Vittoria Assicurazioni

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

93rd year of business

Consolidated financial report as at 31 December 2014

Board of Directors' meeting of 10 March 2015

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

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BOARD OF DIRECTORS

Luigi GUATRI	Honorary President
Giorgio Roberto COSTA	Chairman
Andrea ACUTIS	Executive Deputy Chairman
Carlo ACUTIS	Executive Deputy Chairman
Roberto GUARENA	Managing Director
Adriana ACUTIS BISCARETTI di RUFFIA	Director
Francesco BAGGI SISINI	Independent director
Marco BRIGNONE	Independent director
Fulvia FERRAGAMO VISCONTI	Independent director
Bernd GIERL	Independent director
Lorenza GUERRA SERÀGNOLI	Independent director
Pietro Carlo MARSANI	Independent director
Giorgio MARSIAJ	Independent director
Lodovico PASSERIN d'ENTREVES	Independent director
Luca PAVERI FONTANA	Director
Giuseppe SPADAFORA	Independent director
Anna STRAZZERA	Independent director
Mario RAVASIO	Secretary

BOARD OF STATUTORY AUDITORS

Alberto GIUSSANI	President
Giovanni MARITANO	Standing statutory auditor
Francesca SANGIANI	Standing statutory auditor
Michele CASO'	Substitute statutory auditor
Maria Filomena TROTTA	Substitute statutory auditor

GENERAL MANAGEMENT

Cesare CALDARELLI	General Manager
Mario RAVASIO	Joint General Manager
Luca ARENSI	Central Manager
Paolo NOVATI	Central Manager
Piero Angelo PARAZZINI	Central Manager
Enzo VIGHI	Central Manager

INDEPENDENT AUDITOR

Deloitte & Touche S.p.A.

APPOINTMENTS AND REMUNERATION COMMITTEE

Lodovico PASSERIN d'ENTREVES	Independent non-executive president
Francesco BAGGI SISINI	Independent non-executive member
Luca PAVERI FONTANA	Non-executive member

INTERNAL CONTROL COMMITTEE

Pietro Carlo MARSANI	Independent non-executive president
Luca PAVERI FONTANA	Non-executive member
Giuseppe SPADAFORA	Independent non-executive member
Anna STRAZZERA	Independent non-executive member

FINANCE COMMITTEE

Andrea ACUTIS	Executive president
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive member
Carlo ACUTIS	Executive member
Giorgio Roberto COSTA	Non-executive member
Roberto GUARENA	Executive member
Luca PAVERI FONTANA	Non-executive member

REAL ESTATE COMMITTEE

Andrea ACUTIS	Executive president
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive member
Carlo ACUTIS	Executive member
Francesco BAGGI SISINI	Independent non-executive member
Giorgio Roberto COSTA	Non-executive member
Roberto GUARENA	Executive member
Luca PAVERI FONTANA	Non-executive member
Anna STRAZZERA	Independent non-executive member

RELATED PARTIES COMMITTEE

Pietro Carlo MARSANI	Non-executive president
Marco BRIGNONE	Independent non-executive member
Giuseppe SPADAFORA	Independent non-executive member

Form and contents of report

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

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

The disclosures presented take into account the specific items contained in Italian Legislative Decree no. 209 of 7 September 2005 (Private Insurance Code) and in CONSOB memorandum no. 6064293 of 28 July 2006.

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

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

Other relevant information

The Vittoria Assicurazioni Group was officially registered with the Register of Insurance Groups envisaged in Article 85 of the Italian Code of Private Insurance Companies (with registration number 008).
The Vittoria Assicurazioni Group operates in the insurance sector solely through its parent company and, as part of its strategy to streamline its risk/reward profile, has made some of its investments in the real estate sector (trading, development, and real estate brokering and property management services) through Vittoria Immobiliare S.p.A. and other equity holdings, and in the private equity sector. Certain Group companies provide services primarily in support of insurance activities.

Yafa S.p.A., with registered office in Turin, Italy, controls Vittoria Assicurazioni through the chain of investors comprised of Yafa Holding B.V. and Vittoria Capital N.V., with registered offices in Amsterdam, The Netherlands, and administration offices in Italy.
The parent companies do not engage in management and coordination of the Group, insofar as they merely serve as financial holding companies.

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

Directors’ report

Economic and insurance scenario

The world economy in the fourth quarter of 2014 grew at a rate of 3.8%, up from 3.3% in the previous quarter, mainly due to the thrust exerted by the collapse of price of oil which, starting from last month of September, undertook a sharp fall of his quotations (over 50%) which stopped only in the first months of the current year.
However, this growth reflects very different situation among the different world economies: the US recovery was higher than expected, as opposed to the other advanced economies (euro area and Japan in particular) in which economic stagnation and persistent low rate of inflation are increasingly serious threats.

In the United States, as mentioned, economic growth showed a marked improvement after the contraction that occurred in the first quarter of 2014, thus contributing to have a growth rate of 2.4% for the year just ended.
The unemployment rate was reduced further, while inflationary pressures are greatly reduced, both driven by the appreciation of the local currency, either by the aforementioned reduction in oil prices.
For the next few years is expected to maintain the growth trend observed in the last quarters of 2014, with an estimated overall growth of 3.6% for 2015 and 3.3% for 2016 (source: IMF) supported by a more moderate fiscal policy and by a monetary policy that remains accommodative, despite the proposed gradual increase in interest rates.
The main danger within this positive picture is represented by the recent appreciation of the dollar, which reduces the potential for net exports.

As regards the Eurozone, the economic data of the end of 2014 show a growth of 0.8% with a strong differentiation between individual countries.
The forecasts of the International Monetary Fund for the next few years indicate an increase in economic activity of 1.2% for 2015 and 1.4% for the next year.
Despite the unfavorable environment for investment and the high rate of unemployment, the outlook for growth of the countries are affected positively by the events that occurred in the last quarter of 2014 as the sharp decline in oil prices, the depreciation of the euro, the announcement of an extensive program of buying of government bonds by the European Central Bank and finally the presentation of the investment plan of the European Commission (the "Juncker Plan").
As regards monetary policy, at its meeting of January 22 the Council of the European Central Bank decided not to change the interest rate on the main refinancing operations, leaving them to 0,05% set in September last year.

Coming to the Italian economy, the latest ISTAT data expect a fourth quarter with no change in GDP, stopping in 14 consecutive quarters the period more recessive recorded throughout the history of the Republic.
The already mentioned expansionary monetary policy by the European Central Bank, which should facilitate access to finance by businesses, combined with the increase in exports and a neutral fiscal policy, should lead economic growth to a positive ground already from the middle of this year, to further accelerate in 2016.
In order to support economic growth, the government has properly delayed fiscal consolidation completing some initial steps in its broader plan of structural reforms; also the favourable financial market conditions allow strong cost savings of public debt, although the high debt / GDP ratio represents a significant vulnerability that is expected to stem in the near future through higher taxes from the proposed economic growth.

As regards the data recorded by the financial markets during 2014, we note the excellent performance of the bond market (+ 15.3%, FTSE Italy Govt Performance) while the stock market was virtually unchanged.
Regarding the trend of the euro, in 2014 there has been a continuing depreciation against the major world currencies.

With regard to the Italian insurance market, it is noted that the premiums (based on Italian GAAP) as at 31 December 2014 (latest data Ania) show, compared to the same period of last year, an increase of the life business of +29.9% and a decrease of the Non-Life business of the -2.7% (including Motor Third Party Liability -6.5%).

	Change	
Line of business	Market 31/12/14 - 31/12/13	Vittoria Assicurazioni 31/12/14 - 31/12/13
Life business	+29.9%	+49.0%
Non-Life business	-2.7%	+5.1%
Of wich: Motor TPL	-6.5%	+3.9%

In 2014 the Italian real estate market has largely confirmed the forecasts earlier this year. Indeed, we have detected the first signs of slight improvement for the sector, posting a sign reversal in the volume of sales after eight years of decline.
It is therefore right to say that the real estate market began to recover, although the road may still be long.
The instability of the political and economic environment has continued to influence the market although, unlike the past, the credit system in 2014 has taken a slow process of granting credit to individuals for the purchase of properties.
Consequently, the recovery of loan assignments has partially encouraged the purchase of property, although it must be borne in mind that the attitude of the banking system is still prudent and careful.
It can therefore be assumed that to have a significant effect on the market, there should be a further stabilization of prices.
After years in which the reduction of prices and volumes has consistently marked the price trends, 2014 found, for the first time to time, an increase in the volume of transactions for a total of about 420 thousand exchanges. This framework, outlined during the year, seems to herald a slow end of the crisis (as mentioned above).
The decline in real estate sales recorded in the period 2006-2013, amounting to a reduction of transactions higher than 50%, from about 870 thousand in 2006 to about 420 thousand in 2014, halted its downward trend during the year, recording an increase in the volume of transactions compared to 2013, accounting for about 3.2%.
The sales prices during the year were reduced on average by around 4.1% and the average time of sale amounted in 2014 to about 8.3 months. Market forecasts indicate that the reduction in prices should gradually reabsorbed during the next two years.
Even large cities, which have already started an interesting trend reversal on trade, will continue in this direction but with stable values.
Similar situation can occur even in smaller cities such as capital towns of Provinces and the hinterland of large cities.

The contraction of GDP, which in 2014 saw a further reduction of 0.4%, amounting to a negative 2.3%, recorded in the last quarter a negative sign (-0, 1%) over the previous quarter.
As for the near future, the forecasts suggest a GDP growth of 0.5% and about 1.0% for 2016
Despite the uncertainty of the macro-economic environment in which we live, this sign of recovery allows to assume a gradual recovery in the years 2015-2016.

Summary of key performance indicators

€/million

SPECIFIC SEGMENT RESULTS	31/12/2014	31/12/2013	Δ
Non Life business			
Gross Premiums written - direct Non Life business	1,033.0	982.7	5.1%
Non Life business pre-tax result	125.2	113.8	10.0%
(1) Loss Ratio - retained	65.5%	65.7%	(0.2)
(2) Combined Ratio - retained	90.7%	90.7%	-
(3) Expense Ratio - retained	24.9%	24.5%	0.4
Life business			
Gross Premiums written - direct Life business	249.3	167.1	49.2%
Life business pre-tax result	2.4	4.9	(52.0)%
(4) Annual Premium Equivalent (APE)	33.9	23.9	41.8%
Segregated funds portfolios	868.7	721.4	20.4%
Index/Unit - linked and Pension funds portfolios	65.7	65.5	0.3%
Segregated fund performance: Rendimento Mensile	3.57%	3.91%	(0.34)
Segregated fund performance: Valore Crescente	4.00%	4.40%	(0.40)
Total Agencies	409	401	8
Average of employees	596	581	15
Real Estate business			
Sales	27.9	27.1	3.0%
Trading and development margin	2.5	1.1	127.3%
Real Estate business pre-tax result	(19.8)	(10.7)	85.0%

CONSOLIDATED RESULTS	31/12/2014	31/12/2013	Δ
Total investments	3,155.0	2,787.5	13.2%
Net gains on investments	79.6	64.4	23.7%
Pre-tax result	119.2	107.4	11.0%
Consolidated profit (loss)	72.3	54.0	33.9%
Group profit (loss)	72.3	53.5	35.1%
Equity attributable to the shareholders of the parent	614.5	506.4	21.3%
Equity attributable to the shareholders of the parent net of unrealised capital gains	509.2	453.1	12.4%

Legend

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

Technical data are determined in accordance with Italian accounting principles.

Performance of the Vittoria Assicurazioni Group

At 31.12.2014, Group net profit was 72.329 thousand euro, compared with 53.530 thousand euro in 2013 (+35.1%).

Result for the year 2013 was strongly negatively affected by the additional one-off IRES of 8.5% with an impact of 16,266 thousand euro. The change compared to 31 December 2013 without considering the additional one-off taxes amounted to + 3.6%.
The Group profit for the year, in line with business targets, was achieved thanks to the good result of the insurance business and the positive contribution of private equity, while the real estate sector remains negative.

Insurance segment result, gross of taxes and intersegment eliminations, amounted to 124.527 thousand euro (118,760 thousand euro at 31 December 2013, increasing by +4.9%).
Such result is mainly due to the contribution of the Non-Life sector. In more detail:

- Non Motor lines show an increase in premiums of 8.3% (19.4% in the previous year), with a further improvement in the technical result compared to prior year;
- Motor lines recorded an overall positive result, an improvement compared to prior year, an increase of premiums written (+ 4.2%);
- Specialty lines, especially Credit and Bond Insurance, showed a negative result, linked to the weight of the current time of economic crisis.

Premiums written for the year totalled 1.282.496 thousand euro (1,150,139 thousand euro at 31 December 2013), up by +11.5%. This growth is attributable to the consolidation of the results achieved by the agency network and, for life business, also the good performance of sales in the bancassurance relationships.

The real estate sector recorded a net loss of 16,469 thousand euro, compared with a loss of 8,361 thousand euro in the previous year.
The result reflects the current time of crisis in the sector: against rising margins on deeds signed in 2014 (2.546 thousand euro at 31 December 2014, against 1,103 thousand euro at December 31, 2013), it was necessary to write down investments in associated companies and receivables from the same. Given the interest rates charged by credit institutions on real estate loans and unprofitable investment opportunities of the liquidity generated by the insurance business, during the year the Group reviewed the choices of indebtedness of some subsidiaries, providing them with capital resources with which pay off bank loans.

The comprehensive income of the Group, which takes into account the profits or losses recognized directly in equity, at 31 December 2014 amounted to 123,696 thousand euro (75,844 thousand euro at December 31, 2013), due to unrealized gains arising on securities in the bond portfolio.

Total investments were up by 13.2% compared to the December 31, 2013, reaching a total of 3,155,044 thousand euro, referring for 65,665 thousand euro (+0.3%) to investments with risk borne by policyholders and for 3,089,379 thousand euro (+13.5%) to investments with risk borne by the Group.

Net income from investments with risk borne by the Group increased by 23.7%, with a balance of 79,642 thousand euro against 64,366 thousand euro in the previous period. The result includes capital gains of 13,742 thousand euro, made in 2014 from the sale of debt securities classified as available for sale (the balance at December 31, 2013 benefited from 8,480 thousand euro referring to the gain on the takeover on Cam Finanziaria SpA) and the share attributable to the Group of the results achieved by the Associated Companies, of which 3,018 thousand euro related to Yarpa SpA.

Group equity was 614,528 thousand euro, up +21.3% compared with 506,449 thousand euro at 31 December 2013.

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

Reclassified Profit and Loss by business segment			(€/000)
	31/12/14	31/12/13	Δ
Non life business - Gross Insurance Result (excluding investments result)	87,035	84,322	+3.2%
Non life business - Gross Investments Result (excluding Yam and Private Equity)	35,131	29,523	+19.0%
Life business - Gross Insurance Result (including Investments Result)	2,361	4,915	-52.0%
Gross Insurance business Result	124,527	118,760	+4.9%
Consolidation adjustments: dividends and interests from Real estate business	9,249	(771)	n.s.
Real estate business: taxes	(47,018)	(54,789)	-14.2%
Insurance business net contribution to Profit attributable to parent company shareholders	86,758	63,200	+37.3%
Gains on property trading	2,546	1,103	+130.8%
Real estate service revenues	2,703	2,345	+15.3%
Real estate business net costs	(25,029)	(14,163)	+76.7%
Gross Real estate business Result	(19,780)	(10,715)	+84.6%
Elimination from consolidation: gains	547	(1,778)	n.s.
Taxes and minority interests	1,094	1,989	-45.0%
Net Real estate business Result	(18,139)	(10,504)	+72.7%
Net profit attributable to Life business Policyholders	2,542	3,517	-27.7%
Tax on profit attributable to Life business Policyholders	(872)	(1,374)	-36.5%
Real estate business net contribution to Profit attributable to parent company shareholders	(16,469)	(8,361)	+97.0%
Private equity net contribution to Profit attributable to parent company shareholders	3,018	(93)	n.s.
Service business net contribution to Profit attributable to parent company shareholders	(978)	(1,216)	-19.6%
Net Profit attributable to parent company shareholders	72,329	53,530	+35.1%
Other Comprehensive Income (Loss) net of tax	51,367	22,314	+130.2%
Comprehensive Income attributable to parent company shareholders	123,696	75,844	+63.1%

At 31 December 2014 the Parent Company registered net profit – based on Italian GAAPs – of 74,935 thousand euro (62,467 thousand euro as at 31 December 2013).

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

The companies that make up the Group are listed in the chapter “Explanatory notes” – Table A) Scope of Consolidation.

Insurance business

Profit for the insurance business, before taxes and intersegment eliminations, amounted to 127,545 thousand euro (+7.5% with respect to 118,667 thousand euro as at 31 December 2013). The key operating items contributing to the period's result are described below.

Total insurance premiums in 2014 amounted to 1,283,786 thousand euro (+11.5% vs. premiums of 1,151,294 thousand euro in 2013), of which 1,282,496 thousand euro for insurance premiums written and 1,290 thousand euro for unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.

Direct Life insurance premiums amounted to 249,323 featuring an increase of +49.2% vs. premiums in 2013. This result was achieved thanks to the marketing effort over the last years, to the renovated relationship with Banks and to the strengthening of traditional sales network.

Direct Non-Life (i.e. property & casualty) insurance premiums increased by +5.1%. Specifically:

- Motor premiums: +4.2%;
- Non-marine premiums: +8.3%;
- Specialty categories [i.e. marine & transport, aviation, credit & suretyship] premiums:-5.5%.

Overhead costs as a percentage of total direct insurance premiums were 8.2% (vs. 8.3% at 31 December 2013).
Non-Life business combined ratio and loss ratio retained at 31 December 2014, amounted respectively to 90.7% and 65.5% (Italian GAAP). The corresponding ratio at 31 December 2013 were respectively 90.7% and 65.7%.

Real Estate Business

The loss in the real estate business, before taxes and inter-segment eliminations, amounted to 19,780 thousand euro (against a loss of 10,715 thousand euro as at 31 December 2013) and featured contributions to the income statement that, before inter-segment eliminations, included:

- trading income on properties and development for a total of 2,546 thousand euro (1,103 thousand euro in 2013);
- real estate brokerage and management service revenues of 1,360 thousand euro, administrative, contractual and technical service revenues of 1,343 thousand euro and rental income of 721 thousand euro for a total of 3,424 thousand euro (4,876 thousand euro in 2013);
- interest expenses of 4,972 thousand euro (4,876 in 2013);
- write-downs of 6,196 thousand euro of loans receivable due from Associates;
- profits on the volume of sales of 27,903 thousand euro (27,134 thousand euro in 2013).

The real estate business net financial debt amounted to 200,811 thousand euro (263,166 thousand euro at December 31, 2013), a decrease of 23.79% as a result of the payment of shares of mortgage loans outstanding.

During the year the parent company continued its program of simplification of the holdings of the real estate sector, with the following steps:

- acquisition by the parent company of 15% of Acacia 2000 Srl by Minority Shareholders;
- acquisition by the parent company of the entire stake held by Vittoria Immobiliare S.r.l. in Vaimm Sviluppo S.r.l.;
- acquisition by the parent company of the entire shareholding in VP Sviluppo 2015 Srl, first held for 40% by Vittoria Immobiliare and for 60% by minority shareholders.

Service Business

This segment reported a profit, before tax and minority interests, of 1,997 thousand euro, compared with a loss of 1,557 thousand euro at 31 December 2013, the result of which was affected by write-downs made by the subsidiaries Aspevi Milan and Aspevi Rome, in relation to amounts due from the Company GPA Group SpA, in liquidation in the month of January 2014.
The services and the fees received by the Group companies, gross of intercompany services, amounted to 7,387 thousand euro (7,534 thousand euro at 31 December 2013).

Equity and dividend policy

Equity attributable to shareholders of the parent company totalled 614,528 thousand euro (+21.3%) and minority interests amounted to 12,790 thousand euro (-42.1%), 506,449 and 22,079 thousand euro respectively at 31 December 2013.

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

Proposed dividend per share

The board of directors of the parent company submits the following allocation of the year's earnings, equal to 74,935,333 euro, as follows:

To Legal Reserve	Euro	53,589
To Available Reserve	Euro	62,079,748
To Shareholders	Euro	12,801,996

corresponding to a dividend of Euro 0.19 for each of the 67,378,924 shares constituting the share capital (dividend equal to 12,128,206 in 2013).

After approval by shareholders, dividend distribution will be recognised in the 2015 statutory accounts.

Insurance business

Review of operations

Premiums as up to 31.12.2014 amounted to 1,282,496 thousand euro. Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

COMPARISON BETWEEN GROSS PREMIUMS WRITTEN IN 2014 AND 2013
DIRECT AND INDIRECT BUSINESS

(€/000)

	Year 2014	Year 2013	YoY change %	% of total book 2014	% of total book 2013
Domestic direct business					
Life business					
I Whole- and term life	228,784	152,481	50.0	17.8	13.3
IV Health (long-term care)	581	538	8.0	-	-
V Capitalisation	19,958	14,081	41.7	1.6	1.2
Total Life business	249,323	167,100	49.2	19.4	14.5
Non-Life business					
Total non-marine lines (exc. specialty and motor)	276,643	255,487	8.3	21.5	22.1
Total specialty lines	14,518	15,361	-5.5	1.2	1.3
Total motor lines	741,818	711,830	4.2	57.9	62.1
Total Non-Life business	1,032,979	982,678	5.1	80.6	85.5
Total direct business	1,282,302	1,149,778	11.5	100.0	100.0
Domestic indirect business					
Life business	82	240	-65.8	0.0	0.0
Non-Life business	112	121	-7.4	0.0	0.0
Total indirect business	194	361	-46.3	0.0	0.0
Grand Total	1,282,496	1,150,139	11.5	100.0	100.0

Revenues not qualified as premiums as defined by IFRS 4 (Unit Linked contracts and those relating to the Vittoria Formula Lavoro open-ended pension fund) amounted to 1,290 thousand euro (1,155 thousand euro in 2013).
The direct operating parent company operates in France on the basis of the freedom-to-provide-service provisions.

Life business

Insurance and investment contracts in the Life business

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

Premiums

Direct insurance business premiums in 2014 totalled 249,323 thousand euro (167,100 thousand euro in 2013) split as follows:

(€/000)

	Year 2014	Year 2013	YoY change %	% of total book 2014	% of total book 2013
Recurring premiums	54,807	45,852	19.5	22.0	27.4
Annual premiums	194,516	121,248	60.4	78.0	72.6
Total Life business	**249,323**	**167,100**	**49.2**	**100.0**	**100.0**

In 2014 the funds relating to separately managed businesses achieved the following returns:

(€/000)

	Rate of return 2014	Total Assets 2014	Rate of return 2013	Total Assets 2013
Vittoria Rendimento Mensile	3.57%	644,169	3.91%	485,546
Vittoria Valore Crescente	4.00%	188,084	4.40%	212,487
Vittoria Liquinvest*	3.98%	2,393	2.72%	2,741
Vittoria Previdenza*	4.58%	34,023	5.27%	20,632

* Observation period: 01/10/2013 - 30/09/2014

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

Claims, accrued capital sums & annuities, and surrenders

The following table summarises data for direct business relating to claims, accrued capital sums and annuities, and surrenders as at 31.12.2014, compared with data of previous year.

(€/000)

	31/12/2014	31/12/2013	YoY change %
Claims	26,256	23,896	9.9
Accrued capital sums & annuities	63,054	45,014	40.1
Surrenders	42,428	44,641	(5.0)
Total	131,738	113,551	16.0

Reinsurance

Outward reinsurance

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

In 2014 ceded premiums amounted to 1,234 thousand euro (1,225 as at 31 December 2013).

Inward reinsurance

With respect to the life business, there is a traditional pure-premium treaty no longer fed with new business, which merely records changes occurring in the related portfolio and a commercial premium treaty that refers to a portfolio of policies that have revaluable annual premiums.

Non-life Business

Premiums

Direct premiums issued totalled 1,032,979 thousand euro (982,678 thousand euro at 31 December 2013), for an increase of +5.1%.

Performance by type

NON MARINE BUSINESSES

Overall Non Marine business recorded an increase in premiums, thanks to the acquisition of new customers and to a policy of consolidation and development of monoline motor customers portfolio in Non Marine business.
The overall technical result, despite a higher incidence of serious claims, significantly improved compared to the previous year, thanks to a lower incidence of weather damages.

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

Accident: The business shows 7.0% growth in terms of premium compared to the previous year, thanks to the development of the sale of the collateral injuries of the driver in combination with the motor policies.
The technical result remained positive, slightly down on the previous year (-6.4%), due to a higher incidence of serious claims.

Health: The line registered a 0.6% increase in premiums, an improvement on the increase of the previous year (33.3%), with a positive technical result also thanks to the continuing alignment of contracts in the portfolio.

Fire and natural events: This line of business shows an increase in premiums (6.5%) and a slight decrease (-7.3%) in the technical result.

Miscellaneous damages: premiums, including the risk of theft, hail and damage to electronic and technological equipment , recorded an increase of 2.5% over the previous year. The technical result, even negative, decreased compared to the previous year (-17.3%), due to a higher loss ratio for which were initiated the necessary actions for revising tariff and risks in the portfolio.

General TPL: premiums increased by 7.4%. The technical result was an improvement on the previous year (69.3%), thanks to the effects of reform actions in progress, but still remains negative due to the incidence of major claims, mostly related to the segment of the TP of professional, in which there continues to be a punitive orientation of case law.

Various pecuniary losses: premiums increased by 22.7%, with a positive technical result, a significant improvement compared to the previous year (90.9%), thanks to an increase in premiums related to new ancillary Motor products with low loss ratio.

Legal protection: Premiums in this business line registered a good increase (11.5%) with a positive technical result in further improvement on the previous year.

SPECIALTY BUSINESSES

The businesses showed a decrease in premiums of 5.5% (+6.9% in the previous year) with a negative technical balance, worse than that recorded in the previous year. In particular:

Credit: the branch includes only the risks related to the Salary-Backed Loans for which it has retained the right of recourse against the borrowers, in compliance with the provisions of Regulation No. 29/2009 IVASS.
Even in 2014 there is a decrease in premiums written, amounting to 47.1% compared to 2013, due to the continuing process of run-off of the branch.
This reduced activity resulted in the presence of a negative technical balance, also for 2014.

Bond insurance: premiums written decreased by 2.5% (+ 17.4% in the previous year).
It also notes an increase in the number of claims compared to 2013 (+ 38.5%), resulting in negative performance of the result of the branch.
The reasons for this result are mainly attributable to the continuing deterioration the real estate industry that, even in 2014, led to significant enforcement actions on customers for which the company issued sureties under Law 210/04 (advances on properties to realize) and bonds to ensure the realization of works of urbanization, as well as the review of the amounts to be recovered from policyholders positions, which become, during 2014, difficult to recover because of the admission of Customers/Policyholders to various forms of Legal Proceedings.

Watercraft (sea, lake and river) hulls and railway rolling stock: there was an increase in the premiums recorded (14.4%), due to the development of the watercraft segment.
The technical result was slightly negative mainly for the partial definition of a major fire claim of a shipyard.

Goods in transit: premiums advanced by 4.9%, with a positive technical result with a positive technical result, a significant improvement over the previous year.

MOTOR BUSINESSES

The business saw a 4.2% rise in the premiums recorded, with an overall positive technical result of 74,052 thousand euro (66,653 thousand euro as at 31 December 2013: +11.1%).

The portfolio consolidation policy continued.

In particular:

Third-party liability for land motor vehicles and for watercraft (sea, lake, and river): Constant portfolio selection, tariff policies and careful claims management enabled the business to maintain a positive technical result, an improvement on the previous year (17.3%).

Land motor vehicle hulls: Premiums rose saw a similar increase to the previous year. The technical result remains positive.

Assistance: premiums grew by 17.6% with a positive technical result amounted to 5,692 thousand euro, an increase compared to the previous year (7.4%).

Claims

Reported claims

The following chart, concerning reported claims, has been prepared using data from positions opened during the year. Data are compared with those for 2013:

(€/000)

	31/12/2014		31/12/2013		Change %	
	number	total cost	number	total cost	number	total cost
Total non-marine businesses	48,962	149,197	45,956	131,326	6.5	13.6
Total Special businesses	1,637	15,794	1,690	9,482	-3.1	66.6
Total motor businesses	192,405	529,026	173,908	494,249	10.6	7.0
Total Non-Life businesses	**243,004**	**694,017**	**221,554**	**635,057**	**9.7**	**9.3**

As regards Motor TPL reported claims, the following table shows data by claim handling type:

(€/000)

		31/12/2014		31/12/2013	
Branch	Claim handling Type	Number	Total cost	Number	Total cost
Motor TPL - land	K-for-K - liable	80,593	164,152	71,500	151,251
Motor TPL - land	K-for-K - originator	90,978	235,859	82,155	213,214
Motor TPL - land	Non K-for-K claims	38,588	221,113	35,319	204,553
Motor TPL - watercraft	Non K-for-K claims	70	523	76	399
Total Motor T.P.L. claims handled		210,229	621,647	189,050	569,417

The company received no. 122,464 reports of claim events to be managed as originator (no. 111,372 reports of claim in 2013), against which it will complete recoveries from other insurers for a total of 166,063 thousand euro (155,564 thousand euro in 2013: +6.75%), based on the lump-sum payments established by the Ministry Technical Committee as per Article 13 of Italian Presidential Decree no. 254/2006.

Claims settlement speed

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

(percentages)

	current generation		previous generations	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Accident insurance	55.06	56.33	72.35	74.52
Health insurance	80.88	82.78	84.13	63.39
Motor vehicle hulls	84.61	82.63	86.27	86.67
Fire and natural events	78.45	76.45	79.23	80.08
Miscellaneous damages - theft	86.27	84.23	89.15	91.26
Third-party motor liability	75.49	75.27	64.11	65.20
Third-party general liability	67.87	66.65	37.55	35.99

Claims paid

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

(€/000)

	Claims paid 31/12/2014			Claims recovered from reinsurers	Claims paid 31/12/2013			Claims recovered from reinsurers	Change gross claims %	Change claims recovered from reinsurers
	Current year	Previous years	Total		Current year	Previous years	Total			
Total non-marine businesses	52,849	58,608	111,457	12,718	52,927	54,084	107,011	15,360	4.2	-17.2
Total Special businesses	2,467	29,984	32,451	19,647	2,402	5,809	8,211	2,586	n.s.	n.s.
Total motor businesses	209,867	219,883	429,750	9,533	190,846	192,137	382,983	5,185	12.2	83.9
Total non-life businesses	**265,183**	**308,475**	**573,658**	**41,898**	**246,175**	**252,030**	**498,205**	**23,131**	**15.1**	**81.1**

The additional cost borne in 2014 for the road-accident victim guarantee fund was 14,845 thousand euro vs. 14,225 thousand euro in the previous year.

Anti-fraud activities

Claims which are presumed to be possible cases of fraud are handled by the company's special Anti-fraud Unit. Savings for the year in relation to the Motor TPL business, quantified in accordance with Law 27/2012 implemented by Regulation No IVASS. 44, amounted to 4.0 million euro. As a result of the deepening in relation to fraud risk, savings of 3.4 million euro were achieved for claims that have been defined without result and 0.6 million euro for claims settled definitively compared to the assessed value posted to technical reserves.

Reinsurance

Outward reinsurance

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

Non-life business	Type of treaty
Accident	Excess claims
Malattia	Pure premium health expense reimbursement
Motor vehicle Hulls	Excess claims
Marine Hulls	Excess claims
Cargo (goods in transit)	Excess claims
Fire and natural events	Excess claims
Miscellaneous damage	Pure premium for hail, single-multi-risk
	Pure premium for engineering risks
	Pure premium for ten year guarantees
Motor TPL	Excess claims
General TPL	Excess claims
Suretyship	Pure premium
Legal protection	Pure premium
Assistance	Pure premium

Ceded premiums in FY14 totalled 36,018 thousand euro (36,653 thousand euro in 2013).

Inward reinsurance

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

Claims cost trend

As required in IFRS 4, paragraph 39, we present some information concerning the Non-Life claims trend.
The table below shows estimated costs of claims in the year when they were generated, from 2005 to 2014, and updates recorded in subsequent years following adjustment of claims and alignment of reserves based on the greater information received on the claims concerned and updating of observable historical series.
Each figure present on the triangle is the estimated generation cost at 31 December of the year observed. The total cost is the sum of the following components:

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

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

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

(€/000)

Year of event	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Totale
Cumulative claims cost											
At the end of year of event	293,743	301,294	324,196	349,709	403,347	440,586	520,561	567,376	614,689	651,383	4,466,885
1 year later	290,305	295,518	317,409	355,348	399,053	445,632	514,147	540,079	601,168		
2 years later	288,538	298,207	307,669	355,595	405,416	444,079	514,219	540,970			
3 years later	285,947	296,476	306,379	354,902	412,321	450,679	516,766				
4 years later	285,404	298,569	308,216	360,005	424,295	449,862					
5 years later	285,722	300,489	312,405	364,444	427,086						
6 years later	286,619	301,409	316,175	368,886							
7 years later	289,442	307,560	317,874								
8 years later	290,308	312,794									
9 years later	293,259										
Cumulative claims cost at 31/12/2014	293,259	312,794	317,874	368,886	427,086	449,862	516,766	540,970	601,168	651,383	4,480,047
Total cumulative claims paid in 2014	284,145	300,128	302,847	343,329	383,056	400,616	433,957	413,120	394,101	252,044	3,507,341
Claims paid in 2014	2,987	9,183	5,089	6,905	20,836	13,447	29,278	54,793	160,389	252,044	554,951
Claims reserve at 31 December 2014	9,114	12,666	15,027	25,557	44,030	49,246	82,809	127,850	207,067	399,339	972,705

From the comparison between what was posted in the first year of occurrence of claims - in the decade highlighted - amounting to 4,466,885 and the evolution of the same at the date of the 2014 financial statements, amounting to 4,480,047, emerges a change equal to 0.29%.

Insurance risk management and analysis

Insurance risk management

Objectives

The Parent Company manages its insurance business with the objective of diversifying the range of insurance coverage through accurate and adequate pricing of the policies that it underwrites.
Accordingly, risks are diversified depending on the segmentation of the customer portfolio: households, individuals, professionals, small business operators, small/medium and large enterprises. Within these customer categories, emphasis is place on the net retention of premiums on risks of the personal line and small/medium enterprises; emphasis is placed also on larger enterprises, whose coverage is guaranteed by an adequate reinsurance policy.
Diversification of the sales channels (agents, sub-agents, brokers, bancassurance agreements) is based on an accurate geographical segmentation of markets, with the availability of professionals capable of responding in a timely and competent manner to changed customer requirements.
The development and strengthening of relationships with so-called affinity groups is followed by dedicated structures which, after identifying the relevant insurance requirements, take action to meet such requirements on the basis of adequate coverage and pricing.
All these activities are designed to increase Non-life market share, with special attention to the non-auto business, and to undertake new growth avenues in the Life business.
The above actions have been taken in view of our primary goal of improving underwriting results and the combined ratio, which measures the degree of coverage of claims, commercial costs and operating costs.
Lastly, another important objective is the constant upgrading of the information system called New Age, taking into consideration changes in the management and agency operating processes, so as to monitor constantly the portfolio, risk concentration and speed of claim settlement, with special emphasis on changes in the insurance market.

Policies

The Parent Company intends to pursue the above objective as illustrated before, that is by expanding the agent network throughout the country, thus achieving geographical risk diversification while paying close attention to areas with unusually high accident rates.
In addition, the Parent Company, proceeding with its twenty-year-long agency training program, continues to train agents and their collaborators, in the shared belief that the insurance market shows significant potential in niches where adequate and constantly upgraded skills are necessary.
All of the above is accomplished with the creation of transparent products for insured customers, incentive campaigns that guarantee and disseminate the optimum mix of coverage provided as well as use of passive reinsurance by pursuing a policy of underwriting balance between mass risks and protection from serious incidents and catastrophes.
Lastly, attention is paid also to cost curbing, thanks most of all to the integrated Management/Agency operating system.
Furthermore, the presence of specialized Non-life actuaries makes it possible not only to price risk correctly (adaptation to expected losses) but also to customize rates with an innovative content. In particular, the greater degree of customization is reached in the motor liability business, with the Parent Company's key product. The corporate segment, which includes large enterprises, has always been characterized by prices that take into account the insured party's reliability and the level of risk to be taken on.
In order to permit control of risks underwritten, agents work according to a level of independence that is constantly monitored and updated, defined by limits that vary depending on the type of cover and entity of risk. Beyond these limits, only headquarters personnel have the power to sign policies.

Insurance risk analysis

In this section we describe the insurance risks to which the Group is exposed. These are classified in three main categories, i.e. credit risk, concentration risk, and catastrophe cover (earthquakes, hail, flight, and floods).

Credit risk

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

(€/000)

S&P Rating	Current and Deposit accounts	Reinsurers' share of technical reserves	Total net balance sheet items	% of breakdown
AA+	-52	-	-52	-0.1
AA	120	641	761	1.9
AA-	-8,017	25,244	17,227	42.2
A+	-7,037	17,431	10,394	25.5
A*	-3,518	7,631	4,113	10.1
A-	-223	1,161	938	2.3
BAA1**	56	3,921	3,977	9.8
BBB+	185	-186	-1	0.0
Not rated	-200	3,586	3,386	8.3
Total	-18,686	59,429	40,743	100.0

* of which provided by A.M. Best for €615 thousand

** provided by Moody's

Concentration risk

In order to neutralise concentration risk, the Vittoria Group distributes its non-life and life products throughout Italy using a multi-channel sales approach.
Based on the analysis of premiums as at 31.12.2014, non-life business accounts for approximately 80.0% of total Group premiums, with around 49.0% of this percentage referring to Motor TPL business.
This concentration of premiums in these lines means that group profitability is largely dependent on the frequency and average cost of claims and on efficient tariff management.
The risks of this concentration may make the Group more vulnerable to changes in the regulatory framework and in market trends. They may occasionally translate into increases in indemnities payable to policyholders. These risks are mitigated by enhancing the loyalty of policyholders featuring more "virtuous" behaviour (i.e. not reporting claims) through accentuated tariff customisation. This aims to normalise the entity of claims whilst also reducing portfolio volatility.

Risk of catastrophe cover

Earthquake exposure

Reinsurance covers put in place to mitigate exposure to earthquake risks have been calculated using the main tools available on the market. Calculation is based on the maximum probable loss on the fire and other property damage lines (technological risk sector), in turn calculated over a 250-year return period, which is the one most widely used in the Italian market.
The protection purchased far exceeds the requirement shown for the worst-case scenario.

Hail exposure
Once again, in the case of this risk, cover acquired for exposure to the risks present in the land vehicle hull line is fully greater than the amount of the worst claim that has ever occurred in this line.

Flood exposure
Exposure to this catastrophic risk has again been calculated based on an assessment model used by other market operators. The capacity purchased, as in the case of the earthquake risk, far exceeds the worst-case requirement assumed in the model.

Reserving risk and pricing risk

Non-life business

Reserving risk measures the risk that the claims reserves in the balance sheet are not enough to cover obligations towards policyholders and injured parties.
The claims reserve represents the final cost sustained by the parent company to settle all obligations deriving from claims that have already been made or that have been estimated (IBNR claims) and is determined on the basis of documentation and actuarial valuations that are available at accounting term closure.
Reserving risk is constantly monitored through actuarial analysis, which is equivalent to that used to determine reserves, by observing the development of the final cost and varying the reserves accordingly.
Pricing risk measures the risk that premiums may not be enough to cover claims and future expenses. In particular, considering the size of the portfolio, pricing risk for Motor TPL business is strictly monitored.

Life business

The Parent Company's Life business includes covers against pure risk (life insurance, Long Term Care, invalidity, accident), covers with a saving component and covers offering life annuity.

There are many types of insurance risks inherent in such portfolio including:

- financial risks for contracts that guarantee a minimum interest rate;
- risks deriving from biological phenomena such as death, longevity, invalidity or lack of self-sufficiency;
- risks deriving from the variation of contractual or company costs;
- redemption risks in relation to no-standard termination of contracts.

Such risks are prudentially valued at the product pricing phase that ends with the adoption of certain assumptions (first-order technical bases) which are considered best to cover the risks that are to be undertaken, taking into account their financial, demographic as well as regulatory constraints (e.g., maximum limits for financial cover), the latest information on demographic trends (e.g., mortality and/or longevity) and portfolio trends (e.g. cancellations and surrenders, etc.).
The pricing phase, which is implemented by means of profit testing techniques, also requires the definition of further assumptions (second order assumptions) obtained from the Parent Company's own experience or from the market if not available:

- macro-economic assumptions: trends in market interest rates, inflation, cash flow discount rates and assets' rate of return;
- mortality and expected portfolio trends;
- business assumptions: levels of commercial and administrative costs and expenses.

As part of such valuations, sensitivity analyses are performed of how the result varies according to changes in the above assumptions.
A similar procedure is applied when moving from the ex-ante valuation to the ex post valuation carried out on the entire portfolio in order to check the valuations made when designing the product.

Particular attention is given to mitigating elements of demographic risk which can be observed at any moment.
In the portfolio pricing phase for the case of death, the mortality tables used are marked up by a security margin.
Policy conditions include the conditions for excluding the insurance cover.
Underwriting risk provides for limits on the sum assured, on age and state of health of the insured individual. From a medical point of view, there are health requirements below which risk is examined directly by management with the help of a doctor; a questionnaire covering health, profession and sports, gives management the opportunity to apply a premium surcharge.
Requests for exclusions also have to be submitted for approval by management in order to maintain exposure to risk within acceptable limits.
Lastly, for the pricing of pure risk (death, lack of self-sufficiency, Long Term Care) recourse to reinsurance is of fundamental importance. In particular, activities that are jointly carried out with the re insurer regard the collective pricing of contracts, the pricing of Long Term Care products and risk assessment for covering death with a sum assured that is above a set threshold.

The reserve funds are calculated according to formulae included in the notes and technical reports kept by the parent company as first order technical bases. The pricing structure with a greater impact on the parent company portfolio and those related to new products are checked on the basis of the same method of calculation.
Moreover, periodic monitoring is carried out on portfolio movement by ministerial category, through an analysis of cash inflows and outflows that determine a variation of the technical reserves from the beginning of the accounting term up to the setting up of the reserve funds.
Inflows, which are taken into account, are payments in settlement, issue of contracts, reactivations, portfolio cash inflows, revaluations of pre-existing policies, that all translate into an increment in services and an increment in reserve funds.
The outflows, that result in diminished services and reserve funds, are surrenders, claims, policy expiries, payment of annuities, policy transformations, missed contract closures, cancellations, service reduction due to no-payment of premium and portfolio cash outflows.
A further check is carried out by the Appointed Actuary when the Financial Statements are compiled, by drawing a predetermined number of contracts at random to check if a calculation of the technical reserves corresponds with the system.

Lastly, during the compilation of the Financial Statements, an assessment is made in relation to whether it is appropriate to create additional reserve funds, as provided by the regulations of the Supervisory Authority: for the longevity risk in favour of prices paid in instalments or as a lump sum that will be converted into an annuity, for the risk of underpricing associated with mortality, for the risk associated with interest rates, for the risk associated with time lag, and for the risk associated with expenses.

Commercial organisation

The development has resulted in the opening of 13 new agencies and reorganization of other 41, while five agencies have been closed; at 31 December 2014 Vittoria Assicurazioni was nationally present with 409 general agencies (401 at 31 December 2013) and 922 Sub-Agencies Professional (758 at 31 December 2013).
The training activities are going on for the primary sales network (General Agencies) for those involved in the sale of "second level" (producers and sub-agents) and for employees of the agency.
In particular, to the latter were dedicated training sessions to improve the knowledge Group's processes and tools.
In addition to the training provided directly by internal trainers of the parent company, in 2014, as expected, took place the fourth edition of the training course called "Master Classes", exclusively dedicated to General Agents and started the first edition of II level (called “Master RE II LIV”.), dedicated to the deepening of content about Non Marine business, with a high technical cut.
In 2014, was launched the second edition (the first three-year period ended in 2013) of the Project "Accademia Vittoria", which offers courses in managerial growth for agents, sub-agents and administrative employees.

Products - Research and development

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

New products

Non-Life business

As part of the Non Marine business was introduced a new territorial tariff of products overall accident and daily allowance for hospitalization and was developed a new product called “Assicurazione Infortuni Vittoria Protezione Unica”.

Life business

In the Life business, began sale of the new product with mixed tariff of Class I called "Vittoria Doppio Obiettivo" and two new Class I products called "Vittoria InvestiMeglio Evolu7ione" and "Vittoria InvestiMeglio Evolu7ione Coupon".

Overhead costs

Overhead costs – direct business

The total amount of insurance overhead costs (Non-Life and Life business) – consisting of personnel costs, various general expenses, plus depreciation of tangible assets and amortisation of intangible assets – rose to 104,661 thousand euro vs. 96,061 thousand euro in 2013, increasing by +9.0%. Besides current operating expenses, these costs also include depreciation & amortisation costs for investments made in IT facilities and processes. These investments are intended to limit, in future years, the operating costs burdening corporate departments and the agency network, whilst at the same time improving services to policyholders as regards insurance coverage and claims settlement. Their breakdown is shown in the following table, where "Other costs" consist mainly of office running costs, IT costs, legal and legal-entity expenses, mandatory contributions, and association membership dues.

(€/000)

ANALYSIS OF COSTS	31/12/2014	31/12/2013	Change
Personnel expenses	51,621	45,676	13.0%
Other costs	37,962	35,213	7.8%
Amortisation/Depreciation	15,079	15,172	-0.6%
Total cost by nature	104,662	96,061	9.0%

Overhead costs as a percentage of total direct insurance premiums were 8.2% (vs. 8.3% in 2013).

Operating costs

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

(€/000)

	31/12/2014	31/12/2013	Change
Gross commissions and other acquisition costs	222,906	202,672	10.0%
Profit participation and other commissions received from reinsurers	-6,304	-6,894	-8.6%
Investment management costs	2,764	1,721	60.6%
Other administrative costs	29,625	27,462	7.9%
Total	248,991	224,961	10.7%

Real estate business

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

Trading and development

The following companies operate in this segment:

Vittoria Immobiliare SpA – Milan
100% direct equity interest
This company operates in real-estate development and trading, both directly and via special-purpose real-estate companies. Revenues from the sale of property in 2014 amounted to 582 thousand euro (2,746 thousand euro in 2013). Closing inventory totalled 19,796 thousand euro (21,126 thousand euro in 2013).

Immobiliare Bilancia Srl - Milan
100% direct equity interest
This company is active in real-estate trading of properties in San Donato Milanese, Rome, Genoa and Padua and in the development of an area in Florence, Viale Michelangelo.
Revenues from the sale of property in 2014 amounted to 3,796 thousand euro (716 thousand euro in 2012). Closing inventory totalled 32,328 thousand euro (32,601 thousand euro in 2013).

Immobiliare Bilancia Prima Srl – Milan
100% direct equity interest
The company owns a building plot in the municipality of Parma, which is currently under development, a building complex with a prevalent use destination as offices in Via Adamello 19, Milan, building activity in Rome and a building complex in Corso Cairoli, Turin. During the year, the Company purchased a building plot situated in the town of Peschiera Borromeo, on which is planned the construction of four buildings.
The earnings during the financial year from the sale of property amounted to 361 thousand euro (330 thousand euro as of 31st December 2013) and the final inventory amounted to 46,144 thousand euro (37,410 thousand euro as of 31st December 2013).

Acacia 2000 Srl – Milan
15% direct equity interest and 70% indirect equity interest via Vittoria Immobiliare S.p.A.
In 2014 the company continued in its development and building activities for the construction of a property complex with a residential use destination, made up of eight buildings and a two level underground car park in an area located in the "Portello" area of Milan. The complex is called "Residenze Parco Vittoria".
The earnings during the financial year from the sale of property amounted to 21,143 thousand euro (22,109 thousand euro as of 31st December 2013) and the final inventory amounted to 219,014 thousand euro (218,723 thousand euro as of 31st December 2013).

VRG Domus Srl. - Turin
100% indirect equity interest via Vittoria Immobiliare S.p.A.
The company, totalled a closing inventory of 11,647 thousand euro (10,903 thousand euro in 2013), related to the real estate operation named "Spina 1" in Turin and to a no-residential property in Rome, Via della Vignaccia.

Vaimm Sviluppo Srl – Milan
100% direct equity
The company owns building units located in Genoa Piazza De Ferrari, Via Orefici and Via Conservatori del Mare. The closing inventories amounted to 56,073 thousand euro, a decrease vs. 57,550 thousand euro in 2013, due to the reclassification to “tangible assets” of portion of buildings in Genoa, Piazza De Ferrari, 4, rented in the year.

Valsalaria Srl – Rome
51% indirect equity interest via Vittoria Immobiliare S.p.A.
The company is managing a real-estate project in the municipality of Rome. Revenues from the sale of property in 2014 amounted to 1,175 thousand euro (1,233 thousand euro in 2013). Closing inventory amounted to 4,198 thousand euro (5,106 thousand euro in 2013).

VP Sviluppo Srl – Milan
100% direct equity
The company is managing a real-estate project in the municipality of Peschiera Borromeo (MI). Revenues from the sale of property in 2014 amounted to 846 thousand euro and the closing inventories amounted to 46,905 thousand euro.

Real Estate Brokerage Activities

In this segment the following companies are active:

Interimmobili Srl - Rome

80% indirect equity interest via Vittoria Immobiliare S.p.A.
In its real-estate brokerage activities, the company achieved commission revenue of 2,067 thousand euro, (1,526 thousand euro as at 31 December 2013), before infragroup eliminations.
In 2014 the company continued to sell properties mainly in Rome, Turin and Milan based on sales mandates given by Group companies and premier institutional investors, social security & pension agencies, and building companies.
Project management contracts acquired by Interimmobili with Group companies generated revenues of 1,740 thousand euro (2,600 thousand euro as at 31 December 2013).

Property management

Gestimmobili Srl, based in Milan (100% indirect equity interest via Vittoria Immobiliare S.p.A.), is the company active in this segment, i.e. in the administrative and technical management of property assets.
Revenues achieved for this activity in 2014 totalled 1,038 thousand euro (904 thousand euro as at 31 December 2013).

Overhead costs

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

(€/000)

ANALYSIS OF COSTS	31/12/2014	31/12/2013	Change
Personnel expenses	4,034	3,840	5.1%
Other costs	8,911	6,177	44.3%
Amortisation/Depreciation	760	754	0.8%
Total cost by nature	13,705	10,771	27.2%

Personnel and G&A costs are allocated to Operating Costs (specifically to “Other administrative costs”). Depreciation and amortisation costs are allocated to the “Other costs” caption in the income statement.

Service business

This segment showed a profit in the period, as shown in the income statement by business and business line, of 1,997 thousand euro (loss of -1,557 thousand euro in 2013).
Revenues for services rendered in 2014 by group companies, before elimination of infra-group services, amounted to 11,404 thousand euro. These revenues included 7,377 thousand euro for commissions and services rendered to the direct operating parent company (7,534 thousand euro and 6,974 thousand euro in 2013, respectively).

Overhead costs

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

(€/000)

ANALYSIS OF COSTS	31/12/2014	31/12/2013	Change
Personnel expenses	1,533	1,177	30.3%
Other costs	1,602	1,670	-4.1%
Amortisation/Depreciation	37	33	12.1%
Total cost by nature	3,172	2,880	10.1%

Personnel and G&A costs are allocated to Operating Costs (specifically to “Other administrative costs”). Depreciation and amortisation costs are allocated to the “Other costs” caption in the income statement.

Investments – Cash & cash equivalents - Property

Investments, cash & cash equivalents, and property reached a value of 3,155,044 thousand euro with an increase of +13.2% vs. 31/12/2013. The detailed breakdown is shown in the following table:

(€/000)

	INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/12/2014	31/12/2013	Change
A	Investments in subsidiaries and associates and interests in joint ventures	22,292	18,446	20.9%
B	Held to maturity investments	56,709	67,307	-15.7%
	Loans and receivables	82,178	67,832	21.1%
	- Reinsurance deposits	175	4,620	
	- Other loans and receivables	82,003	63,212	
C	Financial assets available for sale	2,055,363	1,807,203	13.7%
	- Equity investments	94,438	99,431	
	- OEIC units	32,475	35,969	
	- Bonds and other fixed-interest securities	1,928,450	1,671,803	
	Financial assets at fair value through profit or loss	65,681	65,736	-0.1%
D	Financial assets held for trading	16	249	-93.6%
	- Bonds and other fixed-interest securities held for trading	16	249	
E	Financial assets at fair value through profit or loss	65,665	65,487	0.3%
	- Investments where policyholders bear the risk	65,665	65,487	
	Cash and cash equivalents	231,007	167,120	38.2%
F	Total Property	641,814	593,817	8.1%
	Investment property	88,440	89,509	-1.2%
	Property	553,374	504,308	9.7%
	Property under construction	312,915	269,030	
	Property held for trading	123,191	114,390	
	Owner-occupied property	117,268	120,888	
	TOTAL INVESTMENTS	3,155,044	2,787,461	13.2%
	of which			
	investments where the Group bears the risk	3,089,379	2,721,974	13.5%
	investments where policyholders bear the risk	65,665	65,487	0.3%

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

(€/000)

Investments - Cash and cash equivalents - Property	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Investment property	88,440	89,509	-	-	-	-	-	-	88,440	89,509
Investments in subsidiaries	271,541	147,002	-	-	-	-	-271,541	-147,002	-	-
Investments in associates	21,446	15,997	563	2,393	283	-	-	56	22,292	18,446
Held to maturity investments	56,709	67,307	-	-	-	-	-	-	56,709	67,307
Reinsurance deposits	175	4,620	-	-	-	-	-	-	175	4,620
Other loans and receivables	73,922	45,293	8,081	18,204	-	-	-	-285	82,003	63,212
Financial assets available for sale										
Equity investments	94,379	99,372	59	59	-	-	-	-	94,438	99,431
OEIC units	32,475	35,969	-	-	-	-	-	-	32,475	35,969
Bonds and other fixed-interest securities	1,928,450	1,671,803	-	-	-	-	-	-	1,928,450	1,671,803
Financial assets at fair value through profit or loss: Investments where policyholders bear the risk	65,665	65,487	-	-	-	-	-	-	65,665	65,487
Financial assets held for trading: Bonds and other fixed-interest securities	16	249	-	-	-	-	-	-	16	249
Cash and cash equivalents	170,752	145,347	53,143	17,928	7,112	3,845	-	-	231,007	167,120
Property under construction	-	-	312,915	269,030	-	-	-	-	312,915	269,030
Property held for trading	-	-	120,559	112,371	-	-	2,632	2,019	123,191	114,390
Owner-occupied property	93,947	98,181	23,321	21,784	-	-	-	923	117,268	120,888
Total	2,897,917	2,486,136	518,641	441,769	7,395	3,845	-268,909	-144,289	3,155,044	2,787,461

Investments benefiting Life policyholders who bear related risk and relating to pension fund management (*section E of earlier table*)

As at 31 December 2014 these investments amounted to 65,665 thousand euro, in line with prior year. Of the total 50,077 thousand euro related to unit- and index-linked policies and 15,588 thousand euro to the Vittoria Formula Lavoro open-ended pension fund.
Overall net return was positive and totalled 3,763 thousand euro thanks to the positive trend in financial markets (5,292 thousand euro in 2013).

Investments with risk borne by Group

Investments with risks borne by the Group totalled 3,089,379 thousand euro (2,721,974 thousand euro as at 31 December 2013).

The following transactions took place during the 2014:

A) Investments in subsidiaries, associates and joint ventures:

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

A description of the performance of the main associated companies is provided below.

S.In.T. S.p.A. - Italy

Held directly with a 48.19% interest
This associate company develops fidelity programs, promotional campaigns and associative marketing, supported by the Selecard circuit.
In 2012 the company formed a new division called "Outsmart", dedicated to the outsourcing of activities related to the management of end user contact in the services sector and mainly in the insurance market.
In the course of the financial year the associate company launched a new services supporting the administration activities of insurance companies.
As of 31st December 2014 the company net equity amounted to 940 thousand euro.

Movincom Servizi S.p.A.

Held directly with a 46.65% interest
This associate company is the operating company of the Movincom consortium, where the MovinBox technological platform was developed. The MovinBox technological platform enables purchasing and payments using a mobile phone via the bemoov® service, thanks to the integration of participating merchants and payment operators.
The players with whom Movincom Servizi S.p.A. cooperates on a daily basis with the objective of developing a winning model for mobile business that can be adopted by end users are merchants, members and associates of the Movincom Consortium, payment operators adhering to the bemoov® initiative and telecommunications companies.
As of 31st December 2014 the company net equity amounted to 3,849 thousand euro.

Yarpa S.p.A. - Italy
Held directly with a 27.31% interest
Yarpa S.p.A. acts as a holding company and also provides financial advisory services. The company controls Yarpa Investimenti SGR S.p.A., an asset management company active in the management of mutual funds and closed-end real estate investment funds, as well as YLF S.p.A., a joint venture together with LBO France created to manage private equity investments in Italy and targeting small and medium enterprise.
As of 31st December 2014 Yarpa Group net equity amounted to 42,214 thousand euro.

B) <u>Held-to-maturity investments</u>:
The main transactions during the period were as follows:
- redemption of bonds in the amount of 10,507 thousand euro.

C) <u>Financial assets available for sale:</u>
The main transactions during the period were as follows:
- redemption of bonds in the amount of 330,313 thousand euro;
- purchase of Italian government bonds in the amount of 576,722 thousand euro;
- sale of Italian government bonds in the amount of 107,520 thousand euro, realising capital gains in the amount of 13,255 thousand euro;
- concerning the closed-end Italian mutual fund managed by Yarpa Investimenti SGR S.p.A., a wholly owned subsidiary of the associate Yarpa S.p.A., paid in 3,780 thousand euro for the recall of funds and was credited 13,273 thousand euro for the partial redemption of units;
- paid in 6,418 thousand euro to purchase closed-end mutual fund shares and was credited 1,358 thousand euro, realising capital gains in the amount of 22 thousand euro;
- paid in 1,000 thousand euro to purchase shares in an end mutual fund speculative;
- purchase 6.45% of the company's private equity investment vehicle called Porta Romana 4 Srl, with an outlay of 6 thousand euro, which was followed by the payment of 1,484 thousand euro in capital increase, followed by partial return of 26 thousand euro;
- impaired the participation in Medinvest International SCA according to the last financial statement received, noting a write-down of 424 thousand euro, leaving the book value is 1 thousand euro;
- recorded a capital gain of 466 thousand euro on the decision of the TAR of Lazio to recognize an increase in offer price Camfin, which occurred during the previous year, from 0,80 to 0,83 euro;
- recorded 71 thousand euro as partial repayment of capital on a closed-end real estate fund;
- received 20 thousand euro arising from the liquidation process in progress of the Bcc Apuana Sc in liquidation;
- sold its stake in the company Mediorischi Srl, cashing 5 thousand euro.

D) <u>Financial assets held for trading:</u>
The main transactions during the period were as follows:
- acquisitions due to policy surrenders (pursuant to Article 41(2) of Italian Legislative Decree no. 209 of 7 September 2005) in the amount of 86 thousand euro;
- sale of corporate bonds in the amount of 307 thousand euro for a recognised gain of 13 thousand euro.

F) <u>Property</u>

As at 31 December 2014, properties totalled 641,814 thousand euro (+8.1% compared to 31 December 2013).

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

(€/000)

	Investment Property	Property under construction	Property held for trading	Owner-occupied property	Total
Balance as at 31/12/2013	89,509	269,030	114,390	120,888	593,817
Purchase and capitalised interests paid					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)	-	16,798	-	-	16,798
- MILAN - Portello Area (via Vittoria Assicurazioni S.p.A.)	2,206	-	-	-	2,206
- SAN DONATO MILANESE (MI) - (via Immobiliare Bilancia S.r.l.)	-	53	-	-	53
- SAN DONATO MILANESE (MI) - (via Vittoria Immobiliare S.p.A.)	-	1	-	-	1
- ROME (via Valsalaria S.r.l.)	-	5	-	-	5
- ROME (via Immobiliare Bilancia Prima S.r.l.)	-	-	14	-	14
- ROME - Guattani Str. - (via Immobiliare Bilancia S.r.l.)	-	-	117	-	117
- TURIN - Barbaroux Str. - (via Vittoria Immobiliare S.p.A.)	-	-	183	-	183
- TURIN - Via Villafocchiardo - (via Vittoria Immobiliare S.p.A.)	-	1	-	-	1
- GENOA - De Ferrari Sq., Conservatori del Mare Str., Orefici Str. (via Vaimm Sviluppo S.r.l.)	-	-	2,535	-	2,535
- MILAN - Adamello Str. (via Immobiliare Bilancia Prima S.r.l.)	-	-	178	-	178
- PESCHIERA BORROMEO (MI) - (via Vittoria Immobiliare S.p.A.)	-	28	-	-	28
- PESCHIERA BORROMEO (MI) (tramite Immobiliare Bilancia I S.r.l.)	-	-	8,405	-	8,405
- TURIN - Cairoli Str. (via Immobiliare Bilancia I S.r.l.)	-	-	40	-	40
- FLORENCE - Viale Michelangelo (via Immobiliare Bilancia S.r.l.)	-	-	2,735	-	2,735
- ROME - Meliconi Str. - (via Immobiliare Bilancia Prima S.r.l.)	-	-	56	-	56
- ROME - Della Vignaccia Str. - (via VRG Domus S.r.l.)	-	743	-	-	743
- PARMA - (via Immobiliare Bilancia Prima S.r.l.)	-	358	-	-	358
- Miscellaneous	-	5	-	215	220
Total purchase and capitalised interests paid	2,206	17,992	14,263	215	34,676
Sales:					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)	-	(21,143)	-	-	(21,143)
- TURIN - Barbaroux Str. (via Vittoria Immobiliare S.p.A.)	-	-	(480)	-	(480)
- TURIN - Cairoli Street (via Immobiliare Bilancia I S.r.l.)	-	-	(361)	-	(361)
- TURIN - Villarfocchiardo (via Vittoria Immobiliare S.r.l.)	-	(30)	-	-	(30)
- PESCHIERA BORROMEO (MI) - (via VP Sviluppo S.r.l.)	-	(846)	-	-	(846)
- ROME - (via Valsalaria S.r.l.)	-	(1,175)	-	-	(1,175)
- MILAN - San Donato Milanese (via Vittoria Immobiliare S.p.A.)	-	(72)	-	-	(72)
- MILAN - San Donato Milanese (via Immobiliare Bilancia S.r.l.)	-	(3,796)	-	-	(3,796)
- Miscellaneous		-	-	(134)	(134)
Total sales	-	(27,062)	(841)	(134)	(28,037)
Acquisition of 100% of VP Sviluppo S.r.l.		47,686	-	-	47,686
Depreciations	(3,275)	-	-	(4,677)	(7,952)
Riclassifications	-	(326)	(1,572)	1,898	-
Impairment	-	-	0	(922)	(922)
Recognised gains	-	5,595	(3,049)	-	2,546
Balance as at 31/12/2014	88,440	312,915	123,191	117,268	641,814

The "Property investments" line item includes the property with a services use destination in the "Portello" area owned by the parent company, that were rented out following the decision to adjust the investment strategy.

Gains and losses on investments

The following table shows the breakdown as at 31.12.2014 of net gains on investments, with separate disclosure of investments where the risk is borne by life policyholders:

(€/000)

Gains and losses on investments	Realised gains/ (losses)	Unrealised gains/ (losses)	31/12/2014 total net gains/(losses)	31/12/2013 total net gains/(losses)
Investments	85,057	-2,306	82,751	69,903
From:				
a investment property	1,110	-3,275	-2,165	-812
b investments in subsidiaries and associates and interests in joint ventures	1,911	-593	1,318	-2,416
c held to maturity investments	2,327	-	2,327	3,174
d loans and receivables	1,173	1	1,174	1,061
e financial assets available for sale	76,756	-424	76,332	63,584
f financial assets held for trading	13	-11	2	20
g financial assets at fair value through profit or loss	1,767	1,996	3,763	5,292
Other receivables	432	-	432	485
Cash and cash equivalents	2,357	-	2,357	2,809
Financial liabilities	-5,451	-3,763	-9,214	-10,647
From:				
b financial liabilities at fair value through profit or loss	-	-3,763	-3,763	-5,292
c other financial liabilities	-5,451	-	-5,451	-5,355
Total gains and losses on financial instruments	82,395	-6,069	76,326	62,550
Real estate business				
From:				
a Gains on property trading	2,546	-	2,546	1,103
b Rent income on owner-occupied property and property held for trading	770	-	770	713
Total real estate business	3,316	-	3,316	1,816
Total gains and losses on investments	85,711	-6,069	79,642	64,366

Net gains with risk borne by the Group amounted to 79,642 thousand euro, with a +23.7% increase vs. 2013.
The improvement is attributable to capital gains of 13,742 thousand euro made in 2014 from the sale of securities classified as available for sale and the share attributable to the Group's results of associated companies (1,882 thousand euro), of which 3,018 thousand euro related to Yarpa S.p.A..

The weighted average return on "Bonds and other fixed-income securities" as at 31 December 2014 was 4.61% compared to 4.07% of last year.

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

(€/000)

Net income on investments	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	2	20	-	-	-	-	-	-	2	20
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	-7,998	-248	-832	-1,417	-7	-	10,155	-751	1,318	-2,416
Gains or losses on other financial instruments and investment property	79,188	68,739	-4,248	-3,846	48	73	18	-20	75,006	64,946
Gains on property trading	-	-	2,546	1,103	-	-	-	-	2,546	1,103
Revenue from work in progress (percentage of completion)	-	-	-	-	-	-	-	-	-	-
Rent income on owner-occupied property and pro	136	263	720	590	-	-	-86	-140	770	713
Total	71,328	68,774	-1,814	-3,570	41	73	10,087	-911	79,642	64,366

Financial liabilities

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

(€/000)

Financial liabilities	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	50,077	51,537	-	-	-	-	-	-	50,077	51,537
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	15,588	13,950	-	-	-	-	-	-	15,588	13,950
Reinsurance deposits	15,856	15,707	-	-	-	-	-	-	15,856	15,707
Payables to banks	-	-	250,872	274,877	-	-	-	-	250,872	274,877
Other financial payables	-	-	3,082	6,217	-	-	-	-	3,082	6,217
Other financial liabilities	44,110	16,231	246	700	-	-	-	-	44,356	16,931
Total	125,631	97,425	254,200	281,794	-	-	-	-	379,831	379,219

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

Investment and financial risk management & analysis policies

Financial risk management

The financial risk management system is designed to assure the Group's capital soundness via monitoring of the risks inherent in asset portfolios due to adverse market conditions. In this perspective, specific investment policies have been designed – as illustrated in the earlier section "Investments – Cash & cash equivalents – Property" – and special procedures adopted.

<u>Investment policies: objectives</u>

The Group's financial assets are managed according to the following objectives:

A) Life and Non-Life investments with risk borne by the Group

- Assure the Group's capital soundness by means of a policy of limitation of potential portfolio loss risk following adverse changes in interest rates, equity prices, and exchange rates;
- Limit credit risk by giving preference to investments in issuers with high ratings;
- Assure adequate investment diversification, also prudently taking opportunities arising in the real estate sector;
- For the Life segment, assure a stable return higher than the technical rate envisaged by contracts in force, optimising management of expected cash flows consistently with insurance liabilities;
- For the Non-Life segment, assure both a stable return in line with the forecasts factored into product tariffs and positive cash flows also able to address scenarios featuring any significant increase in claims cost and settlement speed;
- Monitor the securities portfolio duration in relation to liabilities' duration;

- Give preference to continuity of returns rather than to achievement of high returns in limited periods of time;
- Protect investments' value from exchange-rate fluctuations also via use of financial derivatives.

B) Life investments with risk borne by policyholders

- Manage investments benefiting policyholders who bear related risk (index- and unit-linked policies) and those relating to pension-fund management according to the objectives envisaged by relevant policies and by pension funds' regulations, with the constraint of total transparency vis-à-vis policy holders and in compliance with specific legal regulations;
- Define investments' level of protection against exchange-rate fluctuations also via use of financial derivatives.

Procedures

In order to keep its exposure to financial risks under control, the Group has equipped itself with a structured system of procedures and activities. These assure regular reporting able to monitor:

- The market value of assets and their consequent potential losses vs. carrying value;
- Trends of macroeconomic and market variables;
- For bond portfolios, issuers' rating of the issuers and analysis of sensitivity to interest-rate risk;
- Compliance with the investment limits defined by the Board of Directors;
- Overall exposure to the same issuer.

The Group also performs ALM (asset-liability management) analyses, the main objective of which, in a medium-term perspective, is to:

- Provide joint dynamic projections of cash flows and of other asset and liability features in order to show any income-statement and/or financial mismatching;
- Provide an indication – for asset portfolios backing life insurance contracts - of the expected trends in asset portfolios' rates of returns compared with contractual minimum returns;
- Identify the variables (financial, actuarial and commercial) that may have a greater negative impact on results by performing specific stress tests and scenario analyses.

The results of the above activities and reports are regularly reviewed by the Finance Committee. This committee has been set up within the Board of Directors and has been delegated to supervise the securities portfolio's performance and to define investment strategies within the limits established by the Board in investment policies.

Financial risk analysis

In this chapter we describe the risks to which the Group is exposed in relation to financial markets' movements. These risks are grouped in the three main categories, i.e. market risk, liquidity risk, and credit risk.

The chapter does not discuss the Group's investments in instruments designated at fair value going through profit and loss (index- and unit-linked policies – pension funds) because these are strictly connected with related liabilities.

Securities portfolio breakdown

The following table shows the carrying value of the securities portfolio with risk borne by the Group, broken down by investment type (debt securities, equity securities and CIU units). It also provides indications concerning financial risk exposure and uncertainties of flows.

(€/000)

Investment nature	Amount 31/12/2014	% of breakdown	Amount 31/12/2013	% of breakdown
DEBT SECURITIES	1,985,175	93.9%	1,739,359	93.0%
Listed treasury bonds:	1,950,421	92.3%	1,704,661	91.1%
Fixed-interest rate	1,875,623	88.8%	1,623,040	86.7%
Variable interest rate	74,798	3.5%	81,621	4.4%
Unlisted treasury bonds:	1,381	0.1%	1,582	0.1%
Variable interest rate	1,381	0.1%	1,582	0.1%
Listed corporate bonds:	28,254	1.3%	24,138	1.3%
Fixed-interest rate	19,860	0.9%	16,108	0.9%
Variable interest rate	8,394	0.4%	8,030	0.4%
Unlisted corporate bonds:	88	0.0%	3,381	0.2%
Fixed-interest rate	88	0.0%	3,381	0.2%
Bonds of supranational issuers:	5,031	0.2%	5,597	0.3%
Fixed-interest rate	5,031	0.2%	5,597	0.3%
of which				
Total fixed-interest securities	1,900,602	95.7%	1,648,126	94.8%
Total variable-interest securities	84,573	4.3%	91,233	5.2%
Total debt securities	1,985,175	100.0%	1,739,359	100.0%
of which				
Total listed securities	1,983,706	100.0%	1,734,396	99.7%
Total unlisted securities	1,469	0.0%	4,963	0.3%
Total debt securities	1,985,175	100.0%	1,739,359	100.0%
EQUITY INSTRUMENTS	94,438	4.5%	99,431	5.3%
listed shares	8,296	0.4%	7,793	0.4%
unlisted equity instruments	86,142	4.1%	91,638	4.9%
OEIC UNITS	32,475	1.6%	35,969	1.9%
TOTAL	2,112,088	100.0%	1,874,759	100.0%

The fixed-income securities portfolio has a duration of 4.7 years.

Market risk

Market risk consists of interest-rate risk, price risk and exchange-rate risk.
Debt securities are exposed to interest-rate risk.
The interest-rate risk on fair value is the risk of a financial instrument's value varying due to changes in market interest rates.
A decrease in interest rates would cause an increase in the fair value of such securities, whereas an increase in rates would decrease their fair value.
The interest-rate risk on cash flows relates to possible changes in the coupons of floating-rate securities.

The carrying value of fixed-interest debt securities exposed to interest-rate risk on fair value totalled 1,900,602 thousand euro (95.7% of the bond portfolio with investment risk borne by the Group), of which 1,870,924 thousand euro classified as available for sale.
The following table illustrates the quantitative impacts on the fair value of these latter assets of a hypothetical parallel variation in the interest rate curve of ±100 basis points (bp).

	(€ '000)
Fixed-interest securities at fair value	Amount
Carrying amount as at 31/12/2014	1,870,924 (1)
Change	
100 BP increase	-86,308
100 BP decrease	55,441

(1) of which € 825,302 thousand allocated to the separately-managed Life business.

The carrying value of floating-rate debt securities exposed to interest-rate risk on cash flows totalled 84,573 thousand euro (4.3% of the bond portfolio with investment risk borne by the Group). In order to indicate the sensitivity of floating-rate securities' cash flows, we point out that a 100-bp positive or negative change in interest rates would respectively cause higher or lower interest receivable of 847 thousand euro and 517 thousand euro.

Life insurance contracts envisage a guaranteed minimum rate of interest and feature a direct link between investments and benefits to be paid to policyholders.
This direct link between obligations to policyholders and investments of assets associated with benefits is governed by means of the integrated asset-liability management (ALM) model mentioned earlier.

More specifically, the Group manages interest-rate risk by matching asset and liability cash flows and by maintaining a balance between liabilities' duration and that of the investment portfolio directly related to such liabilities.
Duration is an indicator of the sensitivity of asset and liability fair value to changes in interest rates.

To complete disclosure, the following tables show the carrying value of fixed-rate securities by maturity and the carrying value of floating-rate securities by type of interest rate.

Fixed - interest securities		(€/000)
Maturity	Amount	% of breakdown
< 1 year	320,262	16.9%
1<X<2	152,548	8.1%
2<X<3	140,946	7.4%
3<X<4	110,812	5.8%
4<X<5	158,783	8.4%
5<X<10	804,290	42.2%
more	212,961	11.2%
Total	1,900,602	100.0%

Variable - interest securities			(€/000)
Tipe of rate	Indexation	Amount	% of breakdown
Constant mat. Swap	Euroswap 10Y	25,648	30.3%
Constant mat. Swap	Euroswap 30Y	9,453	11.2%
variabile	3 months tresury bonds	1,381	1.6%
Variable	6 months tresury bonds	43,289	51.2%
Variable	other	4,802	5.7%
Total		84,573	100.0%

The contractual rate refixing date for most of these securities is in the first half of the year.

The Group holds real estate properties exposed to fluctuation in real estate market.
As regards interest-rate risk, it is pointed out, lastly, that the Group holds floating-rate financial liabilities, mainly consisting of real estate companies' bank borrowings, totalling 222,373 thousand euro. In order to indicate their sensitivity, taking into account the hedging operation set up by Acacia 2000 Srl it is noted that a 100-bp increase would increase interest expense by 1,824 thousand euro.
In view of the time characterized by particularly low interest rates, it is not considered reasonable to express the sensitivity analysis resulting from a decrease in interest rates.

Equity securities are exposed to price risk, i.e., the possibility of their fair value varying as a result of changes arising both from factors specific to the individual instrument or issuer and those affecting all instruments traded on the market.
If the listed shares classified as "Available-for-sale financial assets" had suffered a 10% loss as at 31.12.2014, equity attributable to parent company shareholders would have decreased by 830 thousand euro.

The Group is not exposed to foreign exchange risk since, as at 31.12.2014, nearly all investments for which it bears the risk were expressed in euro, observing the principle of consistency with technical reserves.

Liquidity risk

The group is daily required to execute payments arising from insurance and investment contracts.
The liquidity risk is the risk that available funds may not be sufficient to meet obligations. It is constantly monitored by means of the integrated ALM procedure.
This risk may also arise as a result of inability to sell a financial asset fast at an amount close to its fair value.
This is less probable when the financial assets are listed in active markets. The greater the weight is of financial assets listed in active and regulated markets, the less likely it is that this will happen.
As at 31.12.2014 financial assets listed in a regulated market accounted for over 95% of financial assets owned.
The following table shows financial liabilities by maturity:

(€/000)

Financial liabilities: maturity	31/12/14	31/12/13
< 1 year	120,997	145,219
1 < X < 3	60,731	34,899
3 < X < 5	38,641	28,899
5 < X < 10	90,214	68,247
more	69,248	101,955
Total	379,831	379,219

Credit risk

In applying its investment policy, the Group limits its exposure to credit risk by investing in highly rated issuers.
As can be seen in the table below, as at 31.12.2014 nearly all bonds held by the group were rated as investment grade.

(€/000)

Rating (Standard & Poor's)	Amounts	% of breakdown
AAA	5,031	0.3%
AA+ / AA-	13,308	0.7%
A+ / A-	7,704	0.4%
BBB+ / BBB- (*)	1,959,114	98.6%
Total investment grade	1,985,157	100.0%
Non investment grade	18	0.0%
Total	1,985,175	100.0%

(*) of which 1,938,477 related to Italian Government bonds

Other risks

The Group has identified other significant risks in addition to those previously exposed:

Operational risk

Operational risk measures the probability of loss resulting from inadequate or failed internal processes, personnel or systems, or from external events. Operational risks are related to internal factors and external events (such as the inefficiency of people, inadequate processes, inadequate systems, internal and external fraud, the activity of the outsourcer).

The management and monitoring of this risk is being implemented first where the risk itself originates. In this sense, the company functions are required to the application of appropriate control mechanisms to mitigate risks associated with specific operations, which would assure to all levels a structured and regular course of business, compliance with internal and external regulations and the principles of sound and prudent management.

The parent company, Vittoria Assicurazioni SpA, also reinforces the culture on operational risk management through training initiatives organized by the human resources department.

The goal of the parent company in the definition of the process of managing and monitoring operational risk is embodied in their evaluation with a view to current and foreseeable, identifying quantitative evaluations and in undertaking actions aimed at preventing risks or timely mitigation of the same.

Risk of non-compliance

Within the system of risk management, the Compliance function is the group division that oversees the risk of non-compliance, in order to prevent the risk of incurring in legal or administrative sanctions, financial losses or damage to reputation, for having violated laws, regulations or decisions of the supervisory authority or self-regulatory rules.

The Compliance also provides support to top management and to organizational structures through action, in coordination with other functions involved, targeted to correct and implement new organizational strategies and operational behaviors.

Reputational risk

Reputational risk is defined as the risk of a decline in profits or capital due to a negative perception of the Group by its main stakeholders (customers, shareholders, investors, lenders, supervisory authorities, employees, contractors, distribution network , suppliers, general public, etc.). The judgment of appreciation is usually linked to the quality of the organization, the characteristics and behaviors that derive from experience, from hearsay or from observation of past actions of the organization.

Risks related to the Group or the risk of "contagion"

The Risks related to the Group or the risk of "contagion", represents the risk of the propagation of difficult situation that arise in an entity of the same group, with negative effects on the solvency of the parent company itself, as a result of the relationship between the parent company and other Group entities. In the present case is included the risk of conflict of interest which is managed by the Related Parties Procedure adopted by the parent company, which defines the rules, procedures and principles necessary to ensure the transparency and substantive and procedural fairness of transactions carried out with parties Parent Company's related.

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

Information concerning remuneration policy of members of the administrative body and board of control, general director and strategically accountable managers are shown in the Report on remuneration published in accordance with Art. 123-ter of Italian Legislative Decree, No. 58/1998.

Information concerning adherence to codes of conduct

The annual report on adherence to codes of conduct required by art.123/2 of T.U.F. can be consulted on the "Governance" section of parent company's website: www.vittoriaassicurazioni.com.

Solvency II – Additional information required by Consob pursuant to article. 114, section 5 of Italian Legislative Decree No. 58/1998

Progress of the implementation of the guidelines issued by EIOPA October 31, 2013 and subsequent Ivass regulations for the preparatory phase to the introduction of Solvency II, with particular reference to the system of governance, the prospective assessment of risks, reporting and pre-application of internal models for the calculation of the new capital requirements.

The parent company has identified and planned a series of activities to ensure compliance with the new rules of Solvency, both in the preparatory phase (until 31 December 2015), both at the time of effective entry into force of Solvency II (January 1, 2016). These activities have been divided into specific projects, related to the three pillars required by law.
In particular, with reference to Pillar II (Governance and Risk Management):

- new policies have been adopted: after examination and approval by the Audit and Risk Committee and, in some cases, by the Finance Committee, the Board of Directors approved 13 new policies; some of them have replaced previous guidelines issued by the Board;
- as part of the system of risk management, the Parent Company set up the Actuarial Function, whose tasks will be the coordination and control above Solvency II technical provisions and the evaluation of underwriting policies of reinsurance arrangements. This function, in addition to performing a control on the technical items, will help to implement effectively the system of risk management adopted by the Group;
- a system of governance of risks was formalized: the basic guidelines of the new system of governance of the risks have been outlined in the "Risk Management Policy", the principles of which were declined in more specific policies. Governance outlined by the new guidelines, inter alia, redefined, integrating them, the tasks of the Board Committees, which have assumed a key role in supporting the Board of Directors, with preliminary activities and control;
- framework ORSA (Own Risk and Solvency Assessment) was adopted, represented by the Risk Appetite Framework (framework that defines risk appetite, tolerance thresholds, risk limits, policies risk governance, processes of reference needed to define and implement them), by the policy of risk assessment and the ORSA process;
- also as part of the second pillar, in October 2014, the Board of Directors approved the FLAOR assessment (Forward Looking Assessment of Own Risks), which required the forecast, among other things, of the overall solvency requirement and the relative backing by own funds in a three-year prospective;

With reference to Pillar I (Quantitative requirements) and III (Disclosure to stakeholders and Regulatory Reporting):

- the project for the adoption of the system of calculating and reporting quantitative Solvency II was launched, with the acquisition of specific software that will be used for the production of calculations and reporting 31.12.2014;
- the plan of implementation of the Framework of Data Governance has been prepared, aimed at achieving a system of data quality required by art. 12a of Ivass Regulation No. 20/2008.

Currently it is not expected the adoption of full or partial internal models.

In December 2014, the Parent Company communicated to the supervisory authority its intention to open the procedure for requesting authorization to use the USP in some significant Lob (Lines of Business), to be able to use parameters that reflect more accurately the real volatility of the portfolio of the parent company, with respect to the elements of the calculation of the Solvency Capital Requirement provided by the standard formula.
The formal request to the Supervisory Board may be submitted once performed quantitative and qualitative insights required by regulations.

Any actions taken or planned as a result of the outcomes of the EIOPA Stress Test exercises, issued on November 30, 2014, considering any requests made by IVASS in line with the recommendations issued by EIOPA November 27, 2014.

In light of the results of the stress test exercises, the parent company has not deemed necessary to start actions in addition to those already in progress.

Infragroup and related-party transactions

Transactions with group companies referred to the normal course of business, using specific professional skills at going market rates. There were no atypical or unusual transactions.
This section presents financial and business transactions occurring during 2014 with group companies, excluding those with companies consolidated on a 100% line-by-line basis.
The following table summarises the most significant economic and financial dealings with Group companies not included in the scope of consolidation and with directors, statutory auditors, and managers with strategic responsibilities.

(€/000)

Related parties	Other receivables	Loans	Commitments for subscription of private equity investments	Other payables	Revenues	Costs
Associates	267	12,473	1,107	439	36	1,654
Total	267	12,473	1,107	439	36	1,654

Relations and transactions with parent companies

The Group has no financial or commercial relationships with the direct parent company Vittoria Capital N.V. and the indirect parent company Yafa Holding B.V., The Netherlands.

Relations and transactions with associates

Yarpa S.p.A. - Genoa

27.31% direct equity interest
Vittoria Assicurazioni has recognised 1,107 thousand euro under loans to associates and under financial liabilities for the commitment to subscribe to private equity investments through the associate.

S.In.T. S.p.A. – Turin

48.19% direct equity interest
The parent company used the services of S.In.T. S.p.A. for commercial agreements made by the parent company, for an aggregate cost of 1,596 thousand euro and granted the associate an interest bearing shareholder loan, which has a balance of 1,000 thousand euro.

Mosaico S.p.A. – Turin

45.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. granted the associate an interest bearing shareholder loan, which has a balance of 1,369 thousand euro (879 thousand euro as at 31 December 2013).

Pama & Partners S.r.l. – Genoa

25.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. granted the associate a non-interest bearing shareholder loan, which has a balance of 500 thousand euro, unchanged from the previous year.

VZ Real Estate S.r.l. – Turin
49.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate a non-interest bearing shareholder loan, which has a balance of 2,751 thousand euro.

Fiori di S. Bovio S.r.l. – Milan
40.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of 1,852 thousand euro.

Valsalaria A.11 S.r.l. – Rome
40.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. acquired, together with participating interest, a shareholder loan which has a balance of 1,608 thousand euro, fully impaired.

Spefin Finanziaria S.p.A. - Rome
21.00% equity interest via Interbilancia S.r.l.
The parent company granted the associate an interest bearing loan, which has a balance of 5,000 thousand euro.

Human resources

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

We pursue this objective via:

- Assessment of candidacies based on the match between requirements and the professional profiles to acquired. The priority for identification of resources is internal recruitment, to aid professional growth. When in-house candidacies consistent with the profile sought cannot be identified, external market recruitment processes are activated to hire particularly qualified people in terms of their academic background and/or professional experience acquired in the sector.
- Commitment to providing training appropriate to the role covered by each person, consistently with the Company's objectives and strategies. The Vittoria Assicurazioni Group in fact believes that human resources play a key role in the value creation process and, because of this, it pays special attention to planning training and development activities.
- Preference for forms of flexibility in organising work, respecting individual/family and company needs.
- Prevention of all forms of discrimination.
- Adoption of a reward system based on assignment of personal or group targets to specific professional figures
- Constant commitment to achieving workplaces and units that not only comply with legal safety standards, to protect the health of those using them, but are also pleasant places in which to be.

Performance in early months of FY2015 and business outlook

There was no significant events to report.
The Company's performance in the first months of 2015 is in line with the targets announced to the market.

The Board of Directors

Milan, 10 March 2015

Consolidated financial statements as at 31 December 2014

Balance Sheet

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

(€/000)

	ASSETS	Note	31/12/2014	31/12/2013
1	INTANGIBLE ASSETS		27,692	30,767
1.1	Goodwill	1	0	0
1.2	Other intangible assets	2	27,692	30,767
2	PROPERTY, PLANT AND EQUIPMENT		563,314	513,206
2.1	Property	2	553,374	504,308
2.2	Other items of property, plant and equipment	2	9,940	8,898
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	60,501	73,163
4	INVESTMENTS		2,370,663	2,116,033
4.1	Investment property	4	88,440	89,509
4.2	Investments in subsidiaries and associates and interests in joint ve	5	22,292	18,446
4.3	Held to maturity investments	6	56,709	67,307
4.4	Loans and receivables	6	82,178	67,832
4.5	Financial assets available for sale	6	2,055,363	1,807,203
4.6	Financial assets at fair value through profit or loss	6	65,681	65,736
5	OTHER RECEIVABLES		213,459	220,800
5.1	Receivables relating to direct insurance	7	173,982	176,635
5.2	Receivables relating to reinsurance business	8	4,251	3,836
5.3	Other receivables	9	35,226	40,329
6	OTHER ASSETS		183,322	133,811
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	10	7,487	8,310
6.3	Deferred tax assets	11	126,637	97,090
6.4	Current tax assets	12	24,229	22,353
6.5	Other assets	13	24,969	6,058
7	CASH AND CASH EQUIVALENTS	14	231,007	167,120
	TOTAL ASSETS		3,649,958	3,254,900

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

	EQUITY AND LIABILITIES	Note	31/12/2014	31/12/2013
1	EQUITY		627,318	528,528
1.1	attributable to the shareholders of the parent		614,528	506,449
1.1.1	Share capital	15	67,379	67,379
1.1.2	Other equity instruments	15	0	0
1.1.3	Equity-related reserves	15	33,874	33,874
1.1.4	Income-related and other reserves	15	335,846	297,933
1.1.5	(Treasury shares)	15	0	0
1.1.6	Translation reserve	15	0	0
1.1.7	Fair value reserve	15	105,312	53,383
1.1.8	Other gains or losses recognised directly in equity	15	-212	350
1.1.9	Profit for the year attributable to the shareholders of the parent		72,329	53,530
1.2	attributable to minority interests	15	12,790	22,079
1.2.1	Share capital and reserves attributable to minority interests		12,820	21,625
1.2.2	Gains or losses recognised directly in equity		0	0
1.2.3	Profit for the year attributable to minority interests		-30	454
2	PROVISIONS	16	4,872	4,558
3	TECHNICAL RESERVES	17	2,434,695	2,151,860
4	FINANCIAL LIABILITIES		379,831	379,219
4.1	Financial liabilities at fair value through profit or loss	18	65,665	65,487
4.2	Other financial liabilities	18	314,166	313,732
5	PAYABLES		90,415	100,779
5.1	Payables arising from direct insurance business	19	11,444	9,430
5.2	Payables arising from reinsurance business	20	7,254	13,388
5.3	Other sums payable	21	71,717	77,961
6	OTHER LIABILITIES		112,827	89,956
6.1	Liabilities of a disposal group held for sale		0	0
6.2	Deferred tax liabilities	22	71,012	38,223
6.3	Current tax liabilities	23	1,919	21,223
6.4	Other liabilities	24	39,896	30,510
	TOTAL EQUITY AND LIABILITIES		3,649,958	3,254,900

Income Statement

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2014

(€/000)

	Income Statement	Note	31/12/2014	31/12/2013
1.1	Net premiums		1,232,708	1,094,745
1.1.1	*Gross premiums*	25	1,269,854	1,131,284
1.1.2	*Ceded premiums*	25	37,146	36,539
1.2	Commission income	26	751	546
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	27	2	20
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	27	3,165	326
1.5	Gains on other financial instruments and investment property	27	86,715	75,588
1.5.1	*Interest income*		68,907	66,441
1.5.2	*Other income*		4,065	448
1.5.3	*Realised gains*		13,742	8,699
1.5.4	*Unrealised gains*		1	0
1.6	Other income	28	14,418	10,932
1	TOTAL REVENUE		1,337,759	1,182,157
2.1	Net charges relating to claims		901,041	779,312
2.1.1	*Amounts paid and change in technical reserves*	25	933,887	808,368
2.1.2	*Reinsurers' share*	25	-32,846	-29,056
2.2	Commission expense	29	26	32
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	27	1,847	2,742
2.4	Losses on other financial instruments and investment property	27	11,709	10,642
2.4.1	*Interest expense*		5,451	4,655
2.4.2	*Other expense*		2,558	472
2.4.3	*Realised losses*		0	1
2.4.4	*Unrealised losses*		3,700	5,514
2.5	Operating costs		255,424	229,241
2.5.1	*Commissions and other acquisition costs*	30	209,226	188,804
2.5.2	*Investment management costs*	30	2,764	1,721
2.5.3	*Other administrative costs*	30	43,434	38,716
2.6	Other costs	31	48,546	52,826
2	TOTAL COSTS		1,218,593	1,074,795
	PROFIT FOR THE YEAR BEFORE TAXATION		119,166	107,362
3	Income taxes	32	46,867	53,378
	PROFIT FOR THE YEAR		72,299	53,984
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS		0	0
	CONSOLIDATED PROFIT (LOSS)		72,299	53,984
	of which attributable to the shareholders of the parent		72,329	53,530
	of which attibutable to minority interests	15	-30	454

Basic EARNINGS per share		1.07	0.79
Diluted EARNINGS per share		1.07	0.79

Statement of Comprehensive Income

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2014

(€/000)

COMPREHENSIVE INCOME (LOSS)	31/12/2014	31/12/2013
CONSOLIDATED PROFIT (LOSS)	72,299	53,984
Other comprehensive income, net of taxes without reclassification to profit or loss	-562	197
Changes in the equity of investees	-	-
Changes in intangible asset revaluation reserve	-	-
Changes in tangible asset revaluation reserve	-	-
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	-	-
Actuarial gains and losses and adjustments related to defined benefit plans	- 562	197
Other items	-	-
Other comprehensive income, net of taxes with reclassification to profit or loss	51,929	22,117
Change in translation reserve	-	-
Gains or losses on available for sale investments	51,929	22,117
Gains or losses on hedging instruments	-	-
Gains or losses on hedging instruments of net investment in foreign operations	-	-
Changes in the equity of investees	-	-
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	-	-
Other items	-	-
TOTAL OTHER COMPREHENSIVE INCOME	51,367	22,314
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (LOSS)	123,666	76,298
of which attributable to the shareholders of the parent	123,696	75,844
of which attibutable to minority interests	-30	454

Statement of changes in equity

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

(€/000)

		Balance at 31/12/2012	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Changes in ownership interests	Balance at 31/12/2013	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Changes in ownership interests	Balance at 31/12/2014
Equity attributable to the shareholders of the parent	Share capital	67,379	0	0		0		67,379	0	0		0		67,379
	Other equity instruments	0	0	0		0		0	0	0		0		0
	Equity-related reserves	33,874	0	0		0		33,874	0	0		0		33,874
	Income-related and other reserves	260,500	0	48,887		(11,454)		297,933	0	53,530		-12,128	(3,489)	335,846
	(Treasury shares)	0	0	0		0		0	0	0		0		0
	Profit /(Loss) for the year	48,888	0	4,642		0		53,530	0	18,799		0		72,329
	Other comprehensive income	31,419	0	26,763	-4,449	0		53,733	0	55,046	-3,679	0		105,100
	Total attributable to the shareholders of the parent	442,060	0	80,292	-4,449	-11,454	0	506,449	0	127,375	-3,679	-12,128	-3,489	614,528
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	25,374	0	-1,483		0	-2,266	21,625	0	454		0	(9,259)	12,820
	Gains or losses recognised directly in equity	-1,483	0	1,937		0		454	0	-484		0		-30
	Other comprehensive income	0	0	0		0	0	0	0	0	0	0		0
	Total attributable to minority interests	23,891	0	454	0	0	(2,266)	22,079	0	-30	0	0	-9,259	12,790
Total		465,951	0	80,746	-4,449	-11,454	(2,266)	528,528	0	127,345	-3,679	-12,128	-12,748	627,318

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

Cash flow statement

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2014
CONSOLIDATED STATEMENSTS OF CASH FLOW - INDIRECT METHOD

(€/000)

	31/12/2014	31/12/2013
Profif for the year before taxation	119,166	107,362
Change in non-monetary items	270,658	192,217
Change in non-life premium reserve	12,537	17,513
Change in claims reserve and other non-life technical reserves	112,356	127,651
Change in mathematical reserves and other life technical reserves	170,604	74,882
Change in deferred acquisition costs	823	-63
Change in provisions	314	773
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	1,487	-5,332
Other changes	-27,463	-23,207
Change in receivables and payables arising from operating activities	-3,023	5,998
Change in receivables and payables relating to direct insurance and reinsurance	-1,882	15,604
Change in other receivables and payables	-1,141	-9,606
Taxes paid	-46,867	-53,378
Net cash flow generated by/used for monetary items from investing and financing activities	233	758
Liabilities from financial contracts issued by insurance companies	178	4,469
Payables to bank and interbank customers	0	0
Loans and receivables from bank and interbank customers	0	0
Other financial instruments at fair value through profit or loss	55	-3,711
NET CASH FLOW FROM OPERATING ACTIVITIES	340,167	252,957
Net cash flow generated by/used for investment property	0	0
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	-6,319	-1,161
Net cash flow generated by/used for loans and receivables	-14,346	3,899
Net cash flow generated by/used for held to maturity investments	10,598	35,645
Net cash flow generated by/used for financial assets available for sale	-195,807	-247,959
Net cash flow generated by/used for property, plant and equipment	-47,033	70,323
Other net cash flows generated by/used for investing activities	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	-252,907	-139,253
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent	0	0
Net cash flow generated by/used for treasury shares	0	0
Dividends distributed to the shareholders of the parent	-12,128	-11,454
Net cash flow generated by/used for share capital and reserves attributable to minority interests	-11,679	-91,776
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0
Net cash flow generated by/used for other financial liabilities	434	-4,601
NET CASH FLOW FROM FINANCING ACTIVITIES	-23,373	-107,831
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	167,120	161,247
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,887	5,873
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	231,007	167,120

Accounting policies

General basis of presentation

Statement of IFRS compliance

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

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

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

Basis of accounting

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

Taking into account the solvency ratio, the profitability of the Group and its careful management of risks, the consolidated financial statements have been prepared on a going concern basis.

New accounting policies

Starting from 1st January 2014 the Group adopted the following accounting standards, approved by the EU Regulation n.1254 of 11 December 2012:

- IFRS 10 (Consolidated Financial Statements) which gives a unique model for the consolidated financial statements which provides control as the basis for the consolidation of all types of entities. IFRS 10 replaces IAS 27 (Consolidated and Separate) and SIC-12 (Special Purpose Entities - SPV). In particular, the new standard introduces a definition of control more solid than in the past. In particular IFRS 10 requires an investor to assess whether it has control over the undetaking, focusing on the activities that affect significantly the return of the same, providing, also, that in assessing the existence of control, are considered only the substantive rights, those that are exercisable into practice when important decisions must be taken on the company acquired.
- IFRS 11 (Joint arrangements) establishes the principles of financial reporting for entities that are parties to agreements to joint control and replaces IAS 31 (Interests in Joint Ventures) and SIC-13 Jointly Controlled Entities - Contributions in kind by Venturers. In particular, the principle distinguishes between joint operations and joint ventures: a joint operation is an agreement in which both parties have rights to the assets and obligations for the liabilities resulting from the agreement. For accounting assets and liabilities being parties to the agreement are reflected in the financial statements using the relevant accounting standard. A joint venture is an agreement in which the parties are entitled to a share of the equity of

the companies covered by the agreement. For accounting purposes, the joint venture is consolidated using the equity method; is no longer expected the proportional method as optional in the previously existing IAS 31.
- IFRS 12 (Disclosure of Interests in Other Entities) combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements for joint control, associates and unconsolidated structured entities.

As a result of these new IFRSs, the IASB also issued IAS 27 amended (Consolidated and Separate) and amended IAS 28 (Investments in associates and joint ventures).
The application of IFRS 12 had no impact on the information given in the budget, while the new definition of control dictated by IFRS 10 has not had a significant impact on the consolidation of the Group. Amendments to the new standards had no significant impact on this report.

Use of estimates

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

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

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

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

Scope of consolidation

Subsidiaries

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

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

The power arises from the rights. In some cases, the verification of the existence of power is immediate, such as when the power comes directly from the voting rights attached to the possession of capital securities. In other cases, the verification of the existence of power is more complex and therefore the analysis must take into account several factors such as when the power comes from contractual agreements.
Generally, the power exists when the other party has a majority of the voting rights, but in some circumstances may exist when the investor owns less than a majority of the voting rights. In this case, the parent company assesses whether this power can result from a wide range of rights, including voting rights or potential voting rights, the right to appoint or remove the key figures of the investee, including the right of veto in the facts of management and contractual rights. In addition, consider the practical ability to exercise that right; the presence of barriers for example, could jeopardize the existence of control (for example: existence of penalty, inability to obtain necessary information to exercise power, operational barriers such as lack of expertise for the replacement of management, regulatory barriers, etc.).

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

Associates and Joint Ventures

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

Business combinations

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

Consolidation method

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

   Consolidated companies' adjusted equities are eliminated against the related equity investments recorded in holder companies' financial statements.
   The fair value initially set on the assets and liabilities acquired may be adjusted within twelve months after acquisition date, if it was originally measured on a provisional basis.

   In this case, any goodwill or profit recognised in the financial year when the acquisition took place is adjusted accordingly, recalculating comparative data presented in the previous set of accounts.
6) Any positive difference between the cost and the Group's interest in the fair value of the assets and liabilities acquired is classified as goodwill and recognised in accounts as an intangible asset. Any negative difference (negative goodwill) is instead recognised as revenue at the time of acquisition. Minority interests are measured according to the fair value of the assets and liabilities of the interest acquired.

   Goodwill is tested for impairment annually or more frequently if specific events or changes in circumstances make it necessary, in accordance with IAS 36 ("Impairment of Assets"). After initial recognition, goodwill is measured at cost net of any cumulative impairment losses.
7) Infragroup balances and transactions, including revenue, costs, and dividends, are eliminated in full. Gains or losses stemming from infragroup transactions and included in the carrying amount of assets, such as inventory, or non-current assets are also eliminated in full. Any intercompany losses are eliminated if they do not reflect enduring impairment of the intrinsic value of the assets transferred.
8) Differences arising from the measurement of investments in associates using the equity method are recognised in the value of equity investments shown among balance sheet investment assets and, as a balancing entry, in the equity account called "Earnings reserves and other financial reserves" as valuation adjustments to unconsolidated equity investments. The Group's share of associates' profit or loss is recognised under the income-statement caption "Gains (losses) on investments in subsidiaries and associates and interests in joint ventures". If the group's share of losses equals or exceeds the carrying value of the investment in that associate, the parent company stops recognising its share of any further losses. After writing the investment in the associate down to zero, further losses are provisioned and recognised as liabilities only to the extent that the parent company has incurred legal or constructive obligations or made payments on behalf of the associate. Should the associate subsequently make a profit, the parent company resumes recognition of its share of profits only after such a share has covered all previously unrecognised shares of losses.

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

Segment reporting

Primary segment reporting (business segments)

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

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

Secondary segment reporting (geographical segments)

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

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

Industry-specific accounting policies

Foreword

Insurance contracts and investment contracts – definition and accounting treatment

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

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

<u>Insurance contracts</u>

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

Financial contracts with discretionary profit participation features

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

Investment contracts

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

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

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

Balance Sheet

ASSETS

Intangible assets

- Goodwill

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

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

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

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

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

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

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

iii.3. discounting of the above cash flows on the basis of a rate, gross of taxes, that reflects an adequate risk premium (7.50% for projections at 31 December).

- Other intangible assets

Other intangible assets are recognised in balance sheet assets, as per IAS 38, when:

- It is likely that their use will generate future economic benefits;

- The Group has control or has the power to obtain these benefits;

- Assets' cost can be measured reliably.

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

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

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

The group's assets have finite useful lives.

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

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

Property, plant, and equipment

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

- ### Owner-occupied property

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

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

Ordinary maintenance costs are directly expensed when incurred.

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

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

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

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

- ### Property held for trading - Property under construction

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

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

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

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

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

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

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

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

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

Any expected losses on long-term contracts are immediately recognised as an expense.

Down payments received for properties under construction are posted as a reduction of year-end inventory carrying value.

- Other items of property, plant, and equipment

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

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

Ordinary maintenance costs are expensed when incurred.

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

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

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

Reinsurers' share of technical reserves

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

Investments

Initial recognition and subsequent measurement

All financial assets are initially recognised at fair value.

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

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

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

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

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

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

Recognition date

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

Impairment

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

Impairment indicators

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

1. Bonds
   1.1. Government Bonds

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

      Corporate Bonds

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

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

Fair value definition

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

Information on the fair value hierarchy

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

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

2. Equities and strategic investments

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

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

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

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

Investments are classified as follows:

- Real estate investments

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

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

- Investments in subsidiaries, associates, and joint ventures

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

Investments in subsidiaries are eliminated during the consolidation process.

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

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

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

▪ Held-to-maturity investments

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

They do not include assets:

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

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

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

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

Loans and receivables

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

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

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

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

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

- Financial assets available for sale

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

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

These assets are measured at their fair value.

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

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

- Financial assets at fair value through profit or loss

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

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

These assets are measured at their fair value.

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

Other receivables

This category consists of:

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

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

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

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

Other assets

This category consists of:

- Activities of a disposal group held for sale

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

- Deferred acquisition costs

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

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

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

commissions on policies cancelled during the amortisation period are expensed in the year when such policies are eliminated from the portfolio.

- Current and deferred tax assets

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

- Other assets

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

Cash and cash equivalents

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

LIABILITIES

Share capital

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

Other equity instruments

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

Equity reserves

This item comprises the share premium reserve.

Earnings-related and other reserves

This item specifically includes:

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

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

Currency reserve

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

Fair value reserve

This item includes the unrealised gains or losses on investments classified as "Financial assets available for sale". Reference should be made to the relevant balance sheet item for details on the nature and accounting treatment of this type of assets.
Amounts are stated net of the portion attributable to policyholders and allocated to insurance liabilities, as better described in the "Shadow Accounting" section, and of related deferred taxation.

Other gains or losses recognised directly in equity

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

Minority interest

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

Provisions

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

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

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

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

Technical reserves

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

- Premium reserve (Non-Life business)

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

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

▪ Claims reserve (Non-Life business)

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

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

Activities performed as part of claims assessment procedures are based on the following general criteria:
- Accurate and complete basic year-end inventory of all claims partly or totally not settled, highlighting claims that are the subject of disputes
- Analysis of claims featuring several positions in order to ascertain that proper evidence exists supporting each individual position;
- Separate indication of the quantification of bodily injury and property damage;
- Inclusion of estimated direct and settlement costs in the claims reserve. Settlement costs include both amounts paid to professionals taking part in claims handling and internal company costs relating to the claims handling department;
- Assessment of claims relating to credit and suretyship insurance in compliance with the dictates of section IV of IVASS regulation no. 16 of 4 March 2008.

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

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

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

▪ Reserves for payable amounts (Life business)

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

▪ Mathematical reserves (Life business)

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

The mathematical reserve is never lower than surrender value.

In compliance with the requirements of IVASS in its regulation no. 21 of 28 March 2008 – article no. 50, the reserve for capital contracts relating to sums insured with a contractually guaranteed annuity conversion factor and to deferred and beneficial life annuities has been adjusted to reflect updated demographic survival assumptions.

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

Pursuant to IVASS regulation no. 21 of 28 March 2008 – article no. 38, an ALM (Asset-Liability Management) procedure has been implemented for joint analysis of the asset and liability portfolios in order to calculate the forecast returns for each segregated life account.

▪ Other reserves (Non-Life and Life businesses)

The item includes the following reserves:

- Ageing reserve for health insurance (Non-Life business) as required by Article 37 of Italian Legislative Decree no. 209 of 7 September 2005.
  Calculations include all the products that, in setting premiums, do not take into account changes in the policyholder’s age and contain clauses that limit the Group’s ability to withdraw, as indicated by paragraph 1 of article 46 of IVASS Regulation 16/2008.
  The estimate is based on a comparison between estimated cash inflows (all premiums expected to be collected in future years on the contracts held in portfolio at December 2012) and estimated cash outflows (all losses expected to be paid for the contracts held in portfolio at December 2012).
  For consistency and as a comparison, the reserve was calculated on a lump-sum basis by setting aside 10% of gross premiums written, as envisaged by paragraph 3 of article 47 of IVASS Regulation 16/2008.

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

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

- Reserve for deferred liabilities to policyholders (Life business)

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

- Reserve for management expenses (Life business)

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

- Complementary insurance premium reserve (Life business)

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

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

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

Financial liabilities

▪ Financial liabilities at fair value through profit or loss

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

▪ Other financial liabilities

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

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

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

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

Subsequent measurement

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

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

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

Payables

This category consists of:

- ### Payables arising from direct insurance transactions

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

- ### Payables arising from reinsurance transactions

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

These payables are recognised at nominal value.

- ### Other payables

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

Other liabilities

- ### Liabilities of a disposal group held for sale

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

- ### Current and deferred tax liabilities

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

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

- ### Sundry liabilities

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

Income Statement

REVENUES

Revenue recognition

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

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

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

Net premiums

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

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

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

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

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

Commission income

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

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

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

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

Income from investments in subsidiaries, associates, and joint ventures

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

Income from other financial instruments and investment property

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

Other revenue

This item includes:

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

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

COSTS

Claims costs

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

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

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

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

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

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

Commission expense

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

Losses on investments in subsidiaries, associates, and joint ventures

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

Losses on other financial instruments and investment property

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

Operating costs

This category comprises:

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

  In particular, the item includes:

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

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

- Investment management costs, including G&A costs and personnel expenses allocated to management of financial instruments, investment property and equity investments. They also comprise custody and administration costs.

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

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

  The costs incurred by brokerage companies are reclassified to prepayments and recognised in profit or loss when the trading companies sign the notarial deeds, if such costs are incurred in relation to sales or purchases commissioned by group companies and not yet executed at balance sheet date.

Other costs

This category includes:

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

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

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

Current and deferred taxes

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

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

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

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

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

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

Additional information

Inward insurance

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

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

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

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

Retrocession

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

Shadow accounting

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

The procedure envisages the following steps:

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

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

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

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

Liability Adequacy Test (LAT)

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

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

<u>Life business</u>

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

<u>Non-life business</u>

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

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

Employee benefits

Actuarial valuation of termination benefits, seniority bonuses and healthcare benefits

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

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

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

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

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

Accrued, deferred, and prepaid items

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

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

Financial expense

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

Conversion into euro

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

Notes to the consolidated financial statements

The notes to the consolidated interim financial statements comprise:

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

Notes of a general nature

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

A) Consolidation scope

Name	Registered offices	Share Capital Euro	% Ownership Direct	% Ownership Indirect	Via
Vittoria Assicurazioni S.p.A.	Milan	67,378,924			
Vittoria Immobiliare S.p.A.	Milan	112,418,835	100.00		
Immobiliare Bilancia S.r.l.	Milan	6,650,000	100.00		
Immobiliare Bilancia Prima S.r.l.	Milan	3,000,000	100.00		
Vittoria Properties S.r.l.	Milan	8,000,000	100.00		
Interbilancia S.r.l.	Milan	80,000	100.00		
Vaimm Sviluppo S.r.l.	Milan	2,000,000	100.00		
VP Sviluppo 2015 S.r.l.	Milan	1,000,000	100.00		
Acacia 2000 S.r.l.	Milan	150,000	15.00	70.00	Vittoria Immobiliare S.p.A.
Gestimmobili S.r.l.	Milan	104,000		100.00	Vittoria Immobiliare S.p.A.
Interimmobili S.r.l.	Rome	104,000		80.00	Vittoria Immobiliare S.p.A.
V.R.G. Domus S.r.l	Turin	800,000		100.00	Vittoria Immobiliare S.p.A.
Valsalaria S.r.l.	Rome	60,000		51.00	Vittoria Immobiliare S.p.A.
Aspevi Milano S.r.l.	Milan	100,000		100.00	Interbilancia S.r.l.
Aspevi Roma S.r.l.	Milan	50,000		100.00	Interbilancia S.r.l.
Plurico S.r.l.	Milan	10,000		70.00	Interbilancia S.r.l.
Consorzio Servizi Assicurativi	Milan	323,000		46.44	Aspevi Roma S.r.l.
				7.74	Aspevi Milano S.r.l.
				7.74	Plurico S.r.l.

Changes in ownership percentages and other changes during the year:

Immobiliare Bilancia Terza S.r.l. in liquidation

On 24 February 2014, the process of voluntary liquidation of Immobiliare Bilancia Terza was closed, with the cancellation of the company from the Register of Companies.

Immobiliare Bilancia Prima S.r.l.

In January 2014 the sole shareholder Vittoria Assicurazioni paid to Immobiliare Bilancia Prima 6,253 thousand euro as a payment for future capital increase. This amount has increased from 3,747 thousand euro to 10,000 thousand euro the previous payment for future capital increase already run in 2013.
Following the request of the company, in July 2014, the sole shareholder Vittoria Assicurazioni has converted the above payments by "payment for future capital increase" to "capital contribution".
On 16 September 2014 Vittoria Assicurazioni paid an additional 10,000 thousand euro to Immobiliare Bilancia Prima Srl as a "capital contribution".

Acacia 2000 S.r.l.

On 28 February 2014 Vittoria Immobiliare purchased a share of 5.0% of Acacia 2000 Srl, at the price of 3,450 thousand euro, increasing its stake to 70.0%.
In April were completed the subscription of the first tranche of the capital increase of a nominal of 50 thousand euro with a premium of 14,950 thousand euro, approved by shareholders' meeting on 24 December 2013. As part of this operation Vittoria Assicurazioni subscribed share unopted increase resulted from the other members, thus becoming owner of a holding of 5.0% of the capital. On 22 April 2014 Vittoria Assicurazioni acquired an additional stake of 10.0% of Acacia 2000 Srl at the price of 11,500 thousand euro.
As at 31 December 2014, the Group participates in the capital of Acacia 2000 Srl with a share of 85,0% (70,0% Vittoria Immobiliare and 15.0% Vittoria Assicurazioni).

V.R.G. Domus S.r.l.

In January Vittoria Immobiliare SpA subscribed the last tranche of the capital increase with premium of the subsidiary VRG Domus S.r.l. for a total of 4,000 thousand euro, of which 400 thousand of share capital and 3,600 thousand euro in additional capital; later, in May, paid 3,000 thousand euro for future capital increase. Following the request of the company, in July 2014 Vittoria Assicurazioni has converted this payment as "payment for future capital increase" to "capital contribution".

Vittoria Immobiliare S.p.A.

On 30 October 2014, the Extraordinary Shareholders' Meeting of Vittoria Immobiliare SpA resolved:

- to amend Art. 6 of the bylaws, eliminating the nominal value of the shares' company, thereby leaving unspoken the nominal value of its shares;
- to fully cover the overall loss of 12,596 thousand euro resulting from the balance sheet as at 30 June 2014 by: (i) full use of the revaluation reserve for 15 thousand euro; (ii) reduction of share capital by a nominal 60,000 thousand euro to a nominal 47,419 thousand euro - and so for a nominal 12,581 thousand euro - without cancellation of shares being the same without nominal value;
- to increase the share capital by payment and in tranches for a maximum amount (including premium) of 65,000 thousand euro, by issuing up. 150,000 new ordinary shares without nominal value, with a mandate to the Board of Directors - and through it to the legal representatives - to execute the capital increase approved, including in several tranches, establishing the terms and conditions, including the right to determine the number of shares to be issued and their subscription price, by 31 December 2015.

On 14 November 2014 was implemented in full by subscription to the capital increase by the sole shareholder of Vittoria Assicurazioni n. 141 818 new shares of the new issue, with payment of 65,000 thousand euro.
Therefore, as at 31 December 2014, the share capital of Vittoria Immobiliare SpA amounts to 112,419 thousand euro, divided into 261,818 shares without nominal value, all registered to Vittoria Assicurazioni SpA.

Interbilancia S.r.l.
In order to allow the company to cover losses recorded as at 31 December 2013 by subsidiaries Aspevi Roma Srl and Aspevi Milano Srl, during April 2014 Vittoria Assicurazioni (80%) and Vittoria Immobiliare (20%) shareholders' paid per share totaling 1,000 thousand euro for future capital increase.
In November 2014, the parent company Vittoria Assicurazioni paid to Interbilancia 500 thousand euro for future capital increase. Also in November 2014, Vittoria Assicurazioni acquired by Vittoria Immobiliare SpA a nominal share of 16 thousand euro, equal to 20% of the share capital of Interbilancia Srl at the price of 260 thousand euro.
Following the transaction, as at 31 December 2014, Vittoria Assicurazioni holds the entire share capital of Interbilancia, amounting to 80 thousand euro.

Gestimmobili S.r.l.
On 24 September 2014 Vittoria Immobiliare bought at a price of 42 thousand euro, 20% of Gestimmobili Srl held by third parties, becoming its sole shareholder.

Vittoria Service S.r.l. in liquidation
On 24 November 2014, the Shareholders' Meeting approved the liquidation of Vittoria Service Srl. The liquidation process was completed on December 31, 2014 with the approval of the final liquidation.

Vaimm Sviluppo S.r.l.
During the year the parent company Vittoria Assicurazioni granted loans to Vaimm Sviluppo totaling 6 million euro.
On 18 December 2014, the parent company Vittoria Assicurazioni acquired by Vittoria Immobiliare share of 2,000 thousand euro, constituting the entire share capital of Vaimm Sviluppo Srl, at the price of 12,885 thousand euro.
On 23 December 2014, the parent company Vittoria Assicurazioni waived repayment of the loan for a total of 6 million euro, through conversion into capital contribution.

VP Sviluppo 2015 S.r.l.
On 17 December 2014, the parent company Vittoria Assicurazioni purchased the 60% stake held by third parties at a price of 3,169 thousand euro and the remaining 40% by Vittoria Immobiliare SpA at the price of 2,113 thousand euro.
Following this transaction, at 31 December 2014, the VP Sviluppo 2015 is fully consolidated since the parent company Vittoria Assicurazioni acquires control, becoming its sole shareholder.

Consorzio Servizi Assicurativi
During the year, the Shareholders' Meeting of the Consorzio Servizi Assicurativi has approved the admission of new associates, resulting in an increase of the consortium fund to 323 thousand euro.

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

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

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

B) List of unconsolidated investments valued with the Net Equity method

Name	Registered offices	Share Capital Euro	% Ownership Direct	% Ownership Indirect	Via
S.In.T S.p.A.	Turin	900,000	48.19		
Yarpa S.p.A.	Genoa	38,201,600	27.31		
Touring Vacanze S.r.l.	Milan	12,900,000	37.00		
Consorzio Movincom S.c.r.l.	Turin	103,000	29.14		
Movincom Servizi S.p.A.	Turin	4,500,000	46.65		
Spefin Finanziaria S.p.A.	Rome	2,000,000		21.00	Interbilancia S.r.l.
Mosaico S.p.A.	Turin	500,000		45.00	Vittoria Immobiliare S.p.A.
Pama & Partners S.r.l.	Genoa	1,200,000		25.00	Vittoria Immobiliare S.p.A.
Fiori di S. Bovio S.r.l.	Milan	30,000		40.00	Vittoria Immobiliare S.p.A.
Valsalaria A.11 S.r.l.	Rome	33,715		40.00	Vittoria Immobiliare S.p.A.
VZ Real Estate S.r.l.	Turin	100,000		49.00	Vittoria Immobiliare S.p.A.

Changes in ownership percentages and other changes during the period

Yarpa S.p.A.
During the year the parent company paid 2,200 thousand euro, which own portion of the partial execution of the capital increase approved on 7 August 2008.

Rovimmobiliare S.r.l. in liquidation
On 29 May 2014, the shareholders' meeting of Rovimmobiliare Srl resolved to put the company into liquidation. As at 31.12.2014 the participation is equal to zero.

VP Sviluppo 2015 S.r.l.
On 5 May 2014 Vittoria Immobiliare paid the VP Sviluppo 2015 1,600 thousand euro for future capital increase.
On 17 December 2014, the parent company Vittoria Assicurazioni acquired the 60% stake held by third parties at a price of 3,169 thousand euro and the remaining 40% by Vittoria Immobiliare SpA at the price of 2,113 thousand euro.
Following this transaction, as at 31 December 2014, the VP Sviluppo 2015 is no longer accounted by the equity method because the parent company Vittoria Assicurazioni acquires its control, becoming its sole shareholder.

Consorzio Movincom s.c.r.l.
Following the resolutions of the extraordinary meeting of 15 December 2014, the share capital of the Consorzio Movincom SCRL on 31 December 2014 amounted to 103 thousand euro.
At 31 December 2014, the parent company Vittoria Assicurazioni holds a share of 30 thousand euro, equal to 29.136%.

Spefin Finanziaria S.p.A.
On November 24, 2014 Vittoria Service Srl sold to Interbilancia Srl n. 4,200 shares with a nominal value of 100 euro each, representing 21% of the share capital of Spefin Finanziaria SpA, at the price of 290 thousand euro.

C) Geographical segment reporting (secondary segment)

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

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

Segment reporting by geographical area

(€/000)

Assets	Italy		Europe		Rest of the World		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Debt instruments	1,954,329	1,701,830	25,815	32,499	5,031	5,030	1,985,175	1,739,359
Equity instruments and OEIC units	58,731	68,006	66,982	67,394	-	-	125,713	135,400
Property	641,814	593,817	-	-	-	-	641,814	593,817
Other assets	897,256	786,324	-	-	-	-	897,256	786,324
Total	3,552,130	3,149,977	92,797	99,893	5,031	5,030	3,649,958	3,254,900

(€/000)

Deferred costs	Italy						Total external deferred costs	
	North		Centre		South and Islands			
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Other property, plant and equipment	9,867	8,810	73	88	-	-	9,940	8,898
Other intangible assets	27,691	30,765	1	2	-	-	27,692	30,767
Owner-occupied property	115,643	118,990	1,031	1,273	594	625	117,268	120,888
Total	153,201	158,565	1,105	1,363	594	625	154,900	160,553

(€/000)

Revenue (gross of intersegment eliminations)	Italy									
	North		Centre		South and Islands		Europe		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Insurance premiums - direct business	664,324	607,422	407,569	370,669	210,308	171,597	101	89	1,282,302	1,149,777
Trading and construction profits	1,600	1,051	946	52	-	-	-	-	2,546	1,103
Services and rent income	2,140	1,746	1,598	1,292	-	-	-	-	3,738	3,038
Total	668,064	610,219	410,113	372,013	210,308	171,597	101	89	1,288,586	1,153,918

Specific explanatory notes

Consolidated Balance Sheet

Note 1	31/12/2014	31/12/2013	Change
Goodwill	-	-	-

Note 2	31/12/2014	31/12/2013	Change
Other intangible assets	27,692	30,767	-3,075
Other items of property, plant and equipment	9,940	8,898	1,042
Property	553,374	504,308	49,066

<u>Other intangible assets</u>

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

(€/000)

	Software	Software under development	Other intangible assets	TOTAL OTHER INTANGIBLE ASSETS
Gross carrying amount at 31/12/2013	85,647	0	8,110	93,757
Acquisitions	4,397	862	188	5,447
Reclassification of assets under development	402	0	0	402
Others	0	0	-7	-7
Gross carrying amount at 31/12/2014	90,446	862	8,291	99,599
Accumulated Depreciation at 31/12/2013	56,069	0	6,921	62,990
Depreciation	8,053	0	1,190	9,243
Decrease due to disposals	-17	0	-269	-286
Reclassification	0	0	-40	-40
Accumulated Depreciation at 31/12/2014	64,105	0	7,802	71,907
Net value as at 31/12/2013	29,578	0	1,189	30,767
Net value as at 31/12/2014	26,341	862	489	27,692

The item “Other intangible assets” mainly refers to:

- long-term costs incurred for the creation of IT applications – called the NewAge system – relating to development of the management system of the direct operating parent company, the claims settlement network, and of the agency network and the procedural information Example;
- the value of the portfolio acquired in 2009 by SACE BT S.p.A. resulting from the determination of the VIF (Value In Force) at the acquisition date. VIF is amortised along the effective life of the acquired contracts, also taking into account the Life business portfolio cancellation.

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

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

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

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

Other items of property, plant, and equipment

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

(€/000)

	Renovations	Furniture, fittings, plant and equipment	Ordinary and electronic office machines	Cars	TOTAL OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT
Gross carrying amount at 31/12/2013	4,230	13,369	5,973	344	23,916
Acquisitions	491	2,431	375	120	3,417
Sales	0	0	-112	-91	-203
Reclassification of assets under development	151	181	-332	0	0
Gross carrying amount at 31/12/2014	4,872	15,981	5,904	373	27,130
Accumulated Depreciation at 31/12/2013	2,832	6,924	5,088	174	15,018
Depreciation	293	1,605	335	61	2,294
Decrease due to disposals	0	0	-84	-38	-122
Reclassification	151	27	-178	0	0
Accumulated Depreciation at 31/12/2014	3,276	8,556	5,161	197	17,190
Net value as at 31/12/2013	1,398	6,445	885	170	8,898
Net value as at 31/12/2014	1,596	7,425	743	176	9,940

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

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

Property

The following table shows the breakdown of this item:

(€/000)

	31/12/2014	31/12/2013	Change
Owner-occupied property	117,268	120,888	-3,620
Property held for trading	123,191	114,390	8,801
Property under construction	312,915	269,030	43,885
Total	553,374	504,308	49,066

- Owner-occupied property

The book value of owner-occupied property at 31 December 2014 includes 1,547 thousand euro for property owned by the subsidiary Vaimm Sviluppo S.r.l., 16,154 thousand euro for property owned by Vittoria Properties S.r.l., 5,365 thousand euro for property owned by Vittoria Immobiliare S.p.A., 254 thousand euro for property owned by the subsidiary Acacia 2000 S.r.l. and 93,948 owned by the parent company, of which 84,387 thousand euro related to the Vittoria Assicurazioni's headquarter.
The following table shows the reconciliation of changes occurring during 2014:

(€/000)

Owner-occupied property	31/12/2013	Acquisitions	Sales	Devaluation	Depreciation	31/12/2014
Gross carrying amount	134,969	2,113	-164	-922	0	135,996
Accumulated depreciation	14,081	0	-30	0	4,677	18,728
Carrying amount	120,888	2,113	-134	-922	-4,677	117,268

Depreciation is applied on a straight-line basis during property's estimated useful life of between 30 and 50 years. Almost all of this property has been appraised by independent experts.
The owner-occupied property fair value, allocated to level 3 of the fair value hierarchy, as at 31 December 2014 is equal to 148,487 thousand euro and it has been determined based on independent technical expertise which are based on discounting cash flows generated from rental revenues.

- Property held for trading and property under construction

The following table shows the reconciliation of changes occurring during 2014:

(€/000)

Property	Trading activities	Construction work	Total
Carrying amount as at 31/12/2013	114,390	269,030	383,420
Acquisitions, net of capitalised financial charges	13,400	16,111	29,511
Capitalised financial charges	862	1,881	2,743
Movement to owner-occupied property	-	-326	-326
Changes in consolidation area	-	47,686	47,686
Sales and advance payments received	-2,412	-27,062	-29,474
Recognised gains (losses)	-3,049	5,595	2,546
Carrying amount as at 31/12/2014	123,191	312,915	436,106

Please refer to the Report on Operations for details on the principal real estate activities carried out during the year. As at 31 December 2014, the current value allocated to level 3 of the fair value hierarchy, is equal to 486,331 thousand euro. This value is determined based on technical expertise which are based on discounting market sales price.

Note 3	31/12/2014	31/12/2013	Change
Reinsurers' share of technical reserves	60,501	73,163	-12,662

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

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Non-life reserves	53,547	66,729	306	270	53,853	66,999
Premium reserve	16,007	15,901	-	-	16,007	15,901
Claims reserve	37,540	50,828	306	270	37,846	51,098
Life reserves	6,648	6,164	-	-	6,648	6,164
Mathematical reserves	6,609	6,136	-	-	6,609	6,136
Other reserves	39	28	-	-	39	28
Total reinsurers' share of technical reserves	60,195	72,893	306	270	60,501	73,163

Note 4	31/12/2014	31/12/2013	Change
Investments properties	88.440	89.509	-1.069

The item includes property which comes within the scope of IAS 40, i.e. which is held to earn rentals. This item includes property owned by the Parent Company in the Portello district, for which the strategy earmarking them for rental rather than sale has been redefined.

Real estate investments current value as at 31 December 2014, allocated to level 3 of the fair value hierarchy, is equal to 89,000 thousand euro and it is determined based on independent technical expertise which are based on discounting cash flows generated from rental revenues.

Note 5	31/12/2014	31/12/2013	Change
Investments in subsidiaries and associates and interests in joint-ventures	22,292	18,446	3,846

The breakdown of this item was as follows:

(€/000)

Investments in associates	31/12/2014	31/12/2013
S.In.T. S.p.A.	453	443
Yarpa. S.p.A.	11,528	6,168
Movincom Servizi S.p.A.	1,796	1,726
VP Sviluppo 2015 S.r.l.	-	814
VZ Real Estate S.r.l.	98	73
Mosaico S.p.A.	111	173
Pama & Partners S.r.l.	322	721
Consorzio Movincom S.c.r.l.	14	33
Spefin Finanziaria S.p.A.	283	339
Fiori di S. Bovio S.r.l.	-	239
Valsalaria A.11 S.r.l.	32	91
Touring Vacanze S.r.l.	7,655	7,626
Total carrying amount	22,292	18,446

The Group's interest in net income and losses totals 2,024 (with revaluations of 3,223 thousand euro and write-downs for 1,199 thousand euro).
Due to the purchase in 2014 by the parent company of 60% by minority shareholders and of 40% by Vittoria Immobiliare S.p.A., as at 31 December 2014, the subsidiary VP Sviluppo is consolidated line by line.
Due to the negative results, the parent company has written-off the investment in the associate company Fiori di S. Bovio S.r.l..

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

The change in the line item of 3,846 thousand euro reflects all investments and divestments made during the period, as well as the Group's interest in the change of equity of the associates carried at equity, as illustrated in the following table:

	(€/000)
Carrying amount as at 31/12/2013	18,446
Acquisitions and subscriptions	3,228
Yarpa. S.p.A.	2,201
Movincom Servizi S.p.A.	1,027
Change due to equity method measurement	2,024
S.In.T. S.p.A.	10
Yarpa. S.p.A.	3,159
Movincom Servizi S.p.A.	-957
VZ Real Estate S.r.l.	25
Mosaico S.p.A.	-62
Pama & Partners S.r.l.	-23
Consorzio Movincom S.c.r.l.	-19
Spefin Finanziaria S.p.A.	-56
Fiori di S. Bovio S.r.l.	-23
Valsalaria A.11 S.r.l.	-59
Touring Vacanze S.r.l.	29
Impairment	-592
Other changes	-814
Carrying amount as at 31/12/2014	22,292

The following table shows the main financial and economic datas of the main associated companies:

(€/000)

	Main financial-economic datas							
Denomination	Total asset	Cash and chash equvalents	Total equity and liabilities	Equity	Profit (loss) for the year	Dividends paid out	Costs	Revenues
S.In.T S.p.A.	3,046	1,335	3,046	940	20	-	3,643	3,773
Gruppo Yarpa S.p.A.	30,327	1,977	30,327	48,928	13,019	-	3,525	17,225
Touring Vacanze S.r.l.	21,398	35	21,398	14,404	80	-	4,983	5,133
Movincom Servizi S.p.A.	4,088	1,966	4,088	3,849	- 2,047	-	2,261	334

Note 6	31/12/2014	31/12/2013	Change
Held to maturity investments	56,709	67,307	-10,598
Loans and receivables	82,178	67,832	14,346
Financial assets available for sale	2,055,363	1,807,203	248,160
Financial assets at fair value through profit or loss	65,681	65,736	-55

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

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

The following table shows changes in financial assets – for which risk is borne by Group companies – referring to shares and quotas, bonds and other fixed-income securities, and shares in CIUs (collective investment undertakings).
In addition, changes in assets for which risk is borne by policyholder and those relating to pension-fund management are shown separately.

(€/000)

	Held to maturity investments	Financial assets available for sale				Financial assets at fair value through profit or loss	Financial assets held for trading	Total
		Equity investments	OEIC units	Bonds and other fixed-interest securities	Total	Assets where the risk is borne by policyholders and related to pension funds	Bonds and other fixed-interest securities	
Carrying amount at 31/12/2013	67,307	99,431	35,969	1,671,803	1,807,203	65,487	249	1,940,246
Acquisitions and subscriptions		6	6,743	576,722	583,471	4,853	-	588,324
Sales and repayments	-10,506	-5	-1,358	-437,832	-439,195	-11,427	-308	-461,436
Other changes:		-	-	-	-	-	-	-
- effective interest adjustments	102	-	-	-2,059	-2,059	-	-	-1,957
- impairment loss	-	-424	-	118,272	117,848	125	-11	117,962
- charged to P&L		-6,027	10	-	-6,017	-	-	-6,017
- rate changes	-194	-	-	1,539	1,539	-	-	1,345
- other changes		1,457	-8,889	5	-7,427	6,627	86	-714
Carrying amount at 31/12/2014	56,709	94,438	32,475	1,928,450	2,055,363	65,665	16	2,177,753

Loans and receivables

As at 31 December 2014 loans and receivables totalled 82,178 thousand euro (67,832 thousand euro as at 31 December 2013).

The item is principally comprised of the following:

- loans granted by Vittoria Immobiliare S.p.A. to the indirect associates Mosaico S.p.A., Fiori di San Bovio S.r.l., Pama & Partners S.r.l. and VZ Real Estate S.r.l. for a total of 8,081 thousand euro;
- loans granted by the parent company to third parties and secured by mortgages for a total of 2,846 thousand euro;
- 2,610 thousand euro in loans against life insurance policies;
- loans granted to employees and agents of the parent company for 18,253 thousand euro;
- 5,000 thousand euro in loans granted to the company Spefin Finanziaria S.p.A. and 1,000 thousand euro to the company S.IN.T. S.p.A.;
- the corresponding entry for the Parent Company's commitments for payments destined to finance investments in private equity operations totalling 44,110 thousand euro, of which 1,107 thousand euro to the associate Yarpa S.p.A. The related obligations are recorded in "Other financial liabilities" in Note 18;
- reinsurance deposit assets for 175 thousand euro.

The amount of 6,654 thousand euro is collectible after 12 months.

Disclosure concerning fair value

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

(€/000)

Financial assets	Carrying amount	Fair Value
Held to maturity investments	56,709	61,960
Loans and receivables	82,178	82,178
Financial assets available for sale	2,055,363	2,055,363
Financial assets held for trading	16	16
Financial assets at fair value through profit or loss	65,665	65,665
Total	2,259,931	2,265,182

For further information concerning to the "fair value hierarchy", please refer to the "Annexes to Consolidated financial statements". Investments allocated to "level 2" were assessed based on the latest transactions which are observed in the secondary market.
Investments allocated to "level 3" were also assessed using technical expertise edited by external leading appraisal firms. The main assumptions are related to holding costs, discounting rate and stock exchange multiples.
For loans and receivables, the carrying amount is a reasonable approximation of fair value.

Note 7	31/12/2014	31/12/2013	Change
Receivables relating to direct insurance	173,982	176,635	-2,653

The breakdown of this item was as follows:

(€/000)

Receivables relating to direct insurance	31/12/2014	31/12/2013
Premiums due from policyholders	55,964	64,252
Receivables due from brokers and agents	75,931	67,420
Receivables due from insurance companies - current accounts	6,541	5,190
Amounts to be recovered from policyholders and third parties	35,546	39,773
Total	173,982	176,635

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

Note 8	31/12/2014	31/12/2013	Change
Receivables relating to reinsurance business	4,251	3,836	415

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

Note 9	31/12/2014	31/12/2013	Change
Other receivables	35,226	40,329	-5,103

The most significant sub-item as up to 31 December 2014 consisted of advances of 20,099 thousand euro on policyholders' taxes and advances of 2,957 thousand euro paid by the real estate companies and service companies receivables of 4,562 thousand euro versus insurance broker .

Note 10	31/12/2014	31/12/2013	Change
Deferred acquisition costs	7,487	8,310	-823

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts.
As at 31 December 2014 5,675 thousand euro referred to the Life business and 1,812 thousand euro to the Non-Life business.

Note 11	31/12/2014	31/12/2013	Change
Deferred tax assets	126,637	97,090	29,547

The item included deferred tax assets pertaining to the direct operating parent company (124,704 thousand euro), to the real estate segment (3,549 thousand euro), plus those relating to consolidation adjustments (-2,438 thousand euro).

The following table reports the breakdown of the item:

(€/000)

Deferred tax assets	31/12/2014
Provision for bad debts	18,047
Non-Life technical reserves	71,892
Life technical reserves	869
Provision for charges	2,021
Shadow Accounting	21,526
Tangible assets depreciation	1,069
Elimination of intragroup profits	206
Tax benefit (property revaluation)	5,808
Tax benefit on losses (Group companies)	635
Tax benefit on interest expense (Group companies)	733
Revenues on property	354
Other	3,476
Total	126,637

Note 12	31/12/2014	31/12/2013	Change
Current tax assets	24,229	22,353	1,876

The item mainly includes tax receivables of the direct operating parent company of 22,085 thousand euro (including tax credits relating to taxes prepaid on the life business mathematical reserves) and VAT receivables totalling 1,857 thousand euro of the real estate companies arising from the purchase of buildable areas and property.

Note 13	31/12/2014	31/12/2013	Change
Other assets	24,969	6,058	18,911

The item mainly includes 307 thousand euro of deferred commission expenses relating to investment contracts and 4,100 thousand euro of prepayments, mainly relating to G&A costs and to other assets mainly related to unavailable capital on bank account due to garnishments from third parties for pending litigation for an amount of 19,495 thousand euro.

Note 14	31/12/2014	31/12/2013	Change
Cash and cash equivalents	231,007	167,120	63,887

The item refers to bank balances of 230,985 thousand euro and cash amounts of 22 thousand euro.

Note 15	31/12/2014	31/12/2013	Change
Equity attributable to shareholders of the parent	614,528	506,449	108,079
Equity attributable to minority interests	12,790	22,079	-9,289

Changes in consolidated equity are detailed in chapter "Statement of Changes in Equity".

The following table details the breakdown of equity:

(€/000)

BREAKDOWN OF EQUITY	31/12/2014	31/12/2013
Total equity attributable to the shareholders of the parent	**614,528**	**506,449**
Share capital	67,379	67,379
Equity-related reserves	33,874	33,874
Income-related and other reserves	335,846	297,933
Fair value reserve	105,312	53,383
Other gains or losses recognised directly in equity	-212	350
Group profit for the year	72,329	53,530
Total equity attributable to minority interests	**12,790**	**22,079**
Share capital and reserves attributable to minority interests	12,820	21,625
Minority interests' profit for the year	-30	454
Total consolidated equity	**627,318**	**528,528**

As at 31 December 2014 the direct operating parent company's share capital consists of 67,378,924 fully subscribed and paid-up shares with a nominal value of Euro 1.00 each.

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

Dividends paid out by the direct operating parent company, shown in the column "Other transfers" in the statement of changes in equity, totalled 11,454,417 for FY 2013 and 12,128,206 for FY 2014.

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

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

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

(€/000)

A) Net unrealised gains	Gross amount	Tax impact	Net amount
31/12/2013	94,266	22,978	71,288
Decrease due to sales	-5,260	-1,581	-3,679
Decrease due to fair value changes	117,515	33,950	83,565
Total change for the period/year	112,255	32,369	79,886
31/12/2014	206,521	55,347	151,174

(€/000)

B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2013	27,261	9,356	17,905
Change in shadow accounting reserve	42,566	14,608	27,957
31/12/2014	69,826	23,964	45,862

Gains or losses on financial assets AFS (€/000)

Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2013	67,005	13,622	53,383
Decrease due to sales	-5,260	-1,581	-3,679
Decrease due to fair value changes	117,515	33,950	83,565
Change in shadow accounting reserve	-42,566	-14,608	-27,957
Total change for the period/year	69,690	17,761	51,929
31/12/2014	136,695	31,383	105,312

The following table, which refers to 31 December 2014, shows the reconciliation of profit and equity shown in the direct operating parent company's individual financial statements with the same items shown in consolidated financial statements. The IFRS adjustments made to the direct operating parent company's financial statements – prepared, as envisaged by current regulations, in compliance with Italian GAAPs – are specifically indicated.

(€/000)

	Equity attributable to the shareholders of the parent		Equity attributable to minority interest	
	Equity gross of profit of the year	2014 profit	Equity gross of profit of the year	2014 profit
Parent company's financial statements compliant with Italian GAAPs	410,821	74,935		
IFRS adjustments (net of related tax effects)	151,940	4,096	-	-
Parent company's financial statements based on IFRSs	562,761	79,031	-	-
Consolidated companies' equity	243,731	(15,693)	9,943	(149)
Allocation of consolidation differences and eliminations	2,904	6,974		
Consolidated companies' carrying value	(267,911)	0		
Minority interest	(2,877)	(119)	2,877	119
Elimination of infragroup profits	(547)	547		
Profits not yet attributed to life policyholders	4,563	2,542		
Deferred taxes on profits not yet attributed to life policyholders	(1,566)	(872)		
Deferred taxes on consolidated companies' results	(717)	(132)		
Others	1,858	51		
IFRS-compliant consolidated financial statements	542,199	72,329	12,820	(30)

Note 16	31/12/2014	31/12/2013	Change
Provisions	4,872	4,558	314

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

The table below shows the changes in the item:

(€/000)

Provisions	31/12/2013	Accruals of the year	Utilisations of the year	31/12/2014
Provision for costs to be incurred	2,065	144	-1,805	404
Other provisions	2,493	2,197	-222	4,468
Total	4,558	2,341	-2,027	4,872

Note 17	31/12/2014	31/12/2013	Change
Technical reserves	2,434,695	2,151,860	282,835

The following table shows the breakdown of technical reserves.

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Non-life reserves	1,398,240	1,286,528	886	850	1,399,126	1,287,378
Premium reserve	373,527	360,887	42	40	373,569	360,927
Claims reserve	1,024,304	925,232	844	810	1,025,148	926,042
Other reserves	409	409	-	-	409	409
Life reserves	1,035,382	859,849	187	4,633	1,035,569	864,482
Reserve for payable amounts	24,911	21,999	12	12	24,923	22,011
Mathematical reserves	939,210	805,068	173	4,619	939,383	809,687
Other reserves	71,261	32,782	2	2	71,263	32,784
Total technical reserves	2,433,622	2,146,377	1,073	5,483	2,434,695	2,151,860

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

The Life "Other reserves" item mainly consisted of:

- 8,429 thousand euro = management expenses;
- 62,721 thousand euro = reserve for deferred liabilities to policyholders (of which 69,826 thousand euro stemming from fair value measurement of available-for-sale financial assets and -7,105 thousand euro from reserving against subsidiaries' profits allocated to segregated founds);

The mathematical reserves comprise an additional reserve for longevity risk relating to annuity agreements and capital agreements with a contractually guaranteed coefficient of conversion to an annuity (art. 50 of IVASS Regulation no. 21 of 28 March 2008) amounting to 2,024 thousand euro (740 in the previous year); in the case of capital agreements, account is taken of the propensity to convert to an annuity when it is calculated.

The mathematical reserves also include additional reserves for the guaranteed interest rate risk (art. 47 of IVASS Regulation no. 21 of 28 March 2008) amounting to 777 thousand euro (1,209 thousand euro in the previous year), obtained by joint analysis of the asset and liability portfolios of the segregated internal funds "Vittoria Rendimento Mensile", "Vittoria Valore Crescente" and "Vittoria Previdenza", the average rates of return on which were used to value the "Liquinvest" funds and non-profit policies portfolio.

Liability Adequacy Test (LAT)

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

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

Non-Life business

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

(€/000)

Claims Reserve	Carrying amount
Carrying amount at 31/12/2013	926,042
Change for the year	99,106
Carrying amount at 31/12/2014	1,025,148

Motor TPL

In order to achieve an estimate of ultimate cost [for the purposes of reserving] closer to operating reality - which features a variety of cases featuring significant differences in the parameters used to measure the entity of claims - the parent company Vittoria Assicurazioni S.p.A. has decided to perform separate analysis of claims occurring before introduction of the knock-for-knock system (KFK for short) (i.e. events before 2007) and after its introduction. In doing so, it has in turn split them by type of management and by claims featuring only property damage and those involving hybrid damage (i.e. those with at least one case of bodily injury).
To do this, preliminary methodological work was done to identify an actuarial method permitting accurate estimation of ultimate-cost reserves at the level of detail indicated above.

Two different methods were identified, both chain-ladder techniques:

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

- Secondary method: Incurred Chain Ladder: this method is similar to the previous one, except that the coefficients of development for each year of the event are calculated on the total amount of claims (payments already observed + reserves) in the various financial years. The rates are applied to the data accumulated up to the end of the current financial year, in order to estimate the total amount of future claims.

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

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

Other risks:

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

IBNR claims:

Calculation of the reserve for IBNR (incurred but not reported) claims requires estimation for each business of both the number and average cost of late claims. The estimate was made using as its source the balance-sheet input forms for the years 2001-2014 taking in consideration possible gaps between prior year allocation and the final amount.

For Motor TPL, the estimate is made separately for each type of management.
Motor TPL reserves have been audited by the appointed Motor TPL actuary as required by Italian Legislative Decree no. 209 of 7 September 2005.

Life business

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

(€/000)

Mathematical Reserves	Carrying amount
Carrying amount at 31/12/2013	809,687
Portfolio transfers	5,149
Change for the year	124,547
Carrying amount at 31/12/2014	939,383

Key actuarial assumptions concerning Life technical reserves are detailed below:

(€/000)

Risk category	Capital sums, annuities	Technical reserves	Year of issue	Technical basis financial	Technical basis demographic
Temporary	4,874,850	68,709	1968 - 1977	4%	SIM 51
			1978 - 1989	4%	SIM 61
			1990 - 1997	4%	SIM 81
			1998 - 2001	3% - 4%	SIM 91
			2001 - 2007	3%	SIM 91 al 70%
			2008 - 2011	3%	SIM 91 al 50% e 70%
			dal 2012	3%	SIM 2001 al 90% - 70%
Adjustable	44	381	1969 - 1979	3% *	SIM 51
Indexed	4	6	1980 - 1988	3% *	SIM 51
Other types	928	14			
Revaluable	876,871	872,221	1988 - 1989	3% *	SIM 71
			1990 - 1996	4% *	SIM 81
			1997 - 1999	3% *	SIM 91
			2000 - 2011	1.5% - 2% *	SIM 81 - 91
			dal 2012	2%	SIM 2001 all'80%
L.T.C.	23,908	2,321	2001 - 2004	2.5%	(1)
			2004 - 2011	2.5%	(2)
			dal 2012	2.5%	(3)
Pension fund	15,572	15,572	dal 1999	----	----
Index linked	-92	-92	dal 1997	0%	SIM 91
Unit Linked	45,171	46,343	dal 1998	0%	SIM 91
Total ordinary	5,837,256	1,005,475			
AIL revalutable	4,014	4,099	1986 - 1998	4% *	SIM 51
			1999 - 2004	3% *	SIM 81
Total business lines	5,841,270	1,009,574			

* Due to the effect of the contractually guaranteed revaluation, technical rates have increased to:

for indexed policies: 3.0% for adjustable policies: 3.0% for AIL revaluable policies: 3.82%

for revaluable policies: Vittoria Valore Crescente 3.65%; Vittoria Rendimento Mensile 3.10%; Vittoria Previdenza 3.38%.

(1) SIM 91 reduced to 62%; SIF 91 reduced to 53%; mortality rates and LTC (long term care) rates taken from insurers' studies

(2) SIM 91 reduced to 60%; mortality rates and LTC rates taken from insurers' studies

(3) SIU 2001 indistinct; mortality rates and incidence rates LTC derived from reinsurers' studies

Note 18	31/12/2014	31/12/2013	Change
Financial liabilities at fair value through profit or loss	65,665	65,487	178
Other financial liabilities	314,166	313,732	434

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

Financial liabilities at fair value through profit or loss

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

The following table shows the cumulative change as at 31 December 2014:

(€/000)

	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2013	51,537	13,950	65,487
Investment of net fund assets	31	920	951
Profits attributable to policyholders	2,793	970	3,763
Amounts paid	-4,284	-252	-4,536
Carrying amount at 31/12/2014	50,077	15,588	65,665

Other financial liabilities

The item includes:

- Reinsurance deposits of 15,856 thousand euro;
- Bank loans issued to the Group's real estate companies for a total of 253,954 thousand euro (of which 201,027 thousand euro backed by collateral); the covenants on the mortgage loan granted to Acacia 2000 S.r.l. consist in: i) the ratio between net financial indebtment and the sum of tangible assets and inventories, which has to be lower than one, and ii) the ratio between the mortgage loan and the value of the properties secured by mortgages, which has to be lower than 0.75. These limits were satisfied at 31 December 2014;
- direct operating parent company's commitment for payment of 1,107 thousand euro to the associate Yarpa S.p.A., against which the rights to receive the related financial instruments are posted in the "Loans & receivables" item.

Payables due beyond 12 months totalled 197,010 thousand euro.

Disclosure concerning fair value

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

(€/000)

Financial liabilities	Carrying amount	Fair Value
Financial liabilities at fair value through profit or loss	65,665	65,665
Other financial liabilities	314,166	314,166
Total	379,831	379,831

Note 19	31/12/2014	31/12/2013	Change
Payables arising from direct insurance business	11,444	9,430	2,014

The breakdown of the item was as follows:

(€/000)

Payables arising from direct insurance business	31/12/2014	31/12/2013
Payables to insurance brokers and agents	6,984	5,507
Payables to insurace companies - current accounts	2,760	1,527
Guarantee deposits paid by policyholders	68	91
Payables to guarantee funds in favour of policyholders	1,632	2,305
Total	11,444	9,430

Note 20	31/12/2014	31/12/2013	Change
Payables arising from reinsurance business	7,254	13,388	-6,134

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

Note 21	31/12/2014	31/12/2013	Change
Other sums payable	71,717	77,961	-6,244

The breakdown of the item was as follows:

(€/000)

Other sums payable	31/12/2014	31/12/2013
Payments on accounts received by real estate companies for preliminary sales agreements	4,740	10,677
Trade payables	19,793	20,254
Payables to employees	2,463	2,807
Employee benefits - provisions for termination benefits	4,806	4,490
Policyholders' tax due	22,941	21,041
Sundry tax liabilities (withholdings)	2,397	2,312
Social security charges payable	2,623	2,741
Payables to associate companies	283	352
Sundry payables	11,671	13,287
Total	71,717	77,961

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

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

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

(€/000)

Changes in defined benefit plans	Post-employment benefits		Other long-term benefits	Total
Charge	Healthcare services	Termination benefits	Seniority bonuses	
Carrying amount at 31/12/2013	1,385	4,490	1,362	7,238
Accruals	95	36	379	510
Utilisations	(46)	(216)	0	(262)
Other changes (exchange rate gains or losses, acquisitions)	280	496	0	776
Carrying amount at 31/12/2014	1,714	4,806	1,741	8,262

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

(€/000)

Charge	Healthcare services	Termination benefits	Seniority bonuses	Total
Current service cost	52	0	379	431
Interest	43	96	0	139
Net actuarial gains	280	496	0	776
Total charges	375	592	379	1,346

The main assumptions adopted for actuarial assessments were the following:

Demographic assumptions

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

Economic and financial assumptions

- Inflation: 1.75%
- Annual technical actualization rate 1.50%
- Annual rate of severance payment increment 2.81%
- Annual rate of growth of remuneration
  (for the purpose of calculating seniority premiums) 2.75%
- Annual rate of growth of the average reimbursement
  (for the purpose of calculating health services) 1.75%

Note 22	31/12/2014	31/12/2013	Change
Deferred tax liabilities	71,012	38,223	32,789

The item includes deferred tax liabilities allocated to the insurance business for 66,128 thousand euro, the real estate and services business for 4,146 thousand euro, and to reversals totalling 738 thousand euro, mainly in regard to fair value adjustment of the assets owned by associates and subsidiaries acquired over the past few years.
The breakdown of the item was as follows:

(€/000)

Deferred tax liabilities	31/12/2014
Alignment with fair value of assets held by investee companies acquired	4,047
Deferral of gains on the sale of financial instruments	752
Financial assets available for sale	62,029
Derecognition of the catastrophe reserves	3,403
Future dividends	644
Other	137
Total	71,012

Note 23	31/12/2014	31/12/2013	Change
Current tax liabilities	1,919	21,223	-19,304

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

Note 24	31/12/2014	31/12/2013	Change
Other liabilities	39,896	30,510	9,386

This account consists mainly of commissions to be paid on the bonuses being collected at the end of the period and provisions for agency awards totalling 14,088 thousand euro, the deferred commission income of 16 thousand euro connected with investment contracts, invoices and notes to be received from suppliers totalling 14,907 thousand euro, and the liabilities for defined benefits and other long-term employee benefits (health benefits and seniority benefits) for 3,455 thousand euro.

Consolidated Income Statement

Note 25	31/12/2014	31/12/2013	Change
Gross premiums	1,269,854	1,131,284	138,570
Ceded premiums for reinsurance	37,146	36,539	607
Amounts paid and change in technical reserves	933,887	808,368	125,519
Reinsurers' share	-32,846	-29,056	-3,790

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

(€/000)

	31/12/2014				31/12/2013			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	984,537	248,171	-	1,232,708	928,630	166,115	-	1,094,745
Gross premiums	1,020,449	249,405	-	1,269,854	963,944	167,340	-	1,131,284
Gross premiums written	1,033,091	249,405	-	1,282,496	982,799	167,340	-	1,150,139
a Direct business	1,032,979	249,323	-	1,282,302	982,677	167,100	-	1,149,777
b Indirect business	112	82	-	194	122	240	-	362
Change in premium reserve	-12,642	-	-	-12,642	-18,855	-	-	-18,855
a Direct business	-12,641	-	-	-12,641	-18,860	-	-	-18,860
b Indirect business	-1	-	-	-1	5	-	-	5
Ceded premiums	35,912	1,234	-	37,146	35,314	1,225	-	36,539
Gross premiums ceded	36,018	1,234	-	37,252	36,653	1,225	-	37,878
a Outward reinsusrance	36,018	1,234	-	37,252	36,653	1,225	-	37,878
b Retrocession	-	-	-	-	-	-	-	-
Change in premium reserve	-106	-	-	-106	-1,339	-	-	-1,339
a Outward reinsusrance	-106	-	-	-106	-1,339	-	-	-1,339
b Retrocession	-	-	-	-	-	-	-	-
NET CHARGES RELATING TO CLAIMS	645,013	258,570	-2,542	901,041	610,103	172,726	-3,517	779,312
Amounts paid and change in technical reserves	677,002	259,427	-2,542	933,887	638,623	173,262	-3,517	808,368
Direct business	676,954	259,081	-	936,035	638,551	173,073	-	811,624
Indirect business	48	346	-	394	72	189	-	261
Shadow accounting of investee companies' profits	-	-	-2,542	-2,542	-	-	-3,517	-3,517
Reinsurers' share	31,989	857	-	32,846	28,520	536	-	29,056
Outward reinsurance	31,989	857	-	32,846	28,520	536	-	29,056
Retrocession	-	-	-	-	-	-	-	-

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

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

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

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

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

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

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

Note 26	31/12/2014	31/12/2013	Change
Commission income	751	546	205

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

Note 27	31/12/2014	31/12/2013	Change
Gains or losses on financial instruments at fair value through profit or loss	2	20	-18
Gains on investments in subsidiaries and associates and interests in joint ventures	3,165	326	2,839
Gains or losses on other financial instruments and investment property	86,715	75,588	11,127
Losses on investments in subsidiaries and associates and interests in joint ventures	1,847	2,742	-895
Losses on other financial instruments and investment property	11,709	10,642	1,067

To complete the information disclosed below, we point out that the table detailing the breakdown of financial and investment income and charges/losses is shown in the specific section called "Annexes to Consolidated financial statements", Gains and losses on financial instruments at fair value through profit or loss

These are income and losses on financial assets held for trading; specifically, income realised, net of losses, amounted to 13 thousand euro, whilst unrealised losses amounted to 11 thousand euro,

As regards financial assets designated at fair value through profit or loss – i,e, referring to investment contracts of the index-linked, unit-linked, and pension-fund type – net income recognised in FY14 amounted to 3,763 thousand euro, set against losses/charges of the same amount, due to the change in related financial liabilities designated at fair value through profit or loss.

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

As up to 31 December 2014 these items referred entirely to the results of equity-accounted Group companies,
Reference should be made to Note 5 for further details,

Gains and losses on other financial instruments and investment property

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

(€/000)

	Gains 31/12/14	Gains 31/12/13	Losses 31/12/14	Losses 31/12/13
Investment property	3,668	309	5,833	1,121
Held to maturity investments	2,327	3,174	-	-
Loans and receivables	1,174	1,211	-	150
Financial assets available for sale	76,756	67,599	425	4,016
Other receivables	433	486	-	-
Cash and cash equivalents	2,357	2,809	-	-
Other financial liabilities	-	-	5,451	5,355
Total	86,715	75,588	11,709	10,642

Note 28	31/12/2014	31/12/2013	Change
Other income	14,418	10,932	3,486

The following table details the breakdown of this item,

(€/000)

Other income	31/12/14	31/12/13
Trading profits	2,546	1,103
Gains on the sale of owner-occupied property	17	-
Revenue from services: real estate brokerage	467	290
Revenue from services: real estate management	53	82
Revenue from services: administration, real estate appraisals and other income	350	436
Revenue from services: insurance commission income with third parties	-	2
Revenue from services: other revenue from services	1,364	1,239
Rent income	770	713
Writebacks	5,115	4,338
Technical income on insurance contracts	19	35
Gains on the sale of property, plant and equipment	646	-
Exchange rate gains	92	26
Incidental non-operating income	1,990	1,537
Other income	989	1,131
Total	14,418	10,932

Technical income on insurance contracts refer for 1,892 thousand euro (1,701 thousand euro at 31/12/2013) to reversal of commissions on cancelled premiums and for 2,450 thousand euro (2,637 thousand euro at 31/12/2013) to other technical items, mainly consisting of recovers on knock-for-knock claims settlement costs and ANIA contributions for cars scrapped following claim events.

Note 29	31/12/2014	31/12/2013	Change
Commission expense	26	32	-6

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

Note 30	31/12/2014	31/12/2013	Change
Commissions and other acquisition costs	209,226	188,804	20,422
Investment management costs	2,764	1,721	1,043
Other administrative costs	43,434	38,716	4,718

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

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

(€/000)

Gross commissions and other acquisition costs net of profit participation and other commissions	31/12/14	31/12/13
Acquisition commissions	145,314	137,259
Other acquisition costs	57,479	46,810
Change in deferred acquisition costs	823	-63
Premium collection commissions	11,914	11,693
Profit participation and other commissions received from reinsurers	-6,304	-6,895
Total	209,226	188,804

Note 31	31/12/2014	31/12/2013	Change
Other costs	48.546	52,826	-4.280

The breakdown of this item was as shown below:

(€/000)

Other costs	31/12/14	31/12/13
Technical costs on insurance contracts	15,597	28,163
Accruals to the provision for bad debts	2,399	2,588
Foreign-exchange losses	56	44
Incidental non-operating costs	585	973
Annual depreciation & amortisation	15,876	15,987
Impairment loss on goodwill	6,212	30
Losses on non insurance receivables	86	-
Accruals to the provision for risks and charges	1,378	160
Commissions from services sector	5,454	4,861
Other costs	903	20
Total	48,546	52,826

Technical costs on insurance contracts refer to technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning for 13,954 thousand euro (26,126 thousand euro at 31/12/2013) and to services supporting insurance covers and costs for premiums under litigation for 1,643 thousand euro (2,037 thousand euro at 31/12/2013).

Note 32	31/12/2014	31/12/2013	Change
Income taxes	46,867	53,378	-6,511

Of this item 63,055 thousand euro related to current taxes and 16,188 thousand euro to deferred taxes.
Income taxes are recognised in profit or loss, with the exception of those relating to items directly charged or credited to equity, in which case the tax effect is recognised directly in equity.

(€/000)

	Taxable base	Tax		
	IRES	actual	theoretical	tax rate
IRES				
Profit before taxation	119,165		32,770	27.50%
Temporary differences deductible in sunsequent years (r	59,596	16,389		13.75%
Revaluation of associates under the equity method	-866	-238		-0.20%
Participating interest impairment	8,020	2,206		1.85%
Dividends received	-787	-216		-0.18%
Interests, expenses and other taxes indeductible	17,337	4,768		4.00%
Other captions	-7,963	-2,190		-1.84%
Total Change	75,337	20,719	32,770	17.38%
Current ordinary taxable base	194,502	53,489		44.89%
IRES total current	194,502	53,489		44.89%

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 604 as at 31 December 2014 vs. 590 present as at 31 December 2013,
The average number of in-force employees on the payroll, split by contractual grade, was as follows:

	31/12/2014	31/12/2013
Managers	26	26
Officers	147	146
Administrative staff	423	409
Total	596	581

Tax status

Insurance Business

In 2014 the parent company confirmed and exercised its option for the National Tax Consolidation Regime (article 117 and subsequent articles of the Decree No. 917 of 22 December 1986) with the subsidiaries Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l., Acacia 2000 S.r.l., VAIMM Sviluppo S.r.l., Vittoria Properties S.r.l., Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interimmobili S.r.l., Interbilancia S.r.l., VRG Domus S.r.l. and Valsalaria S.r.l..
The option for the National Tax Consolidation Regime with respect to these companies will persist also in 2015.

In accordance with Law no. 2/2009, in 2008 the parent company revalued the buildings, obtaining a greater value which will be recognised for IRES and IRAP purposes (depreciation purpose from 2013 tax period and in relation to possible disposal from 2014) by paying a substitute tax on the gains recorded, equal to 3% for depreciable property and equal to 1.5% for non-depreciable property. The value recorded in the balance sheet was aligned to the fair value (determined by an independent evaluation expert) in 2008.
Against these greater values recognised in the balance sheet, the parent company recorded in equity a reserve equal to the revaluation less the substitute tax.
For further details concerning the revaluation appreciation recorded and the evaluation principles, please refers to this Notes to the consolidated financial statements.

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

With reference to 2014, the parent company exercised its option to settle VAT in the context of the Group of companies pursuant to the Ministerial Decree dated 13th December 1979, together with the following controlled subsidiaries: Vittoria Immobiliare, Gestimmobili S.r.l., Interimmobili S.r.l., Acacia 2000 S.r.l., VRG Domus S.r.l., Vittoria Properties S.r.l., Immobiliare Bilancia S.r.l. and Immobiliare Bilancia Prima S.r.l..
Also for 2015 the parent company exercised this option, together with the above subsidiaries, in addition to the subsidiary Vaimm Sviluppo S.r.l. and Valsalaria S.r.l..

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

The Board of Directors

Milan, 10 March 2015

Annexes to Consolidated 2014 financial statements

Consolidation scope

	Country	Country operational headquarters (5)	Method (1)	Business (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	% of consolidation
Vittoria Assicurazioni S.p.A.	Italy		G	1	-	-	-	-
Vittoria Immobiliare S.p.A.	Italy		G	10	100.00	100.00	100.00	100.00
Immobiliare Bilancia S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Immobiliare Bilancia Prima S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Vittoria Properties S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Interbilancia S.r.l.	Italy		G	9	100.00	100.00	100.00	100.00
Vaimm Sviluppo S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
VP Sviluppo 2015 S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Acacia 2000 S.r.l.	Italy		G	10	15.00	85.00	85.00	100.00
Gestimmobili S.r.l.	Italy		G	11	-	100.00	100.00	100.00
Interimmobili S.r.l.	Italy		G	11	-	80.00	80.00	100.00
V.R.G. Domus S.r.l	Italy		G	10	-	100.00	100.00	100.00
Valsalaria S.r.l.	Italy		G	10	-	51.00	51.00	100.00
Aspevi Milano S.r.l.	Italy		G	11	-	100.00	100.00	100.00
Aspevi Roma S.r.l.	Italy		G	11	-	100.00	100.00	100.00
Plurico S.r.l.	Italy		G	11	-	70.00	70.00	100.00
Consorzio Servizi Assicurativi	Italy		G	11	-	59.60	61.92	100.00

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

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

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

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

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

List of unconsolidated investments

	Country	Country operational headquarters (5)	Business (1)	Type (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	Carrying amount
S.In.T S.p.A.	Italy		11	b	48.19	48.19	48.19	453
Yarpa S.p.A.	Italy		9	b	27.31	27.31	27.31	11,528
Touring Vacanze S.r.l.	Italy		10	b	37.00	37.00	37.00	7,655
Mosaico S.p.A.	Italy		10	b	-	45.00	45.00	111
Pama & Partners S.r.l.	Italy		10	b	-	25.00	25.00	322
Consorzio Movincom S.c.r.l.	Italy		11	b	29.14	29.14	29.14	14
VZ Real Estate S.r.l.	Italy		10	b	-	49.00	49.00	98
Fiori di S. Bovio S.r.l.	Italy		10	b	-	40.00	40.00	-
Spefin Finanziaria S.p.A.	Italy		11	b	-	21.00	21.00	283
Valsalaria A.11 S.r.l.	Italy		10	b	-	40.00	40.00	32
Movincom Servizi S.p.A.	Italy		11	b	46.65	46.65	46.65	1,796

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

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

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

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

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

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2014

Balance sheet by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
1	INTANGIBLE ASSETS	21,049	23,775	5,984	6,427	654	558	5	7	0	0	27,692	30,767
2	PROPERTY, PLANT AND EQUIPMENT	83,180	85,583	20,463	21,267	456,940	403,304	99	111	2,632	2,941	563,314	513,206
3	REINSURERS' SHARE OF TECHNICAL RESERVES	53,853	66,999	6,648	6,164	0	0	0	0	0	0	60,501	73,163
4	INVESTMENTS	1,491,081	1,285,764	1,142,137	956,844	8,703	20,656	283	0	-271,541	-147,231	2,370,663	2,116,033
4.1	Investment property	46,551	46,633	41,889	42,876	0	0	0	0	0	0	88,440	89,509
4.2	Investments in subsidiaries and associates and interests in joint	239,730	105,601	53,257	57,398	563	2,393	283	0	-271,541	-146,946	22,292	18,446
4.3	Held to maturity investments	9,906	13,511	46,803	53,796	0	0	0	0	0	0	56,709	67,307
4.4	Loans and receivables	71,312	42,335	2,785	7,578	8,081	18,204	0	0	0	-285	82,178	67,832
4.5	Financial assets available for sale	1,123,582	1,077,684	931,722	729,460	59	59	0	0	0	0	2,055,363	1,807,203
4.6	Financial assets at fair value through profit or loss	0	0	65,681	65,736	0	0	0	0	0	0	65,681	65,736
5	OTHER RECEIVABLES	200,507	198,120	18,607	17,388	8,442	12,346	4,951	6,080	-19,048	-13,134	213,459	220,800
6	OTHER ASSETS	133,056	96,768	44,808	27,704	6,117	9,605	4,764	1,300	-5,423	-1,566	183,322	133,811
6.1	Deferred acquisition costs	1,812	3,071	5,675	5,239	0	0	0	0	0	0	7,487	8,310
6.2	Other assets	131,244	93,697	39,133	22,465	6,117	9,605	4,764	1,300	-5,423	-1,566	175,835	125,501
7	CASH AND CASH EQUIVALENTS	139,100	113,780	31,652	31,567	53,143	17,928	7,112	3,845	0	0	231,007	167,120
	TOTAL ASSETS	2,121,826	1,870,789	1,270,299	1,067,361	533,999	464,397	17,214	11,343	-293,380	-158,990	3,649,958	3,254,900
1	EQUITY											627,318	528,528
2	PROVISIONS	4,016	2,041	0	0	856	2,517	0	0	0	0	4,872	4,558
3	TECHNICAL RESERVES	1,399,126	1,287,378	1,042,674	869,045	0	0	0	0	-7,105	-4,563	2,434,695	2,151,860
4	FINANCIAL LIABILITIES	53,318	25,774	72,313	71,651	254,200	281,794	0	0	0	0	379,831	379,219
4.1	Financial liabilities at fair value through profit or loss	0	0	65,665	65,487	0	0	0	0	0	0	65,665	65,487
4.2	Other financial liabilities	53,318	25,774	6,648	6,164	254,200	281,794	0	0	0	0	314,166	313,732
5	PAYABLES	77,608	76,159	5,757	6,766	12,538	20,068	13,660	11,071	-19,148	-13,285	90,415	100,779
6	OTHER LIABILITIES	63,318	57,844	30,933	17,805	16,848	12,364	889	436	839	1,507	112,827	89,956
	TOTAL EQUITY AND LIABILITIES											3,649,958	3,254,900

Income statement by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Net gains and costs/losses	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
1.1	Net premiums	984,538	928,630	248,170	166,115	0	0	0	0	0	0	1,232,708	1,094,745
1.1.1	*Gross premiums*	1,020,450	963,944	249,404	167,340	0	0	0	0	0	0	1,269,854	1,131,284
1.1.2	*Ceded premiums*	35,912	35,314	1,234	1,225	0	0	0	0	0	0	37,146	36,539
1.2	Commission income	0	0	751	546	0	0	0	0	0	0	751	546
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	0	0	2	20	0	0	0	0	0	0	2	20
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	3,198	80	0	998	-33	-1	0	0	0	-751	3,165	326
1.5	Gains on other financial instruments and investment property	47,643	36,814	38,305	37,664	679	1,030	88	80	0	0	86,715	75,588
1.6	Other income	8,375	6,616	962	230	5,561	6,152	11,554	8,297	-12,034	-10,363	14,418	10,932
1	TOTAL REVENUE	1,043,754	972,140	288,190	205,573	6,207	7,181	11,642	8,377	-12,034	-11,114	1,337,759	1,182,157
2.1	Net charges relating to claims	645,012	610,101	258,571	172,728	0	0	0	0	-2,542	-3,517	901,041	779,312
2.1.2	*Amounts paid and change in technical reserves*	677,001	638,622	259,428	173,263	0	0	0	0	-2,542	-3,517	933,887	808,368
2.1.3	*Reinsurers' share*	-31,989	-28,521	-857	-535	0	0	0	0	0	0	-32,846	-29,056
2.2	Commission expense	0	0	26	32	0	0	0	0	0	0	26	32
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	7,055	1,326	4,141	0	799	1,416	7	0	-10,155	0	1,847	2,742
2.4	Losses on other financial instruments and investment property	3,575	5,142	3,185	597	4,927	4,876	40	7	-18	20	11,709	10,642
2.5	Operating costs	231,884	208,491	17,107	16,470	12,945	10,017	3,134	2,847	-9,646	-8,584	255,424	229,241
2.6	Other costs	31,044	33,328	2,799	10,831	7,316	1,587	6,464	7,080	923	0	48,546	52,826
2	TOTAL COSTS	918,570	858,388	285,829	200,658	25,987	17,896	9,645	9,934	-21,438	-12,081	1,218,593	1,074,795
	PROFIT FOR THE YEAR BEFORE TAXATION	125,184	113,752	2,361	4,915	-19,780	-10,715	1,997	-1,557	9,404	967	119,166	107,362

Breakdown of other comprehensive income

(€/000)

	Allocation		Reclassification to profit or loss		Other Changes		Total Changes		Taxes		Balance	
	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
Other comprehensive income, net of taxes without reclassification to profit or loss	-562	197			0	0	-562	197	-213	75	-212	350
Changes in the equity of investees	0	0			0	0	0	0	0	0	0	0
Changes in intangible asset revaluation reserve	0	0			0	0	0	0	0	0	0	0
Changes in tangible asset revaluation reserve	0	0			0	0	0	0	0	0	0	0
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0			0	0	0	0	0	0	0	0
Actuarial gains and losses and adjustments related to defined benefit plans	-562	197			0	0	-562	197	-213	75	-212	350
Other items	0	0			0	0	0	0	0	0	0	0
Other comprehensive income, net of taxes with reclassification to profit or loss	55,608	26,566	-3,679	-4,449	0	0	51,929	22,117	17,761	6,123	105,312	53,383
Change in translation reserve	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on available for sale investments	55,608	26,566	-3,679	-4,449	0	0	51,929	22,117	17,761	6,123	105,312	53,383
Gains or losses on hedging instruments	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on hedging instruments of net investment in foreign operations	0	0	0	0	0	0	0	0	0	0	0	0
Changes in the equity of investees	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	55,046	26,763	-3,679	-4,449	0	0	51,367	22,314	17,548	6,198	105,100	53,733

Breakdown of financial assets

(€/000)

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
Equity and derivative instruments measured at cost	0	0	0	0	9,107	8,092	0	0	0	0	9,107	8,092
Equity instruments at fair value	0	0	0	0	85,331	91,339	0	0	8,775	8,616	94,106	99,955
of which listed	0	0	0	0	8,296	7,793	0	0	8,775	8,616	17,071	16,409
Debt securities	56,709	67,307	0	0	1,928,450	1,671,803	16	249	15,281	20,096	2,000,456	1,759,455
of which listed	55,239	62,344	0	0	1,928,451	1,671,803	16	249	15,279	20,096	1,998,985	1,754,492
OEIC units	0	0	0	0	32,475	35,969	0	0	31,431	33,822	63,906	69,791
Loans and receivables from bank customers	0	0	0	0	0	0	0	0	0	0	0	0
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	175	4,620	0	0	0	0	0	0	175	4,620
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	31,893	40,981	0	0	0	0	0	0	31,893	40,981
Non-hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	50,110	22,231	0	0	0	0	10,178	2,953	60,288	25,184
Total	56,709	67,307	82,178	67,832	2,055,363	1,807,203	16	249	65,665	65,487	2,259,931	2,008,078

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2014

Financial and investment gains and losses/costs

(€/000)

		Interest	Other net income	Other costs	Realised gains	Realised losses	Net realised gains and losses	Valuation gains		Valuation losses		Net unrealised gains and losses	Net gains and costs/losses FY2014	Net gains and costs/losses FY2013
								Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments		66,648	11,150	4,481	15,319	3,579	85,057	3,004	0	4,293	1,017	-2,306	82,751	69,903
a	Investment property	0	3,668	2,558	0	0	1,110	0	0	3,275	0	-3,275	-2,165	-812
b	Investments in subsidiaries and associates and interests in joint ventures	0	3,165	1,189	0	65	1,911	0	0	0	593	-593	1,318	-2,416
c	Held to maturity investments	2,327	0	0	0	0	2,327	0	0	0	0	0	2,327	3,174
d	Loans and receivables	1,173	0	0	0	0	1,173	1	0	0	0	1	1,174	1,061
e	Financial assets available for sale	62,617	397	0	13,742	0	76,756	0	0	0	424	-424	76,332	63,584
f	Financial assets held for trading	0	0	0	13	0	13	0	0	11	0	-11	2	20
g	Financial assets at fair value through profit or loss	531	3,920	734	1,564	3,514	1,767	3,003	0	1,007	0	1,996	3,763	5,292
Other receivables		432	0	0	0	0	432	0	0	0	0	0	432	485
Cash and cash equivalents		2,357	0	0	0	0	2,357	0	0	0	0	0	2,357	2,809
Financial liabilities		-5,451	0	0	0	0	-5,451	0	0	3,763	0	-3,763	-9,214	-10,647
a	Financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
b	Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0	3,763	0	-3,763	-3,763	-5,292
c	Other financial liabilities	-5,451	0	0	0	0	-5,451	0	0	0	0	0	-5,451	-5,355
Payables		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		63,986	11,150	4,481	15,319	3,579	82,395	3,004	0	8,056	1,017	-6,069	76,326	62,550

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2014

Breakdown of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
Non-life reserves	**1,398,239**	**1,286,528**	**886**	**850**	**1,399,125**	**1,287,378**
Premium reserve	373,527	360,887	42	40	373,569	360,927
Claims reserve	1,024,303	925,232	844	810	1,025,147	926,042
Other reserves	409	409	0	0	409	409
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	**1,035,383**	**859,849**	**187**	**4,633**	**1,035,570**	**864,482**
Reserve for payable amounts	24,911	21,999	12	12	24,923	22,011
Mathematical reserves	939,210	805,068	173	4,619	939,383	809,687
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund managment	0	0	0	0	0	0
Other reserves	71,262	32,782	2	2	71,264	32,784
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	62,722	22,698	0	0	62,722	22,698
Total technical reserves	**2,433,622**	**2,146,377**	**1,073**	**5,483**	**2,434,695**	**2,151,860**

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2014

Breakdown of reinsurers' share of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
Non-life reserves	53,547	66,729	306	270	53,853	66,999
Premium reserve	16,007	15,902	0	0	16,007	15,902
Claims reserve	37,540	50,827	306	270	37,846	51,097
Other reserves	0	0	0	0	0	0
Life reserves	6,648	6,164	0	0	6,648	6,164
Reserves for payable amounts	0	0	0	0	0	0
Mathematical reserves	6,609	6,136	0	0	6,609	6,136
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	39	28	0	0	39	28
Total reinsurers' share of technical reserves	60,195	72,893	306	270	60,501	73,163

Breakdown of financial liabilities

(€/000)

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss					
	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0	0	0	0
Liabilities from financial contracts issued by insurers arising from:	0	0	65,665	65,487	0	0	65,665	65,487
Contracts where policyholders bear investment risk	0	0	50,077	51,537	0	0	50,077	51,537
Pension-fund management	0	0	15,588	13,950	0	0	15,588	13,950
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	15,856	15,707	15,856	15,707
Negative financial components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities on issue	0	0	0	0	0	0	0	0
Bank customer deposits	0	0	0	0	0	0	0	0
Interbank liabilities	0	0	0	0	0	0	0	0
Other loans received	0	0	0	0	253,954	281,094	253,954	281,094
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	44,356	16,931	44,356	16,931
Total	0	0	65,665	65,487	314,166	313,732	379,831	379,219

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

(€/000)

		Level 1		Level 2		Level 3		Total	
		31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
Assets and liabilities measured at fair value on a recurring basis									
Financial assets Available for sale		1,969,221	1,715,546	8,611	8,005	77,531	83,652	2,055,363	1,807,203
Financial assets at fair value through profit or loss	Financial assets held for trading	16	249	-	-	-	-	16	249
	Financial assets at fair value through profit or loss	65,665	65,487	-	-	-	-	65,665	65,487
Investment Property		-	-	-	-	-	-	-	-
Tangible assets		-	-	-	-	-	-	-	-
Intangible assets		-	-	-	-	-	-	-	-
Total assets measured at fair value on a recurring basis		2,034,902	1,781,282	8,611	8,005	77,531	83,652	2,121,044	1,872,939
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	-	-	-	-	-	-
	Financial liabilities at fair value through profit or loss	61,824	65,127	3,841	360	-	-	65,665	65,487
Total liabilities measured at fair value on a recurring basis		61,824	65,127	3,841	360	-	-	65,665	65,487
Assets and liabilities measured at fair value on a non recurring basis									
Non-current assets or assets of a disposal group classified as held for sale		-	-	-	-	-	-	-	-
Liabilities of a disposal group classified as held for sale		-	-	-	-	-	-	-	-

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

(€/000)

	Financial assets			Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value through profit or loss	
		Financial assets at fair value through profit or loss						
	Financial assets Available for sale	Financial assets held for trading	Financial assets at fair value through profit or loss				Financial liabilities held for trading	Financial liabilities at fair value through profit or loss
Opening balance	83,652							
Purchases/ Issues	1,490							
Sales/Repurchases	-51							
Redemptions	0							
Gains or losses charged to profit and loss	-424							
- of which unrealised gains/losses	0							
Gains or losses charged to other comprehensive income	-7,136							
Moves to Level 3	0							
Moves to other Levels	0							
Other changes	0							
Closing balance	77,531							

Detail of insurance technical items

(€/000)

		31/12/2014			31/12/2013		
		Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business							
NET PREMIUMS		1,020,450	35,912	984,538	963,944	35,314	928,630
a	Premiums written	1,033,091	36,018	997,073	982,799	36,653	946,146
b	Change in premiums reserve	12,641	106	12,535	18,855	1,339	17,516
NET CLAIMS COSTS		677,001	31,989	645,012	638,622	28,521	610,101
a	Amounts paid	585,052	41,898	543,154	508,253	23,131	485,122
b	Change in claims reserves	99,066	-13,198	112,264	132,940	5,302	127,638
c	Change in recoveries	7,117	-3,289	10,406	2,571	-88	2,659
d	Change in other technical reserves	0	0	0	0	0	0
Life business							
NET PREMIUMS		249,404	1,234	248,170	167,340	1,225	166,115
NET CLAIMS COSTS		259,428	857	258,571	173,263	535	172,728
a	Amounts paid	129,046	373	128,673	113,147	497	112,650
b	Change in reserve for amounts to be paid	2,912	0	2,912	757	0	757
c	Change in mathermatical reserves	128,987	473	128,514	60,641	45	60,596
d	Change in technical reserves when investment risk is borne by policyholders and in reserves arising from pension fund management	0	0	0	0	0	0
e	Change in other technical reserves	-1,517	11	-1,528	-1,282	-7	-1,275

Breakdown of insurance operating costs

(€/000)

		Non-life business		Life business	
		31/12/14	31/12/13	31/12/14	31/12/13
Gross commissions and other acquisition costs		210,594	191,545	12,312	11,127
a	Acquisition commissions	148,510	140,452	4,180	3,410
b	Other acquisition costs	50,215	40,465	7,264	6,715
c	Change in deferred acquisition costs	1,259	311	-436	-374
d	Premium collection commissions	10,610	10,317	1,304	1,376
Profit participation and other commissions received from reinsurers		-6,178	-6,665	-126	-229
Investment management costs		2,061	997	703	724
Other administrative costs		25,407	22,614	4,218	4,848
Total		231,884	208,491	17,107	16,470

Breakdown of property, plant and equipment and intangible assets

(€/000)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	88,440	-	88,440
Other property	553,374	-	553,374
Other items of property, plant a	9,940	-	9,940
Other intangible assets	27,692	-	27,692

Detail of assets and liabilities relating to insurance contracts with risk borne by policyholders or relating to pension-fund management

(€/000)

	Unit- and index-linked benefits		Benefits relating to pension-fund management		Total	
	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
On-balance sheet assets	50,077	51,537	15,588	13,950	65,665	65,487
Infragroup assets *	0	0	0	0	0	0
Total assets	50,077	51,537	15,588	13,950	65,665	65,487
On-balance sheet liabilities	50,077	51,537	15,588	13,950	65,665	65,487
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	50,077	51,537	15,588	13,950	65,665	65,487

* Assets and liabilities eliminated in consolidation process

Detail of reclassified financial assets and impacts on profit and loss and on other comprehensive income

(€/000)

Reclassified Financial assets categories		Activity class	Amount of Financial assets reclassified during the year at the reclassification date	Carrying amount at 31/12/2013 of reclassified assets		Fair Value at 31/12/2013 of reclassified assets		Reclassified Assets during 2014		Reclassified Assets up to 2014		Reclassified Assets during 2014		Reclassified Assets up to 2014	
				Reclassified Assets during 2014	Reclassified Assets up to 2014	Reclassified Assets during 2014	Reclassified Assets up to 2014	Gains or losses charged to profit and loss	Gains or losses charged to other comprehensive income	Gains or losses charged to profit and loss	Gains or losses charged to other comprehensive income	Gains or losses that would have been charged to profit and loss in absence of the reclassification	Gains or losses that would have been charged to other comprehensive income in absence of the reclassification	Gains or losses that would have been charged to profit and loss in absence of the reclassification	Gains or losses that would have been charged to other comprehensive income in absence of the reclassification
from	to														
Total			0	0	0	0	0	0	0	0	0	0	0	0	0

Assets and liabilities not measured at fair value: breakdown by level of fair value

	Carrying amount		*Fair value*							
			Level 1		Level 2		Level 3		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Assets										
Held to maturity investments	56,709	67,307	60,491	65,092	0	0	1,469	4,963	61,960	70,055
Loans and receivables	82,178	67,832	0	0	0	0	82,178	67,832	82,178	67,832
Investments in subsidiaries and associates and interests in joint ventures	22,292	18,446	0	0	0	0	22,292	18,446	22,292	18,446
Investment property	88,440	89,509	0	0	0	0	89,000	89,000	89,000	89,000
Tangible assets	553,374	504,308	0	0	0	0	634,818	554,739	634,818	554,739
Total assets	802,993	747,402	60,491	65,092	-	-	829,757	734,980	890,248	800,072
Liabilities										
Other financial liabilities	314,166	313,732	0	0	0	0	314,166	313,732	314,166	313,732

Consolitation scope: interests in subsidiaries with significant minority interests

(€/000)

						Main financial-economic datas							
Name	Country	% minority interests	% of voting rights in ordinary meetings by minority interests	Consolidated profit (loss) attributable to minority interests	Equity attributable to minority interests	Total assets	Investments	Technical provisions	Financial liabilities	Equity	Profit (loss) for the year	Dividends paid out to minority interests	Gross written premium
Acacia 2000 S.r.l.	Italy	15.00	15.00	- 119	10,754	217,984	216,216	-	134,781	71,696	- 791	-	-

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2014
Interests in unconsolidated structured entities

(€/000)

Structured entity name	Revenues from structured entity during the year	Book value (at the date of the trasfer) of assets trasferred to the structured entity during the year	Book value of assets recognised in own financial statement and related to the structured entity	Balance sheet asset item	Book value of liabilities recognised in own financial statement and related to the structured entity	Balance sheet liabilities item	Maximum loss risk exposure

Note: this table is also requested for the porpuses of financial statement reporting IAS/IFRS (note 2) and half-yearly reporting (note 4) when IFRS 12.6 conditions are met.

Management Attestation

Financial statements certification pursuant to Art.81-ter of Consob Regulation N° 11971 dated May 14 1999, as amended

1. The undersigned Roberto Guarena (as Managing Director) and Luca Arensi (as the Manager Charged with preparing the financial reports), of Vittoria Assicurazioni S.p.A., taking into consideration Article 154-bis (subparagraph 3 and 4) of Italian Legislative Decree February 24th 1998 n.58, do hereby certify:

   - the adequacy in relation to the Legal Entity features and
   - the actual application

   of the administrative and accounting procedures employed to draw up consolidated financial statements during the period 1 January 2014 - 31 December 2014

2. In this respect no remarks emerged besides what already reported in Director's report to the Consolidated financial report as at 31 December 2014.

3. The undersigned also certify that:

   3.1 The consolidated financial statements as at 31 December 2014:

   a) was prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation no.1606/2002 of July 19, 2002;

   b) corresponds to results of the books and accounts records;

   c) is suitable to provide a fair and correct representation of the situation of the assets and liabilities, the economic and financial situation of the issuer and the group of companies included in the scope of consolidation.

3.2 The directors' report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and group companies included in the scope of consolidation and a description of the main risks and uncertain situation to which they are exposed.

Milan, 10 March 2015

Roberto Guarena
Managing Director

Luca Arensi
Manager Charged with preparing the company's financial reports

Report of Independent Auditors

Deloitte.

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AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND WITH ARTICLE 102 OF LEGISLATIVE DECREE N. 209 OF SEPTEMBER 7, 2005

To the Shareholders of
VITTORIA ASSICURAZIONI S.p.A.

1. We have audited the consolidated financial statements of Vittoria Assicurazioni S.p.A. and subsidiaries (the "Vittoria Group"), which comprise the statement of financial position as of December 31, 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and relative notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the Regulations issued to implement article 90 of the Legislative Decree N. 209/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 28, 2014.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Vittoria Assicurazioni S.p.A. as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulation issued to implement article 90 of the Legislative Decree N. 209/2005.

4. The Directors of Vittoria Assicurazioni S.p.A. are responsible for the preparation of Directors' Report and the annual report on corporate governance available on Vittoria Assicurazioni S.p.A.'s web site section "Governance" in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' Report and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' Report and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of Vittoria Assicurazioni S.p.A. as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Milan, Italy
March 26, 2015

This report has been translated into the English language solely for the convenience of international readers.