 24,213 thousand at 31 December 2015).

E.I.2 **"Due from agents and other intermediaries"** are stated net of a writedown of € 12 thousand (€ 12 thousand at 31 December 2015).

"Due from agents and other intermediaries" were not written down during the year, after an analytical valuation.

These debtors were mostly settled during the early months of the following year.

E.I.3 **"Due from insurance companies"** relate to current account deposits to secure co-insurance and services performed. These are shown net of a provision of € 901 thousand (€ 1,059 thousand at 31 December 2015).

"Due from insurance companies" were written down during the year by € 10 thousand, given that they were considered uncollectible after a general valuation; the writedown was charged to the statement of income under "Other expenses".

At the same time, the provision for doubtful accounts was reduced by € 168 thousand as a result of changes in estimates; this amount was charged to "Other income" in the statement of income.

This balance does not include any amounts due from the parent company UnipolSai Assicurazioni S.p.A. or subsidiaries.

E.I.4. **"Due from policyholders and third parties"** refer to reimbursements of claims paid mainly relating to Hulls for € 2,299 thousand, Cargo for € 365 thousand and Pecuniary losses for € 334 thousand.

This is a new caption, created as a result of refining the process for handling reimbursements, which came into full force in 2016.

It takes into account the estimated recovery value of each reimbursement.
The portion to be transferred to reinsurers has been recorded under "Other liabilities".

E.II **"Reinsurance debtors"** amount to € 4,040 thousand (€ 10,481 thousand at 31 December 2015) and are due from:

(in thousands of euro)	31.12.2016	31.12.2015	Change
1. Insurance and reinsurance companies	4,040	10,481	(6,441)
2. Reinsurance intermediaries	–	–	–
	4,040	**10,481**	**(6,441)**

E.II.1 Reinsurance receivables from **"Insurance and reinsurance companies"** are stated net of a provision of € 1,403 thousand (€ 1,800 thousand at 31 December 2015) which relates solely to reinsurance current accounts.

The significant decrease that took place in the balance is primarily attributable to more timely payments by reinsurers compared with the previous year.

During the year, having carried out a general assessment of doubtful accounts, analytical writedowns were made of € 551 thousand charged to the statement of income under "Other expenses".

At the same time, the provision for doubtful accounts was reduced by € 154 thousand as a result of changes in estimates; this amount was charged to "Other income" in the statement of income.

These receivables include an amount of € 2,028 thousand due from UnipolSai Assicurazioni S.p.A. for active reinsurance.

E.II.2 **"Receivables due from reinsurance intermediaries"** show a zero balance.
This item includes the direct business with them and has not been written down (as at 31 December 2015).

E.III **"Other debtors"** amount to € 9,761 thousand (€ 9,850 thousand at 31 December 2015). Their main components are shown below:

(in thousands of euro)	31.12.2016	31.12.2015	Change
Amounts due from the indirect parent company	2,584	1,795	789
Amounts due from the Tax Authorities	2,572	2,941	(369)
Amounts due from tax authorities for disputed tax claim	2,104	1,800	304
Amounts due from the parent company	1,679	1,927	(248)
Deposits with clearing houses	522	1,260	(738)
Advances to suppliers	51	–	51
Due from related companies	34	–	34
Other debtors	215	127	88
	9,761	**9,850**	**(89)**

These receivables were not written down during the year, nor were any provisions for doubtful accounts recorded in the past, since there were no reasons for doing so.

The amounts due from the indirect parent company Unipol Gruppo Finanziario S.p.A. arise from the national tax consolidation and include:

- 2,094 thousand of IRES advances paid during the year;
- 440 thousand attributable to a tax rebate claim filed in February 2013 for the excess IRES paid during the period 2007 to 2010 because of the non-deductibility of IRAP on personnel;
- 45 thousand, of higher IRAP paid in previous years, the reimbursement of which was requested in 2009;
- 5 thousand, of withholding tax paid.

Note that, for 2015-2017, the Group tax regime is headed up by Unipol Gruppo Finanziario S.p.A., the indirect parent company.

Amounts due from tax authorities all refer to the Italian tax authorities.
They relate to:

- the tax advance on insurance policies of € 1,492 thousand paid in May 2016.
  From February 2016, this advance was partially used to offset the tax bill due for the previous month;
- 1,064 thousand direct taxes (including € 740 thousand due to be reimbursed and € 324 thousand of IRAP advances paid during 2016);
- 14 thousand relating to government concession taxes (also due to be reimbursed);
- 2 thousand of excess contributions paid to the National Health Service in 2007.

Since the Company is a member of the domestic tax group, it has transferred its tax credits to the indirect parent company Unipol Gruppo Finanziario S.p.A. to be deducted from the Group tax liability. The amount concerned, € 2,584 thousand, has therefore been reclassified to the caption described below.

The receivable from the Tax Authorities for disputed tax claim concerns indirect taxes on coinsurance and is related to the amount paid:

- in July 2010, for € 1,639 thousand to settle a tax demand issued by the Tax Authorities, following an unfavourable sentence issued by the Liguria Regional Tax Commission for the 2003 tax year;
- in August 2012, for € 161 thousand, to settle a tax demand issued by the Tax Authorities for the 2006 tax year, which was audited by the Tax Police in 2009;
- in December 2016 for € 304 thousand, to settle a notice of assessment issued by the Tax Authorities for the 2010 tax year, which was audited by them in 2014.

In this regard, as more fully described under point E.2 of Section 12 below, it is worth noting that on 8 March 2017 the Supreme Court filed a long-awaited judgement, that was well articulated and motivated, which upheld the Company's argument, enshrining a principle of law that is favourable to us.

The amounts due from the parent company, UnipolSai Assicurazioni S.p.A. refer to operating costs incurred on behalf of that company and therefore recharged to it.
They relate to services provided to it (€ 1,640 thousand) and personnel on secondment (€ 39 thousand).

Deposits with clearing houses refer solely to deposits made in France to Cesam - Comité d'Etudes et des Services des Assureurs Maritimes et Transports, in the ordinary course of business.

Due from related companies refer to staff seconded to Pronto Assistance S.p.A. (€ 17 thousand), Incontra Assicurazioni S.p.A. (€ 11 thousand) and BIM Vita S.p.A. (€ 6 thousand).

OTHER ASSETS (CAPTION F) SECTION 6

F. "Other assets" total € 5,631 thousand (€ 9,218 thousand at 31 December 2015) and comprise:

(in thousands of euro)	31.12.2016	31.12.2015	Change
I. Tangible assets	218	215	3
II. Cash and cash equivalents	4,082	7,271	(3,189)
IV. Other assets	1,331	1,732	(401)
	5,631	**9,218**	**(3,587)**

F.I "Tangible assets" of € 218 thousand, are stated net of accumulated depreciation at year-end of € 1,915 thousand, as analysed below:

(in thousands of euro)	Gross value	Accumulated depreciation	Book value
1. Furniture and office machines	1,914	(1,696)	218
2. Publicly registered assets	15	(15)	–
3. Plant and equipment	204	(204)	–
	2,133	**(1,915)**	**218**

These are considered to be long-term tangible assets forming part of the Company's permanent structure. The movements in their gross book value during the year were as follows:

Gross value (in thousands of euro)	balance at 31.12.2015	Increase	Decrease	balance at 31.12.2016
1. Furniture and office machines	1,846	68	–	1,914
2. Publicly registered assets	15	–	–	15
3. Plant and equipment	203	–	–	203
	2,065	**68**	**–**	**2,133**

Accumulated depreciation amounts to € 1,915 thousand (€ 1,850 thousand at 2015). During the year it increased by € 65 thousand due to the depreciation charge of the year, whereas there was no decrease for the disposal of assets.

The following table sets out the rates of depreciation rates used for each class of assets:

Category	Rate %
furniture	12
fixtures	15
office machines	20
equipment	15
internal communication equipment	25
publicly registered assets	25

These rates have been applied taking into account the year in which the asset is available and ready for use, also in compliance with current tax law.

No accelerated or advance depreciation has been provided.

F.II "Cash and cash equivalents" amount to € 4,082 thousand (€ 7,271 thousand at 31 December 2015) and consist of:

(in thousands of euro)	31.12.2016	31.12.2015	Change
1. Bank accounts	4,078	7,270	(3,192)
2. Cheques and cash	4	1	3
	4,082	**7,271**	**(3,189)**

F.II.1 "Bank accounts" include demand deposits and time deposits of less than 15 days.

These amounts include interest income accrued up to year-end.

Bank deposits at Unipol Banca S.p.A. (a related company) amounted to € 824 thousand.

F.IV "Other assets" amount to € 1,331 thousand (€ 1,732 thousand at 31 December 2015) and consist of:

(in thousands of euro)	31.12.2016	31.12.2015	Change
2. Other	1,331	1,732	(401)
	1,331	**1,732**	**(401)**

F.IV.2 The main items included in **"Other"** are detailed below:

(in thousands of euro)	31.12.2016	31.12.2015	Change
Deferred tax assets	1,220	1,502	(282)
Other assets	111	230	(119)
	1,331	**1,732**	**(401)**

Deferred tax assets derive from temporary differences between the result reported in the financial statements and taxable income for IRES and IRAP purposes. The recovery of these timing differences against future taxable income is deemed to be reasonably likely.

They are mainly attributable to the taxed provision for doubtful accounts (in particular, for receivables from insurance and reinsurance companies) and the change in the provision for net long-term claims outstanding.

The balance was determined using the tax rates that are expected to apply in the year when the related timing differences reverse. The tax rates used for IRES and IRAP were 24.00% (effective from 1 January 2017, lower than the 27.50% applied up to that date) and 6.82% respectively.

Deferred tax assets were fully recognised in prior years.

Other assets mainly include the temporary accounting contra-entry for settlements recharged to us by other insurance companies under co-insurance relationships, waiting for supporting documentation or to be reversed.

Balances relating to such claims are recorded as amounts due to these companies or in the claims payable reserve, as the case may be.

SECTION 7

PREPAYMENTS AND ACCRUED INCOME (CAPTION G)

G. "Prepayments and accrued income" amount to € 791 thousand (€ 786 thousand at 31 December 2015) and comprise:

(in thousands of euro)	31.12.2016	31.12.2015	Change
1. Interest	777	745	32
2. Rents	2	–	2
3. Other	12	41	(29)
	791	**786**	**5**

They are analysed as follows:

(in thousands of euro)	Accrued income	Prepayments	Total
1. Interest	777	–	**777**
3. Other	–	14	**14**
	777	**14**	**791**

Accrued interest income solely concerns bonds and other fixed-income securities.

Other prepayments not for interest are for subscriptions to publications (€ 11 thousand) and insurance premiums (€ 3 thousand).

No accrued income or prepayments have a duration of more than five years, or more than one year.

Balance Sheet - LIABILITIES AND EQUITY

CAPITAL AND EQUITY RESERVES (CAPTION A) SECTION 8

A. As at 31 December 2016 these amount € 62,672 thousand (€ 59,548 thousand at 31 December 2015) and consist of:

(in thousands of euro)	31.12.2016	31.12.2015	Change
I. Subscribed share capital	38,000	38,000	–
IV. Legal reserve	1,818	1,549	269
VI. Reserve for parent company's shares	109	–	109
VII. Other reserves	16,581	14,631	1,950
IX. Net income (loss) for the year	6,164	5,368	796
	62,672	**59,548**	**3,124**

The changes during the year are summarised as follows:

(in thousands of euro)	Subscribed share capital	Legal reserve	Reserve for parent company's shares	Other reserves	Net profit for the year	Total
Balance at 31.12.2015	**38,000**	**1,549**	**–**	**14,631**	**5,368**	**59,548**
Allocation of 2015 earnings authorised at the shareholders' meeting held on 18 April 2016:						
• dividends	–	–	–	–	(3,040)	(3,040)
• to legal reserve	–	269	–	–	(269)	–
• to others reserve	–	–	–	2,059	(2,059)	–
• transfer from extr. reserves	–	–	109	(109)	–	–
Net profit for 2016	–	–	–	–	6,164	6,164
Balance at 31.12.2016	**38,000**	**1,818**	**109**	**16,581**	**6,164**	**62,672**

As required by Art. 2427, 7-bis of the Italian Civil Code, the following table analyses the various items included in equity at 31 December 2015, explaining their origin, possible use and availability for distribution or other purposes (in thousands of euro):

Caption	amount	possible use	available amount
I. Subscribed share capital	38,000	–	–
IV. Legal reserve	1,818	B	–
VI. Reserve for parent company's shares	109	–	–
VII. Other reserves			
reserve for losses	1,953	A, B, C	**1,953**
extraordinary reserve	14,044	A, B, C	**14,210**
reserve for exchange gains	418	B	**418**
reserve for purchase of parent company's shares	166	–	–

Key: A: for increase in capital B: to cover losses C: for distribution to shareholders

None of these reserves has been used in the last three years (including 2015).

A.I **"Subscribed share capital"** amounts to € 38,000,000 and has not changed during the year.

It is represented by 38,000,000 fully-paid ordinary shares, par value € 1 each.

A.IV The **"Legal reserve"** amounts to € 1,818 thousand following an increase of € 269 thousand during the year on allocation of part of the net profit for 2015, as required by art. 2430 of the Italian Civil Code.

A.VI The **"Reserve for parent company's shares"** has been set up to service the "performance share" stock-based compensation plan for the Company's top management.
This plan was approved by the Shareholders' Meeting on 18 June 2013.

In order to implement it, in June 2016, 55,000 ordinary shares of the indirect parent company Unipol Gruppo Finanziario S.p.A. were purchased and the purchase was made in compliance with the resolution of the Shareholders' Meeting of 18 April 2016.

At 31 December, there are still 43,192 shares of Unipol Gruppo Finanziario S.p.A., with a carrying value of € 109 thousand.

This reserve has been adjusted in relation to purchases made in the period and the adjustments to the carrying amounts in the financial statements of the assets in portfolio.

A.VII **"Other reserves"** amount to € 16,581 thousand after the following changes during the year:

(in thousands of euro)	balance at 31.12.2015	Increase	Decrease	balance at 31.12.2016
Reserve for losses	1,953	–	–	**1,953**
Extraordinary reserve	12,386	1,933	(275)	**14,044**
Reserve for purchase of parent company's shares	–	166	–	**166**
Reserve for exchange gains (art. 2426-bis Civil Code)	292	126	–	**418**
	14,631	**2,225**	**(275)**	**16,581**

The increases for the year in the extraordinary reserve and in the reserve for exchange gains were made in accordance with a resolution passed by the Shareholders' Meeting on 18 April 2016 that was held to approve the financial statements for the year ended 31 December 2015.

The decrease in the extraordinary reserve relates to the transfer of the amount to the reserve for purchase of parent company's shares, as approved by the Shareholders' Meeting mentioned above.

The latter is to service the "performance share" stock-based compensation plan for the Company's top management as approved by the Shareholders' Meeting on 18 June 2013.

SUBORDINATED LIABILITIES (CAPTION B) SECTION 9

B. As in the previous year, there are no **subordinated liabilities** at 31 December 2016.

TECHNICAL PROVISIONS (CAPTION C.I) SECTION 10

C.I **"Technical provisions"** at 31 December 2016 amount to € 244,202 thousand (€ 265,505 thousand at 31 December 2015) and consist of:

(in thousands of euro)	31.12.2016	31.12.2015	Change
1. Unearned premiums reserve	43,144	43,845	(701)
2. Claims payable reserve	199,090	219,783	(20,693)
5. Equalisation reserve	1,968	1,877	91
	244,202	**265,505**	**(21,303)**

In compliance with Attachment 15 of ISVAP Regulation 22 of 4 April 2008, these technical provisions have been calculated based on estimates that make the best possible use of available information to ensure that they adequately cover the commitments inherent in insurance policies, to the extent that these are reasonably foreseeable.

The amount of these reserves carried by the indirect parent company, UnipolSai Assicurazioni S.p.A. for reinsurance transactions, includes € 4,294 thousand in unearned premiums and € 37,761 thousand for claims.

The changes in the unearned premiums reserve and in the claims payable reserve during the year are detailed in Attachment 13.

C.I.1 The **"Unearned premiums reserve"** amounts to € 43,144 thousand (€ 43,845 thousand at 31 December 2015) and has been calculated in accordance with Attachment 15 of IVASS Regulation 22 of 4 April 2008.

The unearned premiums reserve refers to direct business for € 38,677 thousand (€ 37,818 thousand at 31 December 2015) and to indirect business for € 4,467 thousand (€ 6,027 thousand at 31 December 2015).

This is made up as follows:

(in thousands of euro)	31.12.2016	31.12.2015	Change
For apportioned premiums	42,424	43,040	(616)
For unexpired risks	890	805	85
	43,144	**43,845**	**(701)**

As required, the unearned premiums reserve is analysed by sector below, considering direct business and indirect business separately:

Unearned premiums reserve (in thousands of euro)			
Business segment	**Direct business**	**Indirect business**	**Total**
Rolling stock	38	62	100
Aircraft	9	–	9
Hulls	35,764	1,028	36,792
Cargo	1,010	2,252	3,262
Fire	736	–	736
Other property damage	127	100	227
Motor third-party liability	627	1,007	1,634
Aircraft third-party liability	1	–	1
General third-party liability	301	18	319
Bond insurance	1	–	1
Pecuniary losses	63	–	63
	38,677	**4,467**	**43,144**

With regard to the unearned premiums reserve for direct business, the above amounts include € 850 thousand for unexpired risks (€ 705 thousand at 31 December 2015).
It relates to Motor third-party liability (€ 400 thousand), Hull (€ 200 thousand), Cargo (€ 150 thousand) and Other property damage (€ 100 thousand).

With regard to the unearned premiums reserve for indirect business, the above amounts include € 40 thousand for unexpired risks (€ 100 thousand at 31 December 2015).
This relates entirely to Other property damage.

Note that any reserve for unexpired risks has been calculated for each business sector taking into account the ISVAP Regulation mentioned above.
In particular, reference was made to the ratio of claims to current generation premiums (net of acquisition commissions and other directly attributable acquisition expenses), compared with the same ratio in previous years.

In addition, as regards the fact that an unearned premiums reserve for unexpired risks has not been set up, except for the one relating to the sectors mentioned above, the following has to be said:

- direct business: the reason is related to the technical performance of the various sectors and, therefore, to the adequacy of the apportioned premium reserve to cover the cost of claims and the related expenses that will take place after the year end;
- except for the provision made for Other property damage, indirect business does not require an unexpired risk reserve.

Lastly, € 736 thousand has been added to the apportioned premium reserve (€ 788 thousand at 31 December 2015) and € 1 thousand (€ 3 thousand at 31 December 2015) respectively against risks related to previous years for natural disasters and against deposits.

C.I.2 The **"Claims payable reserve"** amounts to € 199,090 thousand (€ 219,784 thousand at 31 December 2015) and has been calculated in accordance with ISVAP Regulation 16 of 4 March 2008.

The claims payable reserve refers to direct business for € 157,703 thousand (€ 175,578 thousand at 31 December 2015) and to indirect business for € 41,387 thousand (€ 44,206 thousand at 31 December 2015).

This is made up as follows:

(in thousands of euro)	31.12.2016	31.12.2015	Change
For reimbursements and direct costs	159,024	181,031	(22,007)
For settlement costs	12,018	10,464	1,554
For accidents occurred, but not reported	28,048	28,289	(241)
	199,090	**219,784**	**(20,694)**

As discussed in greater detail in Section I, the valuation of the claims payable reserve was based on a claim-by-claim assessment.

The claims payable reserve has been estimated using the "latest cost method", where necessary applied on the basis of the insurance cover provided in each sector, bearing in mind how it has evolved from prior generations to the year under review.
In particular, considering the special nature of the Hulls and Cargo sectors, the "latest cost method" was included as part of a broader evaluation of the generation as a whole.

In addition, the claims payable reserve also includes an estimate of accidents that have taken place, but which have not yet been reported at year-end. This estimate is based on experience in previous years, bearing in mind the frequency of late claims and the average cost of accidents reported during the year.

Lastly, taking into account the type of risks for these sectors of business, no especially onerous or exceptional accidents are reported late.

C.I.5 "Other technical reserves" amount to € 1,968 thousand (€ 1,877 thousand at 31 December 2015) after the following changes during the year:

(in thousands of euro)	balance at 31.12.2015	Increase	Decrease	balance at 31.12.2016
Equalisation reserve for natural disasters	1,875	91	–	1,966
Compensation reserve	2	–	–	2
	1,877	**91**	**–**	**1,968**

The equalisation reserve for natural disasters was established pursuant to Ministerial Decree 705 dated 19 November 1996 (as referred to in Attachment 15 of ISVAP Regulation 22 of 4 April 2008), in order to offset over time the loss experience associated with the risks concerned.
It refers exclusively to direct business.

The compensation reserve was set up pursuant to Attachment 15 of ISVAP Regulation 22 of 4 April 2008 to offset potential underwriting losses on credit insurance business.

PROVISIONS FOR RISKS AND CHARGES (CAPTION E) SECTION 12

E. "Provisions for risks and charges" amount to € 1,469 thousand (€ 1,706 thousand at 31 December 2015) and are made up as follows:

(in thousands of euro)	31.12.2016	31.12.2015	Change
2. Provision for taxation	1,469	1,656	(187)
3. Other provisions	–	50	(50)
	1,469	**1,706**	**(237)**

The changes in the year for this caption are detailed in Attachment 15.

E.2 The **"Provision for taxation"** includes a provision of € 911 thousand for disputes with the tax authorities and a provision of € 500 thousand relating to expected defence costs and other potential liabilities in relation to the tax dispute detailed below.

In addition, it includes a deferred taxation provision of € 58 thousand in connection with amounts that will become payable in future years.
Deferred tax assets derive from temporary differences between the result reported in the financial statements and taxable income for IRES and IRAP purposes.
The amount due has been calculated by applying the following tax rates: 24.00% for IRES (effective from 1 January 2017, down from 27.50% applied up to that date) and 6.82% for IRAP.

In addition with regard to taxation, the Genoa tax police completed an inspection in 2009. This was conducted to check compliance with current regulations regarding both indirect taxation (for the 2006, 2007 and 2008 tax years) and direct taxation (just the 2006 tax year).

No significant matters emerged in relation to direct taxes, while certain irregularities were notified for indirect taxes regarding co-insurance relationships and the related VAT requirements (as mentioned in section 6).
In particular, these irregularities related to the failure to tax the recharge made to co-insurers of the "settlement rights" due to the delegated company under co-insurance agreements.

The Liguria Regional Tax Office reached the same conclusion during its audit of the 2003 tax year in 2005.
Moreover, on that occasion, the authorities also challenged the failure to subject to VAT the expenses incurred by the Company, as manager of the claim, that were recharged to co-insurers.

With regard to these co-insurance relationships, the company has always followed the tax approach adopted by the insurance industry over the past decades, which does not envisage and has never envisaged that these transactions be subjected to VAT.
Accordingly, the company believes that current legislation has been properly applied, in the absence of official interpretations to the contrary. In particular, with regard to the settlement fees, the approach adopted is supported by a circular issued on 22 March 2013 by the trade association.

Support for this comes from the sentence handed down by the Genoa Provincial Tax Commissioners on 4 October 2007, in relation to the 2003 tax inspection, which fully accepted the Company's appeal against the indirect taxation.

However, in January 2008, the Genoa Tax Office appealed against this ruling to the Liguria Regional Tax Commissioners.
The hearing before this Commission was held in December 2008 and but the ruling was filed on 3 February 2010.
The ruling accepts the Tax Office's appeal and confirms in full the tax assessment appealed by the company.

Recourse was made to this Court in September 2010, in response to which, the Attorney General of the State, on behalf of the tax authorities, lodged a counter appeal in November 2010.

After the hearing held in February 2016, the Supreme Court upheld the Company's appeal against the sentence passed by the Regional Tax Commission of Liguria, with judgement no. 5885/2017, filed on 8 March 2017.
This judgement, which is well articulated and motivated, accepts almost all of the Company's appeal arguments and refers the case to another section of the Regional Tax Commission of Liguria.

The principle of law expressed by the Supreme Court, which the Regional Tax Commission must follow in order to settle the dispute, is sufficiently clear and detailed to make full acceptance of the Company's appeal also by the referral judge reasonably probable, which should result in total annulment of the tax assessment.

In light of the above, management is of the opinion that it is not necessary to have any specific provision for this matter.

Note that, following the above sentence of the Regional Tax Commission of Liguria of February 2010, in May 2010, the Tax Authorities issued a payment notice.
This was duly settled for a total amount of € 1,715 thousand (of which € 1,639 thousand for tax due and € 76 thousand for collection fees).
The amounts paid as provisional collection of higher taxes assessed are shown under "Other receivables" for the reasons set out below, whereas the collection fees were charged to the statement of income in 2010 under "Other expenses".

A similar approach to the one taken for the payment above (i.e. appeal filed and the tax paid accounted for under "Other receivables"), again on the question of the indirect taxes applicable to co-insurance relationships, was also adopted by the Company for:

- the assessment notified by the Tax Authorities in July 2012 based on the audit carried out by the Tax Police in 2009 on the 2006 tax year.
  The amount involved, € 169 thousand (of which € 161 thousand for tax charges and € 8 thousand for collection fees), was settled in August 2012.
  With regard to this verification, in November 2011 we received the related notice of liquidation and in January 2012 we presented an appeal to the Provincial Tax Commission of Genoa.
  In April 2014 this Commission accepted the above mentioned recourse. The Tax Authorities appealed against this ruling in 2015;

- the settlement notice served by the Tax Authorities in October 2012, for the audit carried out by the Tax Police in 2009 for the 2007 tax year.
  The amount involved, € 254 thousand (all for tax charges), was settled in December 2012.
  The Company appealed against this assessment to the Provincial Tax Commission of Genoa in January 2013.
  In November 2013 the Tax Commission accepted the above appeal.
  The Tax Authorities appealed against this ruling in September 2014.
  Once this ruling was filed, upholding the appeal submitted by the Company, in June 2016, the Regional Tax Commission of Liguria rejected the appeal proposed by the Tax Authorities;
  In June 2016, the Regional Tax Commission of Liguria rejected the appeal proposed by the Tax Authorities;
- the notice of assessment notified by the Tax Authorities in December 2013 for the tax year 2008, in respect of the audit carried out by the Tax Police in 2009, for an amount equal to € 1,193 thousand (including penalties and interest up to the beginning of December 2013).
  In January 2014, in relation to the foregoing, payment was made of one third of the additional tax assessed plus interest, amounting to € 256 thousand.
  Similarly to what was done for prior tax years, again for 2008, an appeal was filed (in February 2014) and the same considerations that were previously made for the 2006 and 2007 tax years thus apply here.
  In July 2014 the Provincial Tax Commission of Genoa accepted the above mentioned recourse.
  Once this ruling was filed, upholding the reimbursement submitted by the company, the Tax Authorities repaid the entire amount of € 256 thousand mentioned above in October 2014;
- the notice of assessment notified by the Tax Authorities in December 2015 for the tax year 2010, in respect of the audit carried out by the Tax Police in 2014, for an amount equal to € 1,682 thousand (including penalties and interest up to the beginning of 31 December 2015).
  In February 2016, in relation to the foregoing, payment was made of one third of the additional tax assessed plus interest, amounting to € 312 thousand.
  As was done in previous tax years, also for this amount the amounts paid have been accounted for under "Other receivables".
  Similarly to what was done for prior tax years, again for 2010, an appeal was filed (in February 2016) and the same considerations that were previously made for the 2006, 2007 and 2008 tax years thus apply here.
  The Tax Authorities repaid the entire amount of € 312 thousand mentioned above in January 2017.

E.3 "Other provisions" have a zero balance (€ 50 thousand at 31 December 2015), given that they were used during the period to cover the costs of a legal dispute that ended unfavourably during the year.
The amount reversed out of the provision was credited to "Other income".

F. "Deposits from reinsurers" amount to € 136 thousand (€ 587 thousand at 31 December 2015), down by € 451 thousand compared with the previous year.

This caption solely comprises the cash deposits received under the terms of reinsurance agreements.

SECTION 13 CREDITORS AND OTHER LIABILITIES (CAPTION G)

G. "Creditors and other liabilities" amount to € 57,498 thousand (€ 56,087 thousand at 31 December 2015) and comprise:

(in thousands of euro)	31.12.2016	31.12.2015	Change
I. Payables arising out of direct insurance	5,499	8,711	(3,212)
II. Reinsurance creditors	21,462	24,958	(3,496)
VII. Termination indemnities	1,129	1,238	(109)
VIII. Other creditors	7,212	4,758	2,454
IX. Other liabilities	22,196	16,422	5,774
	57,498	**56,087**	**1,411**

G.I "Payables arising out of direct insurance" amount to € 5,499 thousand (€ 8,711 thousand at 31 December 2015) and consist of:

(in thousands of euro)	31.12.2016	31.12.2015	Change
1. Due from agents and other intermediaries	2,948	3,291	(343)
2. Due to insurance companies	2,551	5,420	(2,869)
	5,499	**8,711**	**(3,212)**

G.I.1 "Due to agents and other intermediaries" comprise amounts payable to agents, brokers and other intermediaries in connection with their activities.

G.I.2 "Due to insurance companies" relate to current account deposits to secure co-insurance relationships and services received.

They include € 26 thousand due to the parent company, UnipolSai Assicurazioni S.p.A.

G.II "Reinsurance creditors" amount to € 21,462 thousand (€ 24,958 thousand at 31 December 2015) and are due to:

(in thousands of euro)	31.12.2016	31.12.2015	Change
1. Insurance and reinsurance companies	21,436	24,957	(3,521)
2. Reinsurance intermediaries	26	1	25
	21,462	**24,958**	**(3,496)**

G.II.1 Reinsurance payables deriving from transactions with **"Insurance and reinsurance companies"** relate solely to the balances on reinsurance current accounts.

These include € 15,234 thousand (€ 12,007 thousand at 31 December 2015) in liabilities for premium instalments not yet expired in respect of Hull and related Third-party liability insurance business.
Part of these apportioned premiums have been recorded as a reduction of the corresponding asset caption relating to reinsurance transactions, where the intermediary concerned has a residual liability to the company.

They do not include any amount due to the parent company UnipolSai Assicurazioni S.p.A.

G.II.2 Reinsurance payables deriving from transactions with **"Reinsurance intermediaries"** include the direct relationship with them.

G.VII **"Termination indemnities"** amount to € 1,129 thousand (€ 1,238 thousand at 31 December 2015) and represent the indemnities accrued in compliance with current laws and labour contracts.

This reflects the liability accrued up to 31 December 2006, as (following the pension reform introduced by Law no. 296/2006) with effect from 1 January 2007, the termination indemnities accruing are transferred either to a supplementary pension fund or to the Treasury Fund set up at INPS and accounted for on an accrual basis, depending on the choice made by the individual employee.

The changes during the year are detailed in Attachment 15.

G.VIII **"Other creditors"** amount to € 7,212 thousand (€ 4,758 thousand at 31 December 2015) and comprise:

(in thousands of euro)	31.12.2016	31.12.2015	Change
1. Taxes paid by policyholders	477	454	23
2. Miscellaneous taxes payable	780	838	(58)
3. Due to social security and welfare institutions	290	232	58
4. Sundry creditors	5,665	3,234	2,431
	7,212	**4,758**	**2,454**

G.VIII.1 **"Taxes paid by policyholders"** include the amount due to the Tax Authorities on insurance policies (€ 427 thousand), net of advances paid during the year.
This amount was duly paid over in January 2017.

The total also includes € 50 thousand due to foreign tax authorities (mainly United Kingdom and Germany) for taxes withheld from policyholders, regarding the provision of unrestricted services.

G.VIII.2 **"Miscellaneous taxes payable"** include IRAP payable for € 350 thousand related to 2016.
In particular, the transfer of the latter is not allowed for the purpose of the Group's tax group arrangements.

In addition, they also include the VAT balance of € 225 thousand and taxes inherent which the Company has acted as withholding agent of € 205 thousand.
These amounts were duly paid over in early 2017.

G.VIII.3 **"Due to social security and welfare institutions"** relate to social security contributions payable by the Company and amounts withheld from employees.
This amount was duly paid over in January 2017.

G.VIII.4 "Sundry creditors" are analysed below:

(in thousands of euro)	31.12.2016	31.12.2015	Change
Due to the indirect parent company	2,400	2,200	(200)
Payables for claims management	1,967	–	1,967
Due to suppliers of goods and services	796	382	414
Due to shareholders for dividends	271	407	(136)
Due to parent company	157	12	145
Due to corporate officers	43	43	–
Others creditors	31	190	(159)
	5,665	**3,234**	**2,431**

The amount due to the indirect parent company Unipol Gruppo Finanziario S.p.A. refers entirely to amounts that are payable to it for 2016 IRES, following the Company's inclusion in the national tax consolidation.
Note that, for 2015-2017, the Group tax regime is headed up by Unipol Gruppo Finanziario S.p.A.

Payables for the management of claims being settled relate to items already accounted for, which are waiting to be matched with the related technical loading.

Amounts due to the parent company UnipolSai Assicurazioni S.p.A. relate to services provided by it in the field of property management.

Amounts due to corporate officers relate to the Board of Directors.

G.IX "Other liabilities" amount to € 22,196 thousand (€ 16,422 thousand at 31 December 2015) and comprise:

(in thousands of euro)	31.12.2016	31.12.2015	Change
2. Commission on premiums to be collected	6,789	5,711	1,078
3. Sundry liabilities	15,407	10,711	4,696
	22,196	**16,422**	**5,774**

G.IX.2 "Commission on premiums to be collected" have increased mainly as a result of higher premiums receivable from direct insurance policyholders.

G.IX.3 "Sundry liabilities" are analysed below:

(in thousands of euro)	31.12.2016	31.12.2015	Change
Claims being settled	8,413	6,907	1,506
Amounts due for recoveries	2,586	23	2,563
Invoices to be received from the parent company	1,986	1,755	231
Due to employees	1,577	1,347	230
Due to third parties	399	465	(66)
Due to reinsurers and co-insurers	183	214	(31)
Due to related companies	47	–	47
Other liabilities	216	–	216
	15,407	**10,711**	**4,696**

Claims being settled relate to amounts that have already been receipted, but not yet paid to the eligible beneficiaries. Before being settled, we are waiting to receive a statement of account from the insurance brokers, through whom payment is made.

Amounts due for recoveries in respect of claims recoveries refer to amounts owed by reinsurers for insurance excesses and amounts to be recovered from policyholders recorded under "Due from policyholders and third parties".
They mainly relate to the Hulls sector for € 1,807 thousand, Pecuniary losses for € 251 thousand and Cargo for € 231 thousand.
The significant increase recorded compared with the balance of the previous year refers to the refinement of the procedure for recoveries, which was implemented during the course of 2016.

The invoices to be received from UnipolSai Assicurazioni S.p.A. relate for € 1,142 thousand to employees on secondment and for € 844 thousand to services that it provides as the parent company.

Amounts due to employees mainly refer for € 686 thousand to the provision for the renewal of the national and local labour contracts, for € 319 thousand to staff bonuses owed to them (of which € 147 thousand relating to LTI), to be settled in the future, for € 290 thousand to holidays accrued but not yet taken by them, and for € 239 thousand to the variable performance bonus to officers and employees for the year 2016, already accrued and due to be paid in 2017.

Amounts due to third parties relate to invoices to be received for goods or services supplied at the end of the year.

Amounts due to reinsurers and co-insurers relate to relationships of a technical nature, for which no technical documentation exists yet in support of the payable.

Amounts due to related companies are for services provided by Unipol Banca S.p.A. for € 41 thousand and by UnipolSai Servizi Consortili S.c.a r.l. for € 6 thousand.

DEFERRED INCOME AND ACCRUED EXPENSES (CAPTION H) SECTION 14

H.I "Deferred income and accrued expenses" amount to zero (as in 2015).

SECTION 15

ASSETS AND LIABILITIES RELATED TO GROUP COMPANIES AND OTHER COMPANIES

Details of assets and liabilities related to Group companies and other companies are given in Attachment 16.

SECTION 16

RECEIVABLES AND PAYABLES

No payables are secured on the assets of the company.

Receivables and payables booked to captions C. and E. in assets and captions F. and G. in liabilities include the following that are due beyond one year and, of these, due beyond five years:

Caption (in thousands of euro)	Due beyond 12 months	of which: due beyond 5 years
Assets		
C.III.4 Loans		
c) other loans	33	–
E.3 Other debtors	3,343	–

As for the amount due after one year relative to E.3 "Other receivables", note that it refers:

- for € 2,104 thousand to indirect taxes in connection with the dispute about co-insurance, already paid on receipt of the tax assessments sent by the Tax Authorities and, according to our legal counsel, likely to be cancelled by the Supreme Court of Cassation;
- for € 740 thousand to direct taxes relating to 1998 due to be reimbursed;
- € 485 thousand attributable to a tax rebate claim filed in February 2013 for the excess IRES paid during the period 2007 to 2010 because of the non-deductibility of IRAP on personnel;
- € 14 thousand relating to government concession taxes due to be reimbursed;

In addition, as required by Art. 2427.6 of the Italian Civil Code, the following is a breakdown of receivables and payables by geographical area:

(in thousands of euro)	Italy	Other E.U. countries	Other non E.U. countries	Total
E. Receivables				
E.1 Receivables arising out of direct insurance	36,897	13,463	10,148	**60,508**
E.2 Reinsurance debtors	1,589	1,705	746	**4,040**
E.3 Other debtors	9,239	522	–	**9,761**
Total	**47,725**	**15,690**	**10,894**	**74,309**

(in thousands of euro)	Italy	Other E.U. countries	Other non E.U. countries	Total
G. Creditors				
G.I Payables arising out of direct insurance	4,098	950	451	5,499
G.II Reinsurance creditors	967	14,561	5,934	21,462
G.VIII Other creditors	6,826	230	56	7,212
Total	**11,991**	**15,741**	**6,441**	**34,173**

COMMITMENTS, GUARANTEES, CONTINGENT LIABILITIES AND OTHER MEMORANDUM ACCOUNTS

SECTION 17

As required by article 2427 of the Civil Code, the following table shows commitments and guarantees at the reporting date, with comparative figures for the previous year:

(in thousands of euro)	31.12.2016	31.12.2015	Change
Guarantees given	–	36	(36)
Guarantees given by third parties in favour of the Company	**1,255**	1,255	–
Securities with third parties	**105,217**	97,611	7,606

"Guarantees given by third parties in the interests of the Company" relate to guarantees given by leading Italian banks in favour of third parties in connection with insurance activities and are represented on the basis of the contractual value of the commitment versus the beneficiary.

"Securities with third parties" include own securities deposited with banks for safekeeping, reported at book value.

Of these, the securities deposited with Unipol Banca S.p.A. (a related company) amounted to € 103,944 thousand.

"Guarantees given by third parties in favour of the Company" and "Commitments" are analysed in Attachment 17.

There were no dealings in derivative contracts during the year.
There were no derivative contracts outstanding at 31 December 2016.
The "Property and financial management" section of the report on operations provides more details concerning the subordinated bonds held at year end.

Lastly, it should be noted that at the end of the year:

- there are no known contingent liabilities that are not adequately reflected in the financial statements;
- there are no commitments to associated companies, parent companies or companies controlled by the latter.

STATEMENT OF INCOME

SECTION 18

INFORMATION ON THE TECHNICAL ACCOUNT OF THE LOSS SECTORS (I)

Summary information on the technical account is given in Attachment 19, breaking down the Italian business into direct and indirect and showing it separately from foreign business.

The main captions of the technical statement of income are shown below.

I.1 **"Earned premiums net of reinsurance"** amounted to € 40,984 thousand, of which € 32,528 thousand of direct business and € 8,456 thousand of indirect business.

I.1.a "Gross premiums written" have been commented on in the report on operations.

As required by ISVAP Regulation 22 of 4 April 2008, this balance does not include the cancellation of securities issued in prior periods (classified as "Other technical charges").

Within "Gross premiums written", those related to indirect business include the amount transferred by the parent company UnipolSai Assicurazioni S.p.A. (€ 16,855 thousand) for the sectors within the "Maritime and Cargo insurance" segment.

I.1.b "Outward reinsurance premiums" do not include any amount transferred to related companies, whereas premiums transferred to the direct parent company amounted to € 20 thousand.

I.1.c, I.1.d The "Change in the unearned premiums reserve", gross and net of outward reinsurance premiums, is summarised as follows:

(in thousands of euro)	Gross	Reinsured	Net
Unearned premiums reserve at 31.12.2015	(43,845)	31,550	**(12,295)**
Unearned premiums reserve at 31.12.2016	43,144	(31,051)	**12,093**
Net exchange differences	(466)	324	**(142)**
Portfolio movements, net	–	–	**–**
	(1,167)	**822**	**(345)**

I.2 The **"Share of profit from investments transferred from the non-technical account"** amounts to € 1,418 thousand and was determined in accordance with the criteria envisaged in art. 22 of ISVAP Regulation 22 of 4 March 2008.

The investment return, determined in order to calculate the above amount, comprises the sum of the investment income and related capital and financial charges recorded in the non-technical account.

The portion attributable to the technical account pursuant to the above Instructions is obtained by applying the following ratio to the investment return:

- numerator: the average of the technical reserves (net of reinsurance) at the start and the end of the year;
- denominator, the same average plus the average of opening and closing shareholders' equity at the same dates.

In the 2016 financial statements, this ratio amounted to 58.7% (58.8% in the 2015 financial statements).

I.3 "Other technical income, net of recoveries and reinsurance" amounts to € 652 thousand and mainly includes the use of the provisions for doubtful accounts due by policyholders due to changes in estimates (€ 357 thousand).

I.4 "Claims incurred, net of recoveries and reinsurance" amount to € 23,514 thousand.

I.4.a Gross "Amounts paid" include those relating to the reinsurance business accepted from the parent company UnipolSai Assicurazioni S.p.A. (€ 7,948 thousand).

This caption includes, among other things, € 5,054 thousand of accident settlement expenses.
These expenses include administrative costs (mainly payroll) incurred for the management of claims totalling € 6,912 thousand.

The portions of the amounts paid that are due from reinsurers include the amount pertaining to Unipol Re (€ 1 thousand).

No portion of claims paid has been recharged to UnipolSai Assicurazioni S.p.A.

I.4.c The "Change in claims payable reserve", gross and net of reinsurance, is summarised as follows:

(in thousands of euro)	Gross	Reinsured	Net
Claims payable reserve at 31.12.2015	(219,784)	147,749	**(72,035)**
Claims payable reserve at 31.12.2016	199,090	(125,969)	**73,121**
Net exchange differences	(1,970)	1,397	**(573)**
Portfolio movements, net	–	(5,256)	**(5,256)**
	(22,664)	**17,921**	**(4,743)**

The decrease in reimbursements and direct costs is mainly due to payments of claims made during the year, some of which are related to damages relating to the "Hulls" segment, as well as the favourable technical trend seen during 2016. Moreover, considering the level of retention on such claims, a similar significant change also took place in the caption "Claims payable reserve carried by reinsurers".

The net difference between the opening claims payable reserve and the aggregate amount representing prior year payments made during the year, the change in recoveries relating to prior years and the related new reserve at year end, taking portfolio movements and exchange differences into account, represents a positive difference (net of reinsurance) of about 10% and 14% respectively of the opening claims payable reserve.

I.6 "Profit commissions, net of reinsurance" amounted to € 145 thousand and include only the amounts paid to policyholders during the year for profit commissions.

I.7 "Operating expenses" amount to € 10,453 thousand.

I.7.a "Acquisition commissions" mainly includes payments to third parties for the acquisition and renewal of insurance policies.

These commissions also include those recognised on the acceptance of reinsurance business.

In particular, the latter refer for € 3,371 thousand to the parent company UnipolSai Assicurazioni S.p.a.

I.7.b "Other acquisition costs" are principally attributable to the payroll costs of employees engaged in the acquisition of new policies.

I.7.d "Collection commissions" relate to administrative expenses connected with the collection of premiums.

I.7.e "Other administrative expenses" comprise general costs, net of those allocated to "other acquisition expenses" (€ 2,317 thousand) and "claims incurred" (€ 1,277 thousand).

This caption also includes depreciation (€ 65 thousand), as well as the 2016 emoluments of directors (€ 156 thousand) and statutory auditors (€ 37 thousand).

I.7.f "Commission and other income from reinsurers" include commission income on transfers and retrocessions.

Commission income does not include any amounts from either the parent company UnipolSai Assicurazioni S.p.A. or related companies.

I.8 **"Due from policyholders"** amount to € 1,843 thousand.

This caption also includes a provision of € 483 thousand for uncollectible insurance premiums due from customers.
They include, among other things, the technical cancellations of receivables from policyholders for premiums of previous years (€ 389 thousand), and the reversal of commission income on reinsurance premiums ceded in previous years and then cancelled (€ 81 thousand).

I.9 The **"Change in the equalisation reserve"** during the year amounts to € 91 thousand and is summarised by business sector as follows:

Sector (in thousands of euro)	Opening balance	Utilisations	Provisions	Closing balance
Personal accident (1)	100	–	1	**101**
Motor fire, theft, etc. insurance (3)	68	–	57	**125**
Marine, aircraft and transport insurance (4, 5, 6, 7, 12)	1,397	–	30	**1,427**
Fire and other property damage (8,9)	310	–	3	**313**
Credit insurance (14)	2	–	–	**2**
	1,877	**–**	**91**	**1,968**

For further information on "Other non-technical reserves" please refer to paragraph C.I.5 of Section 10.

TECHNICAL RESULTS BY BUSINESS SECTOR

SECTION 20

With reference to the Italian business technical account, Attachment 26 summarises all sectors, while Attachment 25 shows the results by individual sector.

Reports from the Company's management accounting system have been used, for the most part, to allocate common costs to individual business sectors.
Revenues and costs not analysed by the management accounting system are generally allocated, where appropriate, in proportion to the sector's premiums or claims with respect to the total. In particular cases, specific decisions have been reached on a logical basis.

INFORMATION ON THE NON-TECHNICAL ACCOUNT

SECTION 21

III.3 **"Income from investments"** amounts to € 3,956 thousand and is detailed in Attachment 21.

This includes € 369 thousand and € 168 thousand and concerns respectively rental income and expenses related to rental to the parent company UnipolSai Assicurazioni S.p.A. of part of the freehold property used by third parties.

Please refer to the report on operations under "Property and financial management" for further information about this caption.

III.5 **"Capital and financial charges"** amount to € 1,538 thousand and are detailed in Attachment 23.

III.5.a "Investment management charges and interest expense" amounting to € 722 thousand relate to the management of property (€ 530 thousand) and financial investments (€ 184 thousand), as well as to interest expense on deposits withheld from reinsurers in relation to risks transferred (€ 8 thousand).
In particular, management charges for investment property relate to renovation work in the year (€ 305 thousand), not qualifying for capitalisation, on property used by third parties. In addition, € 225 thousand related to the tax burden for IMU.
Management charges for financial investments include, among other things, € 65 thousand relating to fees payable to the parent company UnipolSai Assicurazioni S.p.A. for the management of the securities portfolio and € 48 thousand payable to Unipol Banca S.p.A. for the safekeeping of securities.

III.5.b "Writedowns on investments", amounting to € 735 thousand, are made up of property depreciation (€ 619 thousand, of which € 325 thousand for properties used by third parties and € 294 thousand for properties used by the Company), as well as writedowns of bonds (€ 116 thousand).

Please refer to the report on operations under "Property and financial management" for further information about this caption.

III.6 For the **"Investment return transferred to the technical account"**, the same comments apply as were made in point I.2 of Section 18.

III.7 "Other income" amounts to € 4,364 thousand and is detailed below:

	(in thousands of euro)
Revenues from parent company	2,996
Releases of the "Provision for doubtful accounts"	719
Exchange gains	191
VAT refund	143
Gain on long-term indemnity liability	111
Revenues from related companies	52
Releases of "Provision for risks and charges"	50
Interest income on bank current accounts	16
Other	85
	4,363

Revenues from the parent company relate for € 1,865 thousand to services rendered and for € 1,131 thousand to the recovery of costs from UnipolSai Assicurazioni S.p.A.
Revenues from services refer to technical services carried out in the context of managing the Marine Insurance business, as contractually formalised.
The recovery of expenses relates exclusively to the secondment of staff.

Releases of the "Provision for doubtful accounts" refer to insurance and reinsurance companies and offset an equivalent amount booked to "Other expenses" as losses on receivables.

Exchange gains, like exchange losses (totalling € 151 thousand), derive from the application of multicurrency methodologies and include both realised gains (€ 157 thousand) and those arising on translation (€ 34 thousand).
Since net unrealised exchange losses total € 68 thousand, the proposed allocation of net profit for 2016 will include the creation of an equity reserve (as required by point 8-bis of art. 2426 of the Italian Civil Code) for that amount.

The VAT refund relates to the VAT expensed during the year which can be reclaimed due to the pro-rata recoverability which the Company will use in 2016.

The unrealised gain on the long-term indemnity (LTI) liability represents the adjustment of this liability to the market value of the underlying securities.
The latter relate to the shares of the indirect parent company Unipol Gruppo Finanziario S.p.A., to service the "performance share" stock-based compensation plan for the Company's managerial staff for the period 2013-2015.

Revenues from related companies are for personnel seconded to Pronto Assistance S.p.A. (€ 32 thousand), BIM Vita S.p.A. (€ 10 thousand) and Incontra Assicurazioni S.p.A. (€ 10 thousand).

The release of "Provisions for risks and charges" is linked to the payment following the unfavourable conclusion of a dispute against which these provisions were set up.

Interest income on bank current accounts includes interest accrued on demand deposits and on time deposits restricted for less than 15 days.
This interest was accrued for € 12 thousand on current accounts with the related company Unipol Banca S.p.A.

III.8 **"Other expenses"** amount to € 3,730 thousand and comprise:

	(in thousands of euro)
Administrative expenses and costs on behalf of the parent company	2,559
Losses on debtors	719
Provisions for doubtful accounts	164
Exchange losses	151
Sundry taxes	64
Operating costs of clearing houses	25
Loss on long-term indemnity liability	10
Other	38
	3,730

Administrative expenses and costs on behalf of the parent company refer for € 1,817 thousand to personnel costs and for € 742 thousand to operating costs incurred on its behalf.

The losses on debtors relate to insurance companies and the related provision was used for the same amount against them as part of "Other income".

The provisions for doubtful accounts relate to debtors other than those from policyholders for insurance premiums.
In particular, they relate entirely to amounts due from insurance and reinsurance companies.
These provisions will be added back in the determination of taxable income on the preparation of the tax return and, accordingly, a deferred tax asset has been computed thereon.

The exchange losses derive from the application of multicurrency accounting methodologies. This balance includes both realised losses (€ 49 thousand) and those arising on translation (€ 102 thousand).

Sundry taxes mainly include those relating to advertising and the disposal of solid urban waste.

The operating costs of clearing houses relate to insurance activities conducted in France under the freedom to provide services regime.

The unrealised loss on the long-term indemnity (LTI) liability represents the adjustment of this liability to the market value of the underlying securities.
The latter relate to the shares of the indirect parent company Unipol Gruppo Finanziario S.p.A., to service the "performance share" stock-based compensation plan for the Company's managerial staff for the period 2016-2018.

III.10 **"Extraordinary income"** amounts to € 581 thousand.
They include non-recurring proceeds and refer to out-of-period income, of which € 247 thousand from previous years' tax returns.

III.11 **"Extraordinary expenses"** amount to € 106 thousand.
They include non-recurring proceeds and refer to out-of-period income, of which € 22 thousand from previous years' tax returns.

III.14 "Income taxes for the year", totalling € 2,954 thousand, include IRES (€ 2,400 thousand) and IRAP (€ 350 thousand). These include charges for deferred tax assets (€ 282 thousand) and income for deferred tax (€ 78 thousand).

Deferred tax assets and liabilities are discussed further in points F.IV.2 of Section 6 and E.1 of Section 12.

As required by art. 2427.14 of the Italian Civil Code, the following information is provided on the timing differences that have given rise to deferred tax assets and liabilities (in thousands of €):

Deferred tax assets	amount	IRES rate	IRAP rate	Deferred tax assets
Net change in claims payable reserve	2,321	24.00%	–	557
Taxed prov. doubtful accounts	1,867	24.00%	–	448
Adjustments to the value of equity securities	23	24.00%	–	6
Depreciation of land used by the Company	300	24.00%	–	72
Depreciation of land used by the Company	258	–	6.82%	18
Provisions for doubtful accounts exceeding the limit set in art. 106 Tax Law	325	24.00%	6.82%	100
Remuneration of Independent Auditors	36	24.00%	–	9
Emoluments of Directors	43	24.00%	–	10
Deferred tax assets at 31 December 2016				**1,220**
Deferred tax assets at 31 December 2015				(1,502)
Decrease (increase) in deferred tax assets				**282**

Deferred tax liabilities	amount	IRES	IRAP	Deferred tax liabilities
Tax depreciation of property used by third parties	243	24.00%	–	**58**
Deferred tax liabilities at 31 December 2016				**58**
Deferred tax liabilities at 31 December 2015				136
Decrease (increase) in deferred tax liabilities				**78**

Lastly, with regard to taxation for the year, the following schedule for 2016 reconciles the Ires theoretical tax rate (27.50%) with the effective rate:

Profit (loss) before taxes	**9,118**
Theoretical IRES (27.50%)	(2,507)
Tax effect of the change in permanent differences	**90**
Other differences	**(107)**
IRES	(2,400)
Decrease in deferred tax assets - IRES	(278)
Increase in deferred tax liabilities - IRES	78
Effective IRES	(2,600)
Effective Ires tax rate	28.51%

IRAP has not been taken into consideration since the way the taxable amount is calculated means that it cannot be correlated with the reported pre-tax profit.

For further comments on non-technical statement of income captions, reference should be made to the report on operations.

SUNDRY INFORMATION ON THE STATEMENT OF INCOME

SECTION 22

Transactions with Group and other companies are summarised	**in Attachment 30**
Direct business premiums are summarised	**in Attachment 31**
Charges for personnel, directors and statutory auditors are summarised	**in Attachment 32**

Part C

OTHER INFORMATION

C.1 REVENUE OR COST ELEMENTS OF EXCEPTIONAL ENTITY OR INCIDENCE

Pursuant to article 2427, paragraph 13) of the Civil Code, there were no revenue or cost elements of exceptional entity or incidence in 2016.

C.2 TREND IN EXCHANGE RATES

The exchange rates at the date the financial statements were prepared do not differ significantly from those at 31 December 2016 (especially considering the US dollar, a currency that is widely used in the Marine insurance sector).

C.3 TRANSACTIONS WITH RELATED PARTIES

As required by art. 2427.22-bis of the Italian Civil Code, it is confirmed that no significant transactions with related parties have been conducted on other than market terms.
Information about relations with Group companies during 2016 is provided in the report on operations, to which reference is made.

C.4 OFF-BALANCE SHEET AGREEMENTS

As required by art. 2427.22-ter of the Italian Civil Code, it is confirmed that, at 31 December 2016, there are no off-balance sheet agreements that might result in significant risks or benefits for the Company.

C.5 FINANCIAL FIXED ASSETS

As required by para. 1.2 of art. 2427-bis of the Italian Civil Code, it is confirmed that the financial statements for the year ended 31 December 2016 include financial fixed assets consisting of:

- Investments in parent and associated companies (pursuant to art. 2359 of the Civil Code), as indicated in point C.II.1 of Section 2;
- Italian long-term treasury bonds (BTPs) and Spanish and Portuguese government bonds with various maturities and a total carrying amount of € 20,577 thousand as indicated in point C.III of Section 2.

These financial assets are reported at an amount higher than their fair value.

C.6 DERIVATIVE INSTRUMENTS

As mentioned in the report on operations, no use of derivative instruments was made during the year.
However, at 31 December 2016, the portfolio contains bonds with subordination clauses (as detailed in the section on "Property and financial management" in the Report on Operations), as the result of trading activities in previous years.
There were no derivative contracts outstanding at 31 December 2011.

C.7 FORMATION OF A DOMESTIC TAX GROUP

Following the resolution of 18 June 2015 of its Board of Directors, Unipol Gruppo Finanziario SpA, as the consolidating company, informed the Tax Authorities, in the manner foreseen, that it had joined the Group tax regime (as per arts. 117 to 129 of the Income Tax Code).
The company resolved to join the tax regime for the period 2015-2017 at the meeting of its Board of Directors on 28 July 2015.
In order to govern the financial relations deriving from the above, an agreement has been signed with Unipol Gruppo Finanziario S.p.A., under which the company is committed to making the necessary funds available to the former in order to settle the taxes deriving from the company's taxable income for IRES purposes.
Conversely, the company receives from the consolidating company the amount of the tax reduction obtained by the latter via use of any tax losses transferred to it by the company.

C.8 ANNUAL RETURN FOR REPORTING PREMIUMS, ANCILLARY INCOME AND THE NHS CONTRIBUTIONS COLLECTED IN 2007

The annual return for reporting premiums, ancillary income and the NHS contributions collected in 2007 was filed late (on 5 June 2008 instead of on 3 June 2008, taking account of the extensions granted for public holidays).
However, the monthly payments related to these matters have always been paid regularly by the legal deadline.
As a consequence of this late filing, on 27 January 2009 the Genoa Tax Office notified issuance of a fine for the amount not declared (€ 5,240 thousand), even though it had been paid promptly.
Based on a reasoned legal opinion, indicating solid reasons and valid arguments for the annulment of this measure, the fine has been challenged by filing an appeal to the Provincial Tax Commission.
With a sentence filed on 22 September 2010, the Commission, giving a well-argued and reasoned decision, annulled the fine, reducing it to a minimum of € 103.
To refute that ruling, on 12 October 2011 the Tax Authorities applied to the Regional Tax Commission.
The hearing was held on 26 November 2012 and the Regional Tax Commission, in its judgement of 8 February 2013, confirmed the conclusions previously expressed by the Provincial Commission, i.e. rejecting the appeal brought by the Tax Authorities.
However, in view of this judgement, on 26 April 2013, the Attorney General of the State, on behalf of the Tax Authorities, filed a further appeal, requesting a final decision by the Court of Cassation. The latter's ruling has not yet been issued.

C.9 FEES FOR SERVICES PROVIDED BY THE INDEPENDENT AUDITORS

Pursuant to art. 149-duodecies of Consob's Issuers' Regulations, as amended most recently by resolutions 15915 of 3 May 2007 and 15960 of 30 May 2007, the following schedule reports the 2016 fees for services provided to the Company by the independent auditors and companies that are members of its network.
Amounts are stated in thousands of euro and include the Consob contribution, VAT and expenses:

Type of service	Provider of the service	Fees
Auditing services	PricewaterhouseCoopers S.p.A.	117

C.10 INTERIM DIVIDENDS

No interim dividends were approved or paid during 2016.

C.11 CHANGES IN SHAREHOLDERS' EQUITY AFTER THE YEAR-END

As required by ISVAP Regulation 22 of 4 April 2008, the statement of changes in shareholders' equity after the year-end is reported below:

(in thousands of euro)	Subscribed share capital	Legal reserve	Other reserves	Net profit for the year	Total
Balance at 31.12.2016	38,000	1,818	16,690	6,164	**62,672**
Allocation of 2016 earnings, as proposed by the Board of Directors on 14 March 2017					
• to legal reserve	–	308	–	(308)	–
• to extraordinary reserve	–	–	848	(848)	–
• to reserve for exchange gains	–	–	68	(68)	–
• dividends	–	–	–	(4,940)	**(4,940)**
	38,000	**2,126**	**17,606**	–	**57,732**

C.12 KEY FIGURES FROM THE FINANCIAL STATEMENTS OF UNIPOL GRUPPO FINANZIARIO S.P.A.

As required by Art. 2497-bis, para. 4 of the Italian Civil Code, the following table provides a summary of the key figures from the statutory and consolidated financial statements at 31 December 2015 (the latest to be approved) of the indirect parent company, Unipol Gruppo Finanziario S.p.A., as it exercises direction and coordination over the Company:

KEY FIGURES FROM THE FINANCIAL STATEMENTS OF UNIPOL GRUPPO FINANZIARIO S.P.A. (in millions of euro)	
BALANCE SHEET	**31.12.2015**
ASSETS	
A) SUBSCRIBED CAPITAL UNPAID	**–**
B) FIXED ASSETS	
I Intangible assets	6.1
II Tangible assets	1.7
III Financial assets	6,116.9
TOTAL FIXED ASSETS	**6,124.7**
C) CURRENT ASSETS	
I Inventories	–
II Debtors	1,088.6
III Financial assets not held as fixed assets	337.1
IV Cash and cash equivalents	875.2
TOTAL CURRENT ASSETS	**2,300.9**
D) PREPAYMENTS AND ACCRUED INCOME	**67.6**
TOTAL ASSETS	**8,493.2**
LIABILITIES	
A) CAPITAL AND EQUITY RESERVES	
I Share capital	3,365.3
II Share premium reserve	1,410.0
III Revaluation reserves	20.7
IV Legal reserve	529.1
V Statutory reserves	–
VI Reserve for own shares in portfolio	21.2
VII Other reserves	240.0
VIII Profit (loss) brought forward	–
IX Profit (loss) for the year	165.5
TOTAL CAPITAL AND EQUITY RESERVES	**5,751.8**
B) PROVISIONS FOR RISKS AND CHARGES	**684.8**
C) TERMINATION INDEMNITIES	**0.3**
D) CREDITORS	**2,006.7**
E) DEFERRED INCOME AND ACCRUED LIABILITIES	**49.6**
TOTAL LIABILITIES	**8,493.2**

STATEMENT OF INCOME	31.12.2015
A) VALUE OF PRODUCTION	49.6
B) PRODUCTION COSTS	(200.0)
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	(150.4)
C) FINANCIAL INCOME AND EXPENSES	225.4
D) ADJUSTMENTS TO FINANCIAL ASSETS	(56.5)
E) EXTRAORDINARY INCOME AND EXPENSES	4.8
PROFIT (LOSS) BEFORE TAXES	23.3
INCOME TAXES	142.2
NET PROFIT (LOSS) FOR THE YEAR	165.5

C.13 DATA OF THE COMPANIES THAT PREPARE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared by the direct parent company UnipolSai Assicurazioni S.p.A. and the indirect parent company Unipol Gruppo Finanziario S.p.A., both with registered office in Via Stalingrado 45, Bologna.

Copies of their consolidated financial statements are available at these companies' headquarters.

Part D

SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END AND OUTLOOK FOR OPERATIONS

No events worthy of mentioning in this report have taken place since the end of the year and up to now. Having regard for the information available to date and subject to any events that cannot be foreseen at this time, it is reasonable to expect that 2017 will be another profitable year.

Part E

PROPOSED RESOLUTIONS TO THE ORDINARY SHAREHOLDERS' MEETING

Resolution concerning the financial statements and the results for the year

You are invited to approve the report on operations and the financial statements for the year ended 31 December 2016, together with the following proposed allocation of the net profit of € 6,164,005:

Net profit for the year ended 31 December 2016	**6,164,005 €**
to the legal reserve, 5%	**(308,200) €**
to Other reserves: Reserve for exchange gains (art. 2426.8-bis Civil Code)	**(67,748) €**
to each of the 38,000,000 shares, a gross dividend of € 0.13	**(4,940,000) €**
the balance to Other reserves: Extraordinary reserve	**(848,057) €**

Bologna, 14 March 2017

For the Board of Directors
The Chairman
(Fabio Cerchiai)

Attachment STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of euro)	2016	2015
Sources of funds		
Net profit for the year	6,164	5,368
Writedown of receivables	647	538
Depreciation and amortisation of property, tangible and intangible assets	752	683
Writedown of financial investments	116	127
Provisions for termination indemnities	352	342
Provisions for risks and charges	–	2,580
Decrease in other financial investments	–	247
Increase in deposits from reinsurers	–	410
Net increase in technical reserves	975	1,838
Net change in other receivables and payables	2,543	–
Net change in other assets and liabilities	6,175	10,546
Net change in accruals and deferrals	–	81
Total sources of funds	**17,724**	**22,760**

(in migliaia di €)	2016	2015
Application of funds		
Dividends paid	3,040	2,850
Increase in financial investments	7,601	–
Increase in investments in Group companies and other related companies	109	–
Increase in deposits with insurance and reinsurance companies	26	36
Decrease in deposits from reinsurers	451	–
Utilisation of termination indemnities	460	333
Utilisation of provisions for risks and charges	236	2,699
Net change in other receivables and payables	–	6,330
Net change in debtors and creditors from/to insurance and reinsurance operations	7,496	8,966
Increase in investment in property	1,277	337
Increase in tangible and intangible assets	212	67
Net change in accruals and deferrals	5	–
Total application of funds	**20,913**	**21,618**
Increase (decrease) in cash and cash equivalents	(3,189)	1,142
Cash and cash equivalents:		
beginning of the year	**7,271**	**6,129**
end of the year	**4,082**	**7,271**
Increase (decrease) in cash and cash equivalents	(3,189)	1,142

ATTACHMENTS

Attachment 3

Year 2016

Distribution of the result for the year between life and non-life business

		Non life business		Life business		Total	
Direct margin on insurance business		1	7,008	21		41	7,008
Income from investments	+	2	3,956			42	3,956
Financial charges	-	3	1,538			43	1,538
Portion of income from investments transferred to direct insurance life result	+			24		44	
Portion of income from investments transferred to direct insurance non-life result	-	5	1,418			45	1,418
Intermediate result		6	8,008	26		46	8,008
Other income	+	7	4,364	27		47	4,364
Other expenses	-	8	3,730	28		48	3,730
Extraordinary income	+	9	581	29		49	581
Extraordinary expenses	-	10	106	30		50	106
Result before tax		11	9,118	31		51	9,118
Income taxes	-	12	2,954	32		52	2,954
Net result for the year		13	6,164	33		53	6,164

Attachment 4

Year 2016

Changes in intangible assets (Item B.) and property (Item C.I)

			Intangible assets B.		Property C.I
Gross opening balance	+	1	1,502	31	23,016
Increase	+	2	124	32	1,277
due to : Purchases		3	124	33	0
Write backs		4	0	34	0
Revaluation		5	0	35	0
Other changes		6	0	36	1,277
Decrease	-	7	24	37	0
due to : Sales		8	0	38	0
Permanent writedowns		9	0	39	0
Other changes		10	24	40	0
Gross closing balance (a)		11	1,602	41	24,293
Depreciation / Amortisation					
Opening balance	+	12	1,386	42	5,326
Increase	+	13	48	43	619
due to : Depreciation / Amortisation		14	48	44	619
Other changes		15	0	45	0
Decrease	-	16	0	46	0
due to : Sales		17	0	47	0
Other changes		18	0	48	0
Accumulated depreciation / amortisation (b)		19	1,434	49	5,946
Net book value (a - b)		20	168	50	18,348
Market value				51	0
Total revaluation		22		52	0
Total writedowns		23		53	
(*) of which depreciation / amortisation made solely for tax purposes		24		54	

Attachment 5

Year 2016

Changes in investments in group and related companies (Item C.II)

			Shares and quotas		Bonds		Loans
Opening balance	+	1	41	21		41	
Increase	+	2	139	22		42	
due to : Purchases		3	139	23		43	
Write backs		4		24		44	
Revaluation		5					
Other changes		6		26		46	
Decrease	-	7	30	27		47	
due to : Sales		8	30	28		48	
Writedowns		9		29		49	
Other changes		10		30		50	
Book value		11	150	31		51	
Market value		12		32		52	
Total revaluation		13					
Total writedowns		14		34		54	

The item "Bonds" includes :

Listed Bonds	61	
Unlisted Bonds	62	
Book value	63	
Of which convertible bonds	64	

Group and related companies:

	(1)	Listed or Unlisted (2)	Activity carried out (3)	Company name and registered office	Currency
1	e	NQ	7	Uci - Ufficio Centrale Italiano-Milano- IT	242
2	c	NQ	7	Unipolsai Servizi Consortili Scrl-Milano- IT	242
3	a	Q	2	Unipol Gruppo F. Post raggruppamento - Bologna	242

(*) The statement includes all group and related companies, directly or indirectly owned

(1) a = Parent company
b = Controlled company
c = Related company
d = Affiliated company
e = Others

(2) L = Listed
U = Unlisted

(3) 1 = Insurance company
2 = Holding company
3 = Bank
4 = Real Estate company
5 = Fiduciary company
6 = Management or distribution company for unit trusts
7 = Consortium
8 = Industrial company
9 = Other

(4) Original currency

(5) Global percentage owned

Attachment 6

Year 2016

general information (*)

Share capital		Net Worth (**)	Profit / Loss for the last year closed (**)	Partecipating share (5)		
Amount (4)	Number of Shares	(4)	(4)	Direct %	Indirect %	Total %
528,870	1,037,000			0.09		0.09
5,200,000	10,000,000			0.11		0.11
3,365,292,407	717,473,508			0.01		0.01

(**) Only for controlled and affiliated companies

(1)	(2)	(3)	Company name	Increase in the year		
				Purchases		Other Increases
				Number of shares	Amount	
1	e	D	Uci - Ufficio Centrale Italiano - MILANO			
2	c	D	Unipolsai Servizi Consortili Scarl - BOLOGNA			
3	a	Q	Unipol Gruppo F. Post raggruppamento - BOLOGNA	55,000	135	
	a		Parent company	55,000	135	
	b		Controlled company			
	c		Related company			
	d		Affiliated company			
	e		Altre			
			Totale D.I			
			Totale D.II			

(1) As per annex 6

(2) a = Parent company
b = Controlled company
c = Related company
d = Affiliated company
e = Others

Attachment 7

Year 2016

shares and quotas

Decrease in the year			Book value (4)		Purchase cost	Market value
Sales		Other decrease				
Number of shares	Amount		Number of shares	Amount		
			948			
			10,528	41		41
11,808	26		43,192	109		141
11,808	26		43,192	109		141
				41		41

Attachment 8

Year 2016

Distribution between long-term and short-term investments : shares and quotas, mutual fund units, bonds and other fixed securities, quotas in mutual investments and other financial investments (Items C.III.1, 2, 3, 5, 7)

I - Non life business

	Long-term investments		Short-term investments		Total	
	Book value	Market value	Book value	Market value	Book value	Market value
1. Shares and quotas:	1	21	41	61	81	101
a) listed shares	2	22	42	62	82	102
b) unlisted shares	3	23	43	63	83	103
c) quotas	4	24	44	64	84	104
2. Mutual funds units	5	25	45 1,224	65 1,529	85 1,224	105 1,529
3. Bonds and other fixes securities	6 20,577	26 21,513	46 83,265	66 87,812	86 103,842	106 109,325
a1) listed State bonds	7 20,577	27 21,513	47 66,440	67 70,664	87 87,017	107 92,177
a2) other listed securities	8	28	48 16,818	68 17,141	88 16,818	108 17,141
b1) unlisted State bonds	9	29	49	69	89	109
b2) other unlisted securities	10	30	50 7	70 7	90 7	110 7
c) convertible bonds	11	31	51	71	91	111
5. Quotas in mutual investments	12	32	52	72	92	112
7. Other financial investments	13	33	53	73	93	113

II - Life business

	Long-term investments		Short-term investments		Total	
	Book value	Market value	Book value	Market value	Book value	Market value
1. Shares and quotas:	121	141	161	181	201	221
a) listed shares	122	142	162	182	202	222
b) unlisted shares	123	143	163	183	203	223
c) quotas	124	144	164	184	204	224
2. Mutual funds units	125	145	165	185	205	225
3. Bonds and other fixes securities	126	146	166	186	206	226
a1) listed State bonds	127	147	167	187	207	227
a2) Other listed securities	128	148	168	188	208	228
b1) Unlisted State Bonds	129	149	169	189	209	229
b2) Other unlisted securities	130	150	170	190	210	230
c) convertible bonds	131	151	171	191	211	231
5. Quotas in mutual investments	132	152	172	192	212	232
7. Other financial investments	133	153	173	193	213	233

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Assets - Changes during the year of other long-term financial investments: shares and quotas, mutual fund units, bonds and other fixed-income securities shares in investment pools and other financial investments (captions C.III.1, 2, 3, 5, 7)

		Shares and quotas C.III.1	Mutual funds C.III.2	Bonds and other fixed-income securities C.III.3	Shares in investment pools C.III.5	Other financial investments C.III.7
Opening balance	+	1	21	41 5,906	81	101
Increases during the year:	+	2	22	42 14,738	82	102
for: purchases		3	23	43 14,638	83	103
writebacks		4	24	44	84	104
transfers from the short-term portfolio		5	25	45	85	105
other changes		6	26	46 101	86	106
Decreases during the year:	-	7	27	47 68	87	107
for: sales		8	28	48	88	108
writedowns		9	29	49	89	109
transfers to the short-term portfolio		10	30	50	90	110
other changes		11	31	51 68	91	111
Book value		12	32	52 20,577	92	112
Current value		13	33	53 21,513	93	113

Attachment 10

Year 2016

Changes in loans and restricted deposits with banks (Items C.III.4 , 6)

		Loans C.III.4		Restricted deposits with banks C.III.6	
Opening balance	+	1	80	21	490
Increase:	+	2	-4	22	1
due to : disbursements		3			
write backs		4	-4		
other changes		5			
Decrease:	-	6	8	26	
due to : reimbursements		7	8		
writedowns		8			
other changes		9			
Book value		10	68	30	491

Attachment 13

Year 2016

Changes in unearned premiums reserve (Item C.I.1) and claims payable reserve (Item C.I.2)

		Year		Prior Year		Change
Unearned premiums reserve :						
Reserve for apportioned premiums	1	42,294	11	43,140	21	-846
Reserve for unexpired risks	2	850	12	705	22	145
Book value	3	43,144	13	43,845	23	-701
Claims payable reserve:						
Reserve for claims and direct expenses	4	159,025	14	181,030	24	-22,004
Reserve for liquidation expenses	5	12,018	15	10,464	25	1,554
Reserve for IBNR	6	28,048	16	28,290	26	-242
Book value	7	199,091	17	219,784	27	-20,693

Attachment 15

Year 2016

Changes in provision for risks and charges (Item E.) and termination indemnities (Item G . VII)

			Provision for retirement		Provision for taxation		Other provisions		Termination Indemnities
Opening balance	+	1		11	1,655	21	50	31	1,237
Provision for the year	+	2		12		22		32	377
Other increase	+	3		13	0	23		33	-14
Use in the year	-	4		14	187	24	50	34	472
Other decrease	-	5		15		25		35	
Book value		6		16	1,468	26		36	1,129

Attachment 16

Year 2016

Statement of assets and liabilities for intercompany transactions

I: Assets

		Parent companies		Controlled companies		Related companies		Affiliated companies		Others		Total
Shares and quotas	1	109	2	0	3	41	4	0	5	0	6	150
Bonds	7	0	8	0	9	0	10	0	11	0	12	0
Loans	13	0	14	0	15	0	16	0	17	0	18	0
Quotas in mutual investments	19	0	20	0	21	0	22	0	23	0	24	0
Restricted deposits with banks	25	0	26	0	27	0	28	0	29	0	30	0
Other financial investments	31	0	32	0	33	0	34	0	35	0	36	0
Deposits with ceding undertakings	37	0	38	0	39	0	40	0	41	0	42	0
Investments linked with mutual funds and other index	43	0	44	0	45	0	46	0	47	0	48	0
Investments deriving from management of pension funds	49	0	50	0	51	0	52	0	53	0	54	0
Receivables arising out of direct insurance	55	0	56	0	57	0	58	0	59	0	60	0
Reinsurance debtors	61	2,028	62	0	63	0	64	0	65	0	66	2,028
Other receivables	67	4,263	68	0	69	45	70	0	71	0	72	4,307
Bank accounts	73	0	74	0	75	824	76	0	77	0	78	824
Other assets	79	0	80	0	81	0	82	0	83	0	84	0
Total	85	6,400	86	0	87	910	88	0	89	0	90	7,310
of which subordinated assets	91	0	92	0	93	0	94	0	95	0	96	0

Statement of assets and liabilities for intercompany transactions

II: Liabilities

		Parent companies		Controlled companies		Related companies		Affiliated companies		Others		Total
Subordinated liabilities	97	0	98	0	99	0	100	0	101	0	102	0
Deposits from reinsurers	103	0	104	0	105	0	106	0	107	0	108	0
Payables arising out of direct insurance	109	26	110	0	111	0	112	0	113	0	114	26
Reinsurance creditors	115	0	116	0	117	0	118	0	119	0	120	0
Bank overdrafts	121	0	122	0	123	0	124	0	125	0	126	0
Secured payables	127	0	128	0	129	0	130	0	131	0	132	0
Loans	133	0	134	0	135	0	136	0	137	0	138	0
Other payables	139	2,557	140	0	141	0	142	0	143	0	144	2,557
Other liabilities	145	1,986	146	0	147	48	148	0	149	0	150	2,034
Total	151	4,570	152	0	153	48	154	0	155	0	156	4,618

Attachment 17

Year 2016

Detail of Items I, II, III, IV, among "Guarantees, commitments and other memorandum accounts"

		Year		Prior year	
I.	Guarantees given				
a)	secured guarantees given in the interest of parent companies, controlled and related companies	1		31	
b)	secured guarantees given in the interest of affiliated companies	2		32	
c)	secured guarantees given in the interest of third parties	3		33	
d)	other guarantees given in the interest of parent companies, controlled and related companies	4		34	
e)	other guarantees given in the interest of affiliated companies	5		35	
f)	other guarantees given in the interest of third parties	6		36	
g)	secured guarantees given for liabilities of parent companies, controlled and related companies	7		37	
h)	secured guarantees given for liabilities of affiliated companies	8		38	
i)	secured guarantees given for liabilities of third parties	9		39	
l)	other guarantees given for company's liabilities	10		40	36
m)	assets deposited for reinsurance transactions	11		41	
Total		12		42	36
II.	Guarantees received				
a)	from related and affiliated companies	13		43	
b)	from third parties	14		44	
Total		15		45	
III.	Guarantees given by third parties in the interest of the company				
a)	from related and affiliated companies	16		46	
b)	from third parties	17		47	1,255
Total		18		48	1,255
IV.	Commitments				
a)	commitments for resell agreements	19		49	
b)	commitments for repurchase agreements	20		50	
c)	other commitments	21		51	
Total		22		52	

Attachment 19

Year 2016

Insurance business highlights

		Gross premiums written		Gross premiums earned		Gross claims incurred		Operating expenses		Reinsurance Balance
Direct insurance:										
Personal accident and health insurance	1	1	2	1	3	-138	4	11	5	-43
Motor third party liability	6	3,323	7	3,368	8	3,183	9	1,113	10	536
Motor fire, theft, etc. insurance	11		12		13	-5	14	3	15	3
Marine insurance.....	16	106,900	17	106,350	18	62,194	19	21,503	20	-18,844
Fire and other property damage.....	21	1,148	22	1,146	23	-49	24	360	25	-562
Generale third party liabilities	26	2,568	27	2,537	28	2,055	29	789	30	-9
Credit and bond insurance	31		32	2	33	-562	34	70	35	-132
Pecuniary losses	36	1,344	37	1,485	38	946	39	273	40	-291
Legal defence	41		42		43	0	44		45	0
Assistance	46		47		48	-3	49		50	
Total direct insurance	51	115,284	52	114,890	53	67,622	54	24,121	55	-19,343
Indirect insurance	56	17,458	57	19,018	58	5,522	59	5,661	60	-3,979
Total italian business	61	132,741	62	133,908	63	73,144	64	29,782	65	-23,322
Foreign business	66	113	67	113	68	214	69	70	70	-119
Grand total	71	132,854	72	134,021	73	73,358	74	29,852	75	-23,441

Attachment 21

Year 2016

Investment income (Items II.2 and III.3)

		Non-life business		Life business		Total
Income from shares and quotas:						
Dividends from group companies	1		41		81	
Other dividends	2		42		82	
Total	3		43		83	
Income from property...	4	537	44		84	537
Income from other investment:						
Interest income from group companies	5		45		85	
Interest income on loans granted to group companies	6		46		86	
Income from mutual fund units..	7		47		87	
Interest income on bonds and other fixed securities	8	2,691	48		88	2,691
Interest income on loans..	9	0	49		89	0
Income from mutual investments...	10		50		90	
Interest income on restricted deposits with banks........................	11		51		91	
Interest income on other financial investments............................	12		52		92	
Interest income on deposits with ceding untertakings..................	13	0	53		93	0
Total	14	2,691	54		94	2,691
Writebacks from :						
Property	15		55		95	
Group companies' shares...	16		56		96	
Group companies' bonds	17					
Other shares and quotas..	18		58		98	
Other bonds...	19	61	59		99	61
Other financial investments...	20		60		100	
Total	21	61	61		101	61
Gains on disposal of :						
Property	22		62		102	
Group companies shares...	23		63		103	
Group companies bonds..	24		64		104	
Other shares and quotas	25		65		105	
Other bonds	26	665	66		106	665
Other financial investments...	27		67		107	
Total...	28	668	68		108	668
GRAND TOTAL..	29	3,956	69		109	3,956

Attachment 23

Year 2016

Capital and financial charges (Item II.9 and III.5)

		Non-life Business		Life Business		Total
Investment management charges and interest expenses for						
Shares and quotas	1		31		61	
Properties	2	530	32		62	530
Bonds	3	71	33		63	71
Mutual fund units	4		34		64	
Mutual investments	5		35		65	
Other financial investments	6	113	36		66	113
Deposits from reinsurers	7	8	37		67	8
Total	8	722	38		68	722
Writedowns of:						
Properties	9	619	39		69	619
Group companie's shares	10		40		70	
Group companie's bonds	11		41		71	
Other shares and quotas	12		42		72	
Other bonds	13	116	43		73	116
Other financial investments	14		44		74	
Total	15	735	45		75	735
Losses on sale of :						
Properties	16		46		76	
Shares and quotas	17		47		77	
Bonds	18	81	48		78	81
Other financial investments	19		49		79	
Total	20	81	50		80	81
GRAND TOTAL	21	1,538	51		81	1,538

			Personal accident		Health insurance
Direct business net of reinsurance					
Premiums written	+	1	1	1	
Change in unearned premiums reserve	-	2	0	2	
Claims incurred	-	3	-138	3	
Change in other technical reserves	-	4		4	
Other tecnical income (expenses) net	+	5	-9	5	
Operating expenses	-	6	11	6	
Underwriting result of direct business (+ o -) A		7	120	7	
Result of outward reinsurance (+ o -) B		8	-43	8	
Net underwriting result of indirect business (+ o -) C		9		9	
Change in equalisation reserve (+ o -) **D**		10	1	10	
Portion of income from inv. tranferred from non technical account **E**		11	5	11	
Tecnical result (+ o -) (A + B + C - D + E)		12	80	12	

			Cargo insurance		Fire
Direct business net of reinsurance					
Premiums written	+	1	23,283	1	0
Change in unearned premiums reserve	-	2	-249	2	-52
Claims incurred	-	3	12,047	3	20
Change in other technical reserves	-	4		4	
Other tecnical income (expenses) net	+	5	-638	5	5
Operating expenses	-	6	7,429	6	3
Underwriting result of direct business (+ o -) A		7	3,418	7	34
Result of outward reinsurance (+ o -) B		8	-1,568	8	-96
Net underwriting result of indirect business (+ o -) C		9	2,562	9	
Change in equalisation reserve (+ o -) **D**		10	30	10	
Portion of income from inv. tranferred from non technical account **E**		11	308	11	2
Tecnical result (+ o -) (A + B + C - D + E)		12	4,690	12	-60

			General third party liability		Credit insurance
Direct business net of reinsurance					
Premiums written	+	1	2,568	1	
Change in unearned premiums reserve	-	2	31	2	
Claims incurred	-	3	2,055	3	
Change in other technical reserves	-	4		4	
Other tecnical income (expenses) net	+	5	17	5	
Operating expenses	-	6	789	6	
Underwriting result of direct business (+ o -) A		7	-290	7	
Result of outward reinsurance (+ o -) B		8	-9	8	
Net underwriting result of indirect business (+ o -) C		9	73	9	
Change in equalisation reserve (+ o -) **D**		10		10	
Portion of income from inv. tranferred from non technical account **E**		11	91	11	
Tecnical result (+ o -) (A + B + C - D + E)		12	-134	12	

Attachment 25

Year 2016

	Motor fire, theft, etc. Insurance		Railway carriage insurance		Aircraft insurance		Hull insurance
1		1	283	1	10	1	83,306
2		2	20	2	3	2	785
3	-5	3	109	3	0	3	50,095
4		4		4		4	
5		5	-2	5		5	-496
6	3	6	88	6	2	6	13,980
7	2	7	64	7	5	7	17,950
8	3	8	-63	8	-8	8	-17,139
9		9	-477	9	-1	9	32
10		10		10		10	57
11	0	11	10	11	1	11	740
12	5	12	-466	12	-3	12	1,526

	Other property damage		Motor third party liability		Aircraft third party liability		Hull third party liability
1	1,147	1	3,323	1	12	1	5
2	54	2	-45	2	-2	2	-8
3	-69	3	3,183	3	20	3	-77
4		4		4		4	
5	-3	5	-40	5		5	
6	357	6	1,113	6	2	6	2
7	803	7	-968	7	-8	7	88
8	-465	8	536	8	12	8	-78
9	99	9	1,061	9		9	
10	3	10		10		10	
11	16	11	212	11		11	
12	449	12	841	12	4	12	10

	Bond insurance		Pecuniary losses		Legal defense		Assistance
1		1	1,344	1		1	
2	-2	2	-140	2		2	
3	-562	3	946	3	1	3	-3
4		4		4		4	
5		5	-13	5		5	
6	70	6	273	6		6	
7	494	7	252	7	-1	7	3
8	-132	8	-291	8		8	
9		9	0	9		9	0
10				10		10	
11	31	11	2	11		11	
12	393		-36	12	-1	12	3

Attachment 26

Year 2016

Summary of technical account for non-life business
Italian Business

		Direct insurance				Indirect insurance				Retained risks	
		Direct risks 1		Ceded risks 2		Indirect risks 3		Retroceded risks 4		Total 5 = 1 - 2 + 3 - 4	
Premiums written	+	1	115,284	11	82,618	21	17,458	31	9,464	41	40,659
Change in unearned premiums reserve	-	2	394	12	256		-1,561	32	-1,079	42	-344
Claims incurred	-	3	67,622	13	45,826	23	5,522	33	4,040	43	23,278
Change in other technical reserves	-	4		14		24		34		44	
Other tecnical income (expenses) net	+	5	-1,180	15	-363	25	-507	35	11	45	-1,334
Operating expenses	-	6	24,121	16	16,831	26	5,661	36	2,534	46	10,417
Underwriting result (+ o -)		7	21,967	17	19,343	27	7,328	37	3,979	47	5,974
Change in equalisation reserve (+ o -)	-									48	91
Portion of income from inv. tranferred from non technical account	+	9	1,055			29	363			49	1,418
Technical result (+ o -)		10	23,023	20	19,343	30	7,691	40	3,979	50	7,301

Attachment 29

Year 2016

Summary of technical account for non-life and life business - foreign business

Section I : Non-life business

			All branches
Direct business net of reinsurance			
Premiums written	+	1	
Change in unearned premiums reserve	-	2	
Claims incurred	-	3	
Change in other technical reserves	-	4	
Other tecnical income (expenses) net	+	5	
Operating expenses	-	6	
Underwriting result of direct business (+ o -)	**A**	7	
Result of outward reinsurance (+ o -)	**B**	8	
Net underwriting result of indirect business (+ o -)	**C**	9	-293
Change in equalisation reserve (+ o -)	**D**	10	
Portion of income from inv. tranferred from non technical account	**E**	11	
Tecnical result (+ o -) (A + B + C - D + E)		12	-293

Section II : Life business

			All branches
Direct business net of reinsurance			
Premiums written	+	1	
Claims incurred	-	2	
Change in other technical reserves	-	3	
Other tecnical income (expenses) net	+	4	
Operating expenses	-	5	
Income from investment net of portion transferred to non technical account	+	6	
Underwriting result of direct business (+ o -)	**A**	7	
Result of outward reinsurance (+ o -)	**B**	8	
Net underwriting result of indirect business (+ o -)	**C**	9	
Tecnical result (+ o -) (A + B + C)		10	

Attachment 30

Year 2016

Intercompany transactions

I: Revenues

		Parent companies		Controlled companies		Related companies		Affiliated companies		Others		Total
Investments income												
Income from property	1	537	2		3		4		5		6	537
Dividends	7		8		9		10		11		12	
Interest income on bonds	13		14		15		16		17		18	
Interest on loans	19		20		21		22		23		24	
Interest income on other financial investments	25		26		27		28		29		30	
Interest income on deposits with ceding undertakings	31		32		33		34		35		36	
Total	37	537	38		39		40		41		42	537
	43		44		45		46		47		48	
Other revenues												
Interest income on receivables	49		50		51	12	52		53		54	12
Recovery of administrative expensive	55	2,996	56		57	52	58		59		60	3,049
Others	61		62		63	0	64		65		66	0
Total	67	2,996	68		69	65	70		71		72	3,061
Gains on disposal of investments	73	3	74		75		76		77		78	3
Extraordinary revenues	79		80		81		82		83		84	
GRAND TOTAL	85	3,536	86		87	65	88		89		90	3,601

Intercompany transactions

II: Charges

		Parent companies		Controlled companies		Related companies		Affiliated companies		Others		Total
Investment management charges and interest expenses :												
Investment charges	91	190	92		93		94		95		96	190
Interest expenses on subordinated liabilities	97		98		99		100		101		102	
Interest expenses on deposits from reinsurers	103		104		105		106		107		108	
Interest expenses on payables arising out of direct insurance	109		110		111		112		113		114	
Interest expenses on payables arising out of reinsurance	115		116		117		118		119		120	
Interest expenses on bank overdrafts	121		122		123	0	124		125		126	0
Interest expenses on secured payables	127		128		129		130		131		132	
Other interests expenses	133		134		135		136		137		138	
Losses on receivable	139		140		141		142		143		144	
Administrative expenses on behalf of third parties	145	1,735	146		147	81	148		149		150	1,816
Other charges	151		152		153		154		155		156	
Total	157	1,925	158		159	81	160		161		162	2,006
	163		164		165		166		167		168	
Loss on disposal of investments	169		170		171		172		173		174	
Extraordinary costs	175		176		177		178		179		180	
GRAND TOTAL	181	1,925	182		183	81	184		185		186	2,006

Attachment 31

Year 2016

Direct business : summary of gross premiums written

	Non-life Business		Life Business		Total	
	Permanent establishment	Freedom of services	Permanent establishment	Freedom of services	Permanent establishment	Freedom of services
Premiums written:						
in Italy	1 64,250	5	11	15	21 64,250	25
in other european countries	2 10,256	6 21,533	12	16	22 10,256	26 21,533
in other countries	3	7 19,245	13	17	23	27 19,245
Total	4 74,506	8 40,778	14	18	24 74,506	28 40,778

Attachment 32

Year 2016

Statement of personnel expenses and costs for directors and statutory auditors

I: Personnel expenses

		Non life business		Life business		Total
Payroll costs						
Italian business :						
- Salaries	1	5,147	31		61	5,147
- Social contributions	2	1,404	32		62	1,404
- Provision for termination indemnities	3		33		63	357
- Other personnel expenses	4	759	34		64	759
Total	5	7,686	35		65	7,686
Foreing business:						
- Salaries	6		36		66	
- Social contributions	7		37		67	
- Other personnel expenses	8		38		68	
Total	9		39		69	
Grand total	10	7,686	40		70	7,686
Fees for consultancy :						
Italian Business	11		41		71	
Foreing business	12		42		72	
Total	13		43		73	
Total personnel expenses	14	7,686	44		74	7,686

II: Splitting of personnel expenses

		Non life business		Life business		Total
Investment management charges	15		45		75	
Claims operating expenses	16	812	46		76	812
Other acquisition costs	17	1,484	47		77	1,484
Other administrative expenses	18	3,574	48		78	3,574
Administrative expenses on behalf of third parties	19	1,816	49		79	1,816
....	20		50		80	
Total	21	7,686	51		81	7,686

III: Average personnel workforces for the year

		Number
Managers	91	4
Clerks	92	98
Others	94	
Total	95	102

IV: Directors and statutory auditors

		Number		Emoluments
Directors	96	10	98	156
Statutory auditors	97	3	99	37

03 AUDITOR'S REPORT

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

To the Shareholders of
SIAT – Società Italiana Assicurazioni e Riassicurazioni – per Azioni

REPORT ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

We have audited the accompanying financial statements of SIAT – Società Italiana Assicurazioni e Riassicurazioni – per Azioni, which comprise the balance sheet as at 31 December 2016, the income statement for the year then ended and related notes.

Directors' responsibility for the financial statements

The directors of SIAT – Società Italiana Assicurazioni e Riassicurazioni – per Azioni are responsible for the preparation of financial statements that give a true and fair view in compliance with the Italian laws governing the criteria for their preparation.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SIAT – Società Italiana Assicurazioni e Riassicurazioni – per Azioni as at 31 December 2016 and of the result of its operations for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

REPORT ON COMPLIANCE WITH OTHER LAWS AND REGULATIONS

Opinion on the consistency with the financial statements of the management report

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the management report, which is the responsibility of the directors of SIAT – Società Italiana Assicurazioni e Riassicurazioni – per Azioni, with the financial statements of SIAT – Società Italiana Assicurazioni e Riassicurazioni – per Azioni as at 31 December 2016. In our opinion, the management report is consistent with the financial statements of SIAT – Società Italiana Assicurazioni e Riassicurazioni – per Azioni as at 31 December 2016.

Opinion drawn up pursuant to article 102, paragraph 2, of Legislative Decree No. 209 of 7 September 2005

In execution of the assignment received from SIAT – Società Italiana Assicurazioni e Riassicurazioni – per Azioni, we have performed procedures , in accordance with article 102, paragraph 2, of Legislative Decree No. 209 of 7 September 2005, on the items relating to the technical provisions, included in the liabilities section of the balance sheet of SIAT – Società Italiana Assicurazioni e Riassicurazioni – per Azioni as at 31 December 2016. The directors are responsible to establish technical provisions to the extent to guarantee the obligations arising from insurance and reinsurance contracts. On the basis of the procedures performed in accordance with article 102, paragraph 2, of Legislative Decree No. 209 of 7 September 2005, of Regulation No. 22/2008 issued by ISVAP and associated guidelines included in the application document published by IVASS on its website on 31 January 2017, the above mentioned technical provisions, included in the liabilities section of the balance sheet of SIAT – Società Italiana Assicurazioni e Riassicurazioni – per Azioni as at 31 December 2016, are sufficient in accordance with applicable law and regulations and on the basis of correct actuarial techniques, in accordance with Regulation No. 22/2008 issued by ISVAP.

Milan, 4 April 2017

PricewaterhouseCoopers SpA

Signed by

Dario Troja
(Partner)

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

04 RESOLUTION OF THE SHAREHOLDERS' MEETING-EXTRACT

The following resolutions were passed at the Annual General Meeting held on 26 April 2017:

- That the financial statements at 31 December 2016 be approved, together with the Directors' Report on operations.
- That the Directors' proposal regarding the allocation of net income be approved, and the payment of a gross dividend of € 0,13 per share be approved.

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