Unipol Gruppo Finanziario
2014 Consolidated Financial Statements

UNIPOL
GRUPPO FINANZIARIO S.P.A.

Registered and Head Offices at Via Stalingrado 45, Bologna
Fully paid-up share capital €3,365,292,408.03
Tax Code and Bologna Register of Companies No. 00284160371 - R.E.A. No. 160304
Parent of the Unipol Insurance Group entered in the Register of Insurance Groups - No. 046
Parent of the Unipol Banking Group entered in the Register of Banking Groups - Code No. 20052

www.unipol.it

2014 Consolidated Financial Statements

Bologna, 19 March 2015

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NOTES TO THE FINANCIAL STATEMENTS

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Company bodies

Honorary Chairman	Enea Mazzoli	

Board of Directors		
Chairman	Pierluigi Stefanini	
Vice Chairman	Giovanni Antonelli	
Chief Executive Officer and General Manager	Carlo Cimbri	
Directors	Giovanni Battista Baratta	Pier Luigi Morara
	Francesco Berardini	Milo Pacchioni
	Paolo Cattabiani	Maria Antonietta Pasquariello
	Piero Collina	Elisabetta Righini
	Sergio Costalli	Francesco Saporito
	Ernesto Dalle Rive	Adriano Turrini
	Guido Galardi	Marco Giuseppe Venturi
	Giuseppina Gualtieri	Rossana Zambelli
	Claudio Levorato	Carlo Zini
	Ivan Malavasi	Mario Zucchelli
	Paola Manes	
Secretary of the Board of Directors	Roberto Giay	

Board of Statutory Auditors	
Chairman	Roberto Chiusoli
Statutory Auditors	Silvia Bocci
	Domenico Livio Trombone
Alternate Auditors	Carlo Cassamagnaghi
	Chiara Ragazzi

Manager in charge of financial reporting	Maurizio Castellina

Independent auditors	PricewaterhouseCoopers SpA

Introduction

Macroeconomic background and market performance

Macroeconomic background

The year 2014 was characterised by global economic growth of a little over 3%, essentially in line with the results achieved in 2013.
Economic activity in the USA, after the false start of the first quarter attributable to the exceptional cold weather, recorded satisfactory expansion rates: +5% yoy in the third quarter and +2.2% in the fourth, for a total growth of 2.4% compared to 2013. Several factors contributed to this result: the strength of private consumption, expansionary fiscal policy and a good investments trend. The labour market became stronger, with an unemployment which fell gradually during the year to reach 5.6% in December. Though completing the third Quantitative Easing, the Federal Reserve kept official rates at near zero, reserving the right to increase them at an as yet unspecified future date.
Japan, despite the Quantitative Easing put into place by the central bank, again fell into a recession as a result of the mid-year tax increase to limit the considerable public deficit, whilst implementation of the structural reforms of the Abe Government - reconfirmed at the recent elections - is slow.
Though marginally slowing its growth rate, China continues the process of changing its development model in order to enhance demand on the home market by restructuring the impact seen thus far from exports and investments.
In 2014 a number of emerging countries, particularly Russia and Venezuela, saw a significant drop in oil prices, whilst the stronger dollar caused tension in countries such as Turkey and Brazil that have a greater need to attract capital to finance their structural deficits.
For the Italian economy, 2014 was the third consecutive year of recession, with GDP down by 0.4%. Growth in the Eurozone failed to rise above 0.9%.

The weak economic trend in Europe led to the ECB's adoption of an expansionary monetary policy, as far as its statutory restrictions will permit. At the same time, the Federal Reserve found itself managing a positive economic development. The dichotomy between the directions taken by the world's two major central banks led to the dollar appreciating against the euro from late spring of 2014 onwards.

Confirming Europe's fragility, a gradual narrowing of differences in consumer prices was seen in 2014. In December, Eurozone inflation recorded a negative value (-0.2%), representing a framework in which over half of European countries have fallen into a deflationary phase.
An important contribution to the consumer price freeze came from the collapse of oil prices (Brent), from a peak of $115.43 per barrel reached on 19 June 2014 to $54.76 at year end (-53%).
To combat these signs, the ECB cut the refinancing rate in September to 0.05% and launched a series of initiatives to provide greater funding to the banking system, a condition necessary to reactivating the flow of lending to the economy, including the ABS purchase programme, that relating to covered bonds and TLTRO (Targeted Longer Term Refinancing Operations), the latter with the aim of allowing banks to grant credit to businesses and households.

In this scenario Italy continued to suffer low growth associated with high unemployment. Demand on the home market proved weak, particular in terms of investments, which would be the determining factor in increasing GDP and reabsorbing the unemployment rate. Some positive signs on the employment front emerged in the last month of the year. ISTAT reported that the balance of trade (goods) in 2014 was positive by just under

€43bn (+46.8% on 2013). However, though positive per se, these figures are the result of a modest increase in exports (+2%) and a decline in imports (-1.6%) concentrated solely in the energy segment (-14.4%).

The public deficit-GDP ratio reached 132.1% in December 2014, up on the 128.5% recorded in December 2013. It should be specified that these figures benefit from the new national accounting system (SEC2010) in which GDP (the ratio denominator) now includes an estimate of transactions associated with criminal activities (drug trafficking, smuggling and prostitution).

Lower nominal interest rates recognised on government securities would result in only a limited benefit to the public debt sustainability. In fact, the significant drop in inflation has in effect led to an increase in the real cost of debt.

Financial markets

In 2014, the money market interest rate curve recorded a general decrease affecting all maturities. However, stronger decreases were recorded on long-term nodes with 20 and 30-year IRS down by over 120 basis points. Short-term rates fell at a slower pace as they are already so close to zero. As regards government returns, the German bond curve recorded a similar trend, with more pronounced decreases on nodes with longer maturities, whilst the 2- and 3-year maturities began following a negative rate curve. Not very dissimilar was the path followed by Italian government rates, these too seeing a downturn across the entire time horizon. The spread between returns on Italian and German securities narrowed in 2014 by around 50 basis points on curve nodes up to 10 years, whilst for longer term securities the spread narrowed by a more modest extent.
From the end of the summer onwards, in the wake of forecasts of an ECB launch of monetary easing, the euro suffered gradual depreciation which led to the USD-EUR rate dropping from the peak of 1.40 recorded on 8 May to 1.21 at the end of December.

In a context of extremely low market rates, for macroeconomic reasons and due to the direct action by the main central banks, the 2014 performance of European equity markets was not particularly bright. The Eurostoxx 50 index, representing Eurozone securities with the highest level of capitalisation, increased by only 1.2% (-2.5% in the fourth quarter of 2014). The German Dax performed well with a rise of +2.7% (+3.5% in the last quarter of the year), while Borsa Italiana (the Italian Stock Exchange), with the Milan FTSE Mib index, gained +0.2% (-9% in the fourth quarter of 2014). Lastly, Madrid’s Ibex recorded a positive performance, rising +3.7% (-5.0% in the final quarter of 2014).
The Standard & Poor’s 500 index, representing the main listed companies in the United States, recorded an increase of +11.4% (+4.4 in the fourth quarter of 2014), while in Japan, the Nikkei index gained 7.1% in 2014 (+7.9% in the fourth quarter of 2014).
Lastly, in relation to the emerging market indices, the most representative index, the Morgan Stanley Emerging Market, rose by +2.5% in 2014 (-0.4% in the fourth quarter of 2014).

The Itraxx Senior Financial index, representing the average spread of financial sector companies with a high credit rating, rose by 3.9 basis points, from 63.5 to 67.4 at the end of the fourth quarter of 2014 (in reference to all of 2014 the change was of the opposite sign, decreasing by 19.4 basis points from 86.8 to 67.4). The increase in the final quarter of the year was seen mainly as a result of the higher market volatility caused by persisting international geopolitical tension and the return of political risk in Greece.

Insurance sector

Again in 2014 the Italian insurance market growth rates saw a further decline in the Non-Life business, whilst the Life business market rates recorded a highly significant increase.

Throughout the third quarter of 2014, Non-Life business (also including cross-border operations) saw a 3.1% decrease compared to the same period of 2013. The decline was concentrated in the MV segment, where motor vehicle TPL was down 7.3% as a result of two separate phenomena: on the one hand the drop in claims frequency, strictly associated with lower mileage averages per vehicle due to the economic crisis, and on the other hand the high level of competition in the sector which allows benefits from the drop in claims to be transferred directly to consumers.
Available figures show that, at the end of the third quarter of 2014, the decrease in average MV TPL premiums (-5.87% year on year) was higher in absolute terms than the drop in claims seen in the same period (-3.91%, also calculated yoy). It follows that, at market level, the trend is one of lower technical profitability in the main Non-Life business.

Premiums in Land Vehicle Hulls business recorded a slower decline of 2.4% (-8.6% in 2013). The partial recovery in vehicle registrations (+4.9% in 2014 after six consecutive years of decline) limited the erosion of the business unit's premiums.
The trend in the Non-MV Non-Life class appears to be more structured. The overall figure shows a slower growth in premiums (+1.3% in the first nine months of 2014), against which certain segments have shown a significant decrease (Transport -9%), others remained stationary (Accident, Health and General TPL) and others still under development (Other Damage to Property +5.3%, Legal Expenses +6.6%, Assistance +10%, Pecuniary Losses +11.1%).
A 2.2% increase was seen in premiums collected in Italy by representative companies in the European Economic Area (ANIA data), compared to a 1.2% growth recorded by Italian and non-EU businesses. This confirms the shift of major customer segments towards specialised operators able to best meet specific requirements in complex management segments, such as civil liability insurance or goods in transit insurance.

Despite the difficult economic scenario, in the last few quarters ISTAT has reported a stronger appetite for investment of households, now recovering after the minimum seen in the last quarter of 2012. This trend suggests the transformation of consumer models seen in correspondence with a complex economic phase, which Italians clearly no longer see as transitional.
In this context, in 2014 new Life business for individuals recorded a remarkable leap forward: +44.4% on 2013 to give a monetary volume of more than €106bn (including cross-border activities). This is an extraordinary result aided by different factors: the low interest rates resulting from ECB monetary policy, the commercial drive of banks at a time when pressure has eased on accumulating direct funding, and investors' search for products to satisfy their poor appetite for risk.
Business development centred on Class I products (over €67bn in new premiums, corresponding to growth of 42.5%). Considerable increases were recorded by unit-linked policies (+60.6%) and in class V business (+100.5%).
The banking and post office channel confirmed its leading position with a market share of 71.3% and a 49.2% development rate. As a result of the recovery seen in the last few months of the year, financial advisors recorded a stronger growth rate: +65%.
According to ANIA preliminary forecasts, Life business premiums for 2014 will be around €110bn (excluding cross-border activities), up 30% on the previous year. Life business net income, i.e. the difference between premiums and services paid by insurers are expected to reach €46bn in 2014, around three times the figure achieved in 2013.
In this respect, note the decline in the surrender ratio (ratio between amounts paid for partial and/or total surrenders and the average total of technical provisions) from 9.07% in 2013 to 7.94% in the first nine months of 2014. As a result of these phenomena, Life technical provisions rose by €55.4bn in the last twelve months, reaching the new milestone of €502.4bn at the end of September 2014.

Pension funds

The Supervisory Commission for Pension Funds has published its figures for 2014. In terms of the number of subscribers, the total has risen by 6.1% compared to 2013. More precisely: subscribers to occupational pension funds fell by 0.3% to 1.9 million; a 7% increase was seen in the number subscribing to open pension funds (over 1 million). The more consistent increase, however, related to the "new" Personal Pension Funds, up +15% with a user base now close to 2.5 million individuals.
The managed volumes of supplementary pensions totalled over €126bn at the end of 2014, up 8.5% on the previous year. The strongest increase was recorded by the new Personal Pension Funds (+21.2%, to a total value of €15.8bn). Open funds also recorded a positive result, with a 16.4% increase (around €14bn), and growth in occupational pension funds cannot be disregarded, with funds assigned to servicing these reaching €39.6bn (+14.9% compared to 2013).

At the end of 2014, the total supplementary pension assets represented around 8% of GDP and 3% of the financial assets of Italian households. At the end of 2006, prior to the reform, these values were 3.5% and 1.5% respectively. Despite still being limited compared to international levels, in national terms Italian pension funds are beginning to take on a fairly significant dimension.
In 2014 average returns remained positive for all the main types of pension funds. Occupational and open pension funds yielded averages, respectively of 7.3% and 7.5%, whilst the new Class III Personal Pension Funds earned 7.3%. By comparison, note that in 2014 post-employment benefits saw a 1.5% revaluation.
New aspects for the pension funds system were introduced by the 2015 Stability Act. In particular, Art. 1, paragraph 621 increased the substitute tax rate applied on operating results accrued by supplementary pension schemes to 20%. Then paragraph 622 contained measures concerning the calculation method for taxable income on the aforementioned operating result, which aim to ensure that income on Italian and White List countries' debt securities - received by supplementary pension schemes - are subject to 12.50% tax.

Banking sector

Loans to non-financial companies reduced by 0.7% compared to the end of 2013 (which would be -2.9% if certain statistical discontinuities were taken into account), whilst loans to households recorded a decline of 0.9%. Stagnation on the lending side also had a downward effect on direct deposits, down 5.7%, whilst the most rapidly declining component was bonds (-18.1% yoy in December).
Funding from overseas was also down by 3.9%. Likewise, the securities portfolio recorded a drop of over €92bn (-10.3% compared to December 2013). It is important to emphasise that, despite an overall downsizing of banks' financial investments, the Italian government securities component has increased by 3.4% to exceed €400bn.
In these numbers it is not difficult to capture the effects of a crippled economic system in which the recession tends to discourage demand for loans: business investments and household consumption, in fact, both saw changes for the worse. On the other hand, the trend for deterioration of credit quality (+17.8% in gross bad and doubtful loans, now standing almost at €184bn) could not fail to result in a highly cautious approach to lending on the supply side. The interaction between these two phenomena is indicated in the decrease in volumes traded by the banking system.

The ECB cuts in the main refinancing rate in 2014, the last of which (in September) took the monetary policy rate to 0.05%, contributed to a widespread reduction in the interest rates on new loans both to households and companies. The cost of borrowing on new loan transactions of less than €1m to businesses dropped from 4.34% in December 2013 to 3.31% at the end of 2014. Also down are the rates on transactions of over €1m (from 2.82% to 2.15%). The interest rate applied on home purchase loans to households fell from 3.50% at the

end of 2013 to 2.88% twelve months later. The rates assigned to consumer credit recorded a more limited decrease: from 7.29% to 6.85%.
Also in terms of direct deposits, further decreases in the remuneration on new transactions were recorded. On term deposits the rate dropped from 1.79% in December 2013 to 1.02% a year later; for repurchase transactions the decrease was by 62 basis points (from 1.44% to 0.82%).

At the end of October 2014 the ECB published its Comprehensive Assessment, i.e. the analysis performed to assess the soundness of the European credit segment, preliminary to the entry into force of the single supervisory system for banks. The assessment, which included both the Asset Quality Review and the Stress Test against future adverse economic scenarios, was positive overall. Only 15% of banks assessed showed a capital deficit. However, the fact that two major Italian banking groups failed to pass the assessment led to strong volatility on Italy's equity market, possibly paving the way to a new consolidation phase in the sector.

In 2014 the spread in bank rates narrowed as a result of the lower mark-up, in turn caused by improved conditions in terms of the cost of funding. Nevertheless, the 2014 result was subject to the extent of provisions allocated against the loan portfolio. As you are aware, for many Italian banks the Asset Quality Review reported the need for new adjustments to loans. Therefore it can be assumed that, again in 2014, the Italian banking system will show an overall loss.

Real Estate market

According to Land Registry figures, in the third quarter of 2014 the number of real estate transactions recorded an increase compared to the same period of 2013: +3.4% the purchases and sales in the residential segment with related land; +4.9% for property units for business use. For the latter figure it is worth noting the distinction between the sales trend in property for production activities (+1.6%), commercial use (+9%) and services (-2%). Considering activities as a whole in the first nine months of the year, both segments (residential and non-residential) recorded an increase of 0.7% compared to the first three quarters of the previous year. This is the first positive result after four consecutive years of decline.
Confirmation of the first signs that the real estate market is waking up comes from ISTAT data produced on the number of mortgage-backed loans disbursed. In the third quarter of 2014 the figure reached 66k, up almost 14% on the same quarter of 2013.
In the second half of 2014, however, unit prices were still falling (by around 1.7% for homes, offices and trade outlets). Rents (again expressed in prices per square metre) also decreased for all three property types.

The economic survey on the Italian housing market, conducted quarterly by the Bank of Italy on a sample of real estate agents regarding the status of the housing market, still indicates a negative price trend. 67.6% of those interviewed reported a drop in prices in the fourth quarter of 2014 (66% in the third quarter). The sale of a residential property takes almost ten months on average.

Principal new legislation

Insurance Sector

<u>IVASS Measure no. 17 of 15 April 2014</u>
The document contains amendments to various IVASS Regulations and, more specifically, to ISVAP Regulation no. 20/2008 governing internal controls, risk management and outsourcing and ISVAP Regulation no. 36/2011 concerning investments and assets covering technical provisions.
The document also contains a draft letter to the market on the application of EIOPA guidelines regarding governance systems, forward-looking risk assessment (based on ORSA principles), transmission of

information to the national competent authorities and pre-application for internal models. The guidelines are directed at national authorities and, in essence, anticipate parts of the future prudential supervision system "Solvency II". The aim of the guidelines is to ensure that the companies that will be subject to said system will be ready in time for its first-time application, set for 1 January 2016.

IVASS Measure no. 22 of 21 October 2014

The document contains updates to ISVAP Regulation no. 36/2011 concerning investments and assets covering technical provisions. Amongst other things, these changes expand insurance companies' options for investments and for diversifying their investments by holding a wider range of risk-return combinations, also taking into account the additional or stronger internal audit controls to prepare for Solvency II.

IVASS Measure no. 29 of 27 January 2015

The document contains updates to ISVAP Regulation no. 7/2007, relating to the layout of the financial statements of insurance companies that must adopt IFRS, introduced to include new aspects entering into force with effect from 2014 financial statements. In general, the new aspects introduced refer mainly to quantitative disclosure pursuant to IFRS 12, in relation to which the Statement of Changes in Shareholders' Equity has been amended to add a new column (Changes in investments), which illustrates the consequences of changes in investments in subsidiaries that do not involve loss of control (IFRS 12.18), and separate indication in the statement of Consolidation Scope of the registered office and the operating office. Furthermore, two new statements were introduced: one being the "Consolidation scope: interests in entities with material non-controlling interests", including information on subsidiaries with significant non-controlling interests (IFRS 12.12), the other being "Interests in unconsolidated structured entities" to add information of this nature (IFRS 12.27-29).

Solvency II: recent legislative changes

The difficulties in the process of defining and approving the legislative details of the Solvency II project have in the past led to the need to defer their entry into force, through the drafting of the Omnibus II Directive, which was approved in the plenary session of the European Parliament in March 2014. This document introduced significant amendments to Directive 2009/138/EC "Solvency II", including a series of transitory measures for "soft launch" of the new legislative framework of EU supervision. As a result of the agreement reached on 13 November 2013 by the European Parliament, European Council and European Commission on the "Quick Fix 2" Directive, Directive 2013/58/EU was published in the Official Journal of the European Union on 18 December 2013, which established the entry into force of Solvency II on 1 January 2016, and its acknowledgement by EU Member States on 31 March 2015. On 10 February 2015 the Italian Council of Ministers gave its preliminary approval of the outline of the legislative decree implementing the Solvency II Directive. The text was then submitted to the relevant Parliamentary Committees which are expected to issue their opinion by the end of March.

On 27 September 2013, EIOPA published the definitive guidelines for the preparatory phase for the entry into force of Solvency II, directed at the Supervisory Authorities of the individual Member States.

In January 2014, IVASS launched a public consultation on the provisions that said Authority intends to adopt in accordance with the new European supervisory regulations. Again in 2014, IVASS published its initial instructions for the preparatory phase of data transmission to the competent national Authorities as required under Solvency II. In particular, by the Letter to the Market dated 15 April 2014, the EIOPA guidelines were adopted with regard to the contents and timing for report generation and transmission pursuant to Pillar III of Solvency II. By Circular Letter to the Insurance Undertakings dated 4 December 2014, IVASS also adopted the requirement determining the transmission format for Pillar III reports as issued by the EIOPA (XBRL).

On 10 October 2014 the European Commission adopted the Acts of Delegation (ADs) relating to the Solvency II Directive. The European Parliament and Council had three months to present comments. At the end of this period, the ADs were published in the EU Official Journal and officially entered into force. The ADs contain a set of application rules that aim to define a series of more detailed requirements for insurance companies and groups, based on Solvency II provisions.

On 30 October 2014 the EIOPA submitted the 1st Set of Implementing Technical Standards (ITS) to the European Commission in connection with various aspects of Pillar I, such as: the Internal Model (IM), Own Funds, Solvency II Assessments at Group level, ORSA and Governance, Technical Provisions, the Supervisory Review Process and Equivalence between National Competent Authority (NCA) procedures and those of the different member states.

Lastly, on 2 December 2014 the EIOPA launched the public consultation on the 2nd set of Implementing Technical Standards (Pillar I quantitative basis, Pillar II qualitative requirements and Pillar III reporting and supervisory transparency) and on the 2nd set of guidelines (Guidelines relevant for Pillar II quantitative requirements and Pillar III enhanced reporting and disclosure). For the EIOPA, this publication marks the start of the final stage prior to the entry into force of Solvency II. The consultation closed on 2 March 2015.

Banking sector

With effect from 1 January 2014 the European Union introduced the rules defined by the Basel Committee for bank supervision in relation to capital adequacy (Pillar I) and public disclosures (Pillar III) ("Basel 3"), with the aim of strengthening banks' capacity to absorb shock deriving from financial and economic tension, improve risk management, governance and enhance bank disclosures. The contents of Basel 3 were transposed to European Law through two legal instruments:

- Regulation (EU) no. 575/2013 (CRR) governing the Pillar I prudential supervisory authorities and the Pillar III public disclosure rules;
- Directive 2013/36/EU (CRD IV) regulating the conditions for access to banking activities, freedom to set up business and freedom to provide services, the prudential control process and equity reserves.

CRR and CRD IV are integrated by Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) approved by the European Commission on recommendation from the European Supervisory Authorities (ESA), which supplement and enforce the first-level European regulations.
The regulatory and implementing technical standards are directly applicable to national law, without the need for transposition, and constitute the Single Rulebook. The provisions contained in the Directive, however, have to be adopted in national legal sources.

In order to implement and facilitate application of the new European regulations, and to achieve a comprehensive review and simplification of bank supervisory regulations, in Italy the Bank of Italy issued Circular no. 285 of 17 December 2013 (as amended), "Provisions on prudential supervision of banks" which:

- transposes CRD IV rules, the implementation of which - according to the Consolidated Law on Banking - is the responsibility of the Bank of Italy;
- indicates the methods for exercising national discretionary powers assigned to National Authorities by the EU regulations;
- outlines a complete, systematic, rational regulatory framework, integrated with directly applicable EU provisions, so as to facilitate use by operators during the transitional period.

The Bank of Italy also issued Circular no. 286 of 17 December 2013 (as amended), "Instructions for completing prudential reporting for banks and brokers", which enforces both CRR and ITS prepared by the European Banking Authority (EBA) and adopted by the European Commission (the "COREP formats") on the formats for harmonised reporting (Own Funds, credit and counterparty risk, market risk, operational risk, large exposures, loan loss recognition, comprehensive equity position, liquidity monitoring and financial leverage) and non-harmonised reporting (related parties).

The following main legislative changes were introduced to the tax domain:

- Law no. 23 of 11 March 2014 - Delegation of powers to central government concerning provisions for a tax system that is fairer, more transparent and growth-oriented (the "Tax Delegation"), as a result of which a series of measures will be introduced on topics related to reform of the reference legislation. These include: the review of tax deductions and relief, anti-evasion and abuse of rights regulations, simplified tax obligations, tax disputes, the introduction to corporate systems of structured tax compliance, implementation of the group VAT regime and the reform of the land registry and tax litigation system. To date, Legislative Decree 175/2014 on simplifications has been issued.
- Decree Law no. 66 of 24 April 2014 (the "Renzi Decree"), converted with amendments to Law no. 89 of 23 June 2014, which envisaged the following measures of interest to the sector: decrease in the nominal IRAP rate, which for insurance companies is 6.22% from 2014; increase in the substitute tax rate on the revaluation of Bank of Italy shares (new rate 26%) and mandatory payment in one lump sum by 16 June 2014; increase from 11% to 11.5% for substitute tax on returns accrued by pension funds for 2014 only; increase from 20% to 26%, with certain exceptions, in the tax rate on financial annuities with effect from 1 July 2014; and exemption from withholding tax on income achieved by insurance companies on shares or quotas included among assets covered by Life business mathematical provisions deriving from investment in established Italian and Luxembourg-based UCIs and in foreign UCITS.
- Decree Law no. 90 of 24 June 2014, converted with amendments to Law no. 114 of 11 August 2014, containing urgent measures for the simplification, administrative transparency and efficiency of court offices, important among which are the suppression of the AVCP (Public Works Contracting Authority) and the transfer of functions to the National Antitrust Authority, incentives for electronic civil and administrative proceedings, reduction in the cases for exclusion from public tenders with enhancement of the authority for fast-track processing (granting a settlement deadline for the payment of penalties).
- Decree Law no. 91 of 24 June 2014 ("2014 Competition Decree"), converted with amendments to Law no. 116 of 11 August 2014, which introduces the option of transforming excess income subject to ACE relief (except for transfers in cases of consolidation or transparency), calculated on the basis of the current IRES tax rate, into a tax credit for use against IRAP, divided into five equal amounts. The revaluation of land and agricultural income is also remodelled.
- Decree Law no. 133 of 12 September 2014 - "Sblocca Italia Decree", converted with amendments to Law no. 164 of 11 November 2014. Urgent measures for opening work sites, carrying out public works, country digitization, bureaucratic simplification, the emergence of hydrogeological instability and the recovery of production. Various measures for relaunch of the economy are covered, including - mentioned due to their potential effect on Group companies - those relating to the real estate and hotel sectors.
- Law no. 186 of 15 December 2014, containing provisions on the emergence and return of capital held in other countries and on strengthening the fight against tax evasion. The law introduces the offence of self-money laundering into Italian law. Consequently, Legislative Decree 231/2001 on corporate administrative liability for crime was also integrated to include self-money laundering among the offences for which corporate liability could arise. This calls for updating of the Organisational and Management Model (on the prevention of crimes for the purpose of Legislative Decree 231/2001).
- Law no. 190 of 23 December 2014, containing provisions on preparation of State annual and multi-annual financial statements - the "2015 Stability Act", the most important to the Company being: the repeal from 2014 of provisions that reduced IRAP rates for all production sectors, bringing the IRAP rate back to 6.82% for insurance companies, 5.57% for banks and 3.90% for other companies; from 2015 the deduction for IRAP purposes of the difference between the total costs for short-term contract personnel and the current analytical or one-off deductions relating to the cost of labour; freezing of the IMU and TASI increases in 2015; increase to 20% of taxation on pension funds and changes to the taxation of income from Life policies paid in the event of death of the policyholder, limiting the IRPEF exemption to only the portion of principal disbursed to cover demographic risk. Circulars providing interpretation of taxation on

pension funds were issued by the Supervisory Commission for Pension Funds (Circulars of 9 January 2015 and 6 March 2015) and by the Tax Authorities (Circular of 13 February 2015).

The 2014 Consolidated Financial Statements contain the first elements of integrated financial performance and sustainability reporting, in line with the principles defined by the International Integrated Reporting Council (IIRC). The objective is to highlight the links between the creation of value, forms of capital employed, the value system which guides the business decisions together with the governance and control systems adopted by the Group.
For this reason, the chapter "Social and environmental responsibility" not only details the activities performed during the year, but describes the Group's value chain, i.e. the business model designed by the company, to turn its resources into products and services which promote the improvement in living conditions and in the safety of its customers, in full compliance with the rules, maximum transparency and sustainability and coherence with its Mission.

The consolidated financial statements of Unipol Gruppo Finanziario SpA (Unipol) are subject to an audit by independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2012/2020 period.

Consolidation Scope at 31 December 2014

(line-by-line method - direct holding out of total share capital)

Unipol GRUPPO

(12) 54.38% — **UnipolSai ASSICURAZIONI**

REAL ESTATE SECTOR

- Punta di Ferro - 100%
- Midi - 100%
- Athens RE Fund - 100%
- Tikal RE Fund - 95.00%
- Nuove Iniziative Toscane - 100%
  - Consorzio Castello - 99.57%
- SIM Etoile - 100%
- Villa Ragionieri - 100%
- UnipolSai Real Estate - 100%
  - Marina di Loano - 100%
  - Meridiano Secondo - 100%
  - Progetto Bicocca La Piazza in liquidazione - 74%
  - S.E.I.S. - 51.67%

INSURANCE SECTOR

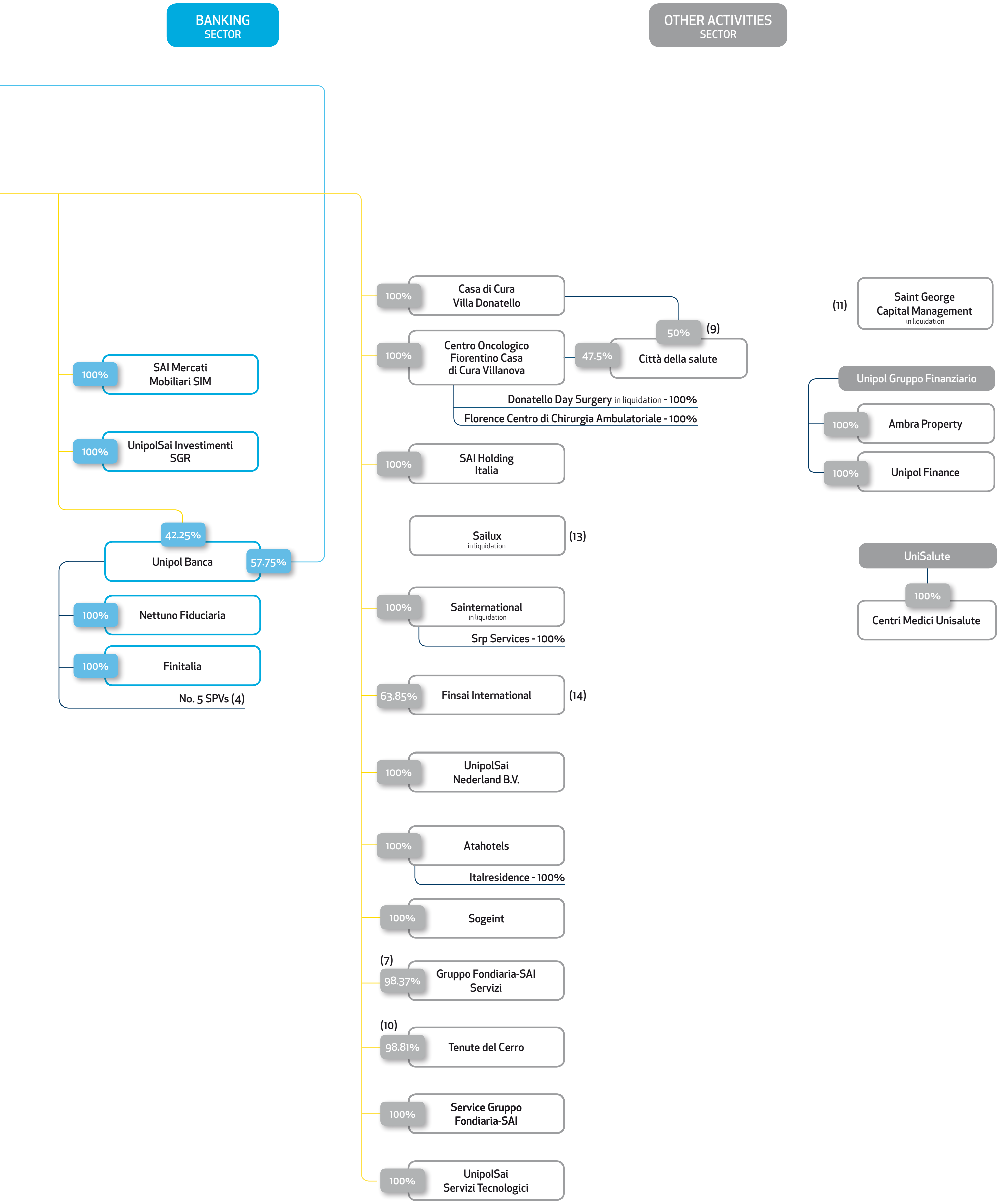
- Systema - 100%
- Dialogo Assicurazioni - 99.85%
- Liguria - 99.97%
  - Liguria Vita - 100%
- (8) Pronto Assistance Servizi - 65.40%
- Pronto Assistance - 100%
- Europa Tutela Giudiziaria - 100%
- Incontra Assicurazioni - 51%
- BIM Vita - 50%
- (1) SIAT
- (2) Popolare Vita - 24.39%
  - The Lawrence Life Assurance Company LTD - 100%
- (3) Unipol RE Limited
  - DDOR RE - 99.998%
- DDOR Novi Sad - 99.99%
  - DDOR RE - 0.002%
- UnipolSai Finance - 100%
- Auto Presto & Bene - 100%
  - APB Car Service - 70%

- Unisalute - 98.53%
- Linear Assicurazioni - 100%
- Linear Life - 100%
- Arca Vita - 63.39%
  - Arca Assicurazioni - 98.12%
  - Arca Vita International - 100%
  - Arca Direct Assicurazioni - 100%
  - Arca Inlinea - 60.22% (5)
  - Arca Sistemi - 82.03% (6)

Additional shares held by Group companies:

(1) indirect share of 94.69% through SAI Holding Italia
(2) indirect share of 25.61% through SAI Holding Italia
(3) indirect share of 100% through UnipolSai Nederland, a wholly-owned subsidiary of UnipolSai
(4) Atlante Finance, Castoro Rmbs, Grecale 2011 Rmbs, Grecale Abs, SME Grecale
(5) 39.78% share held by Arca Assicurazioni
(6) 16.97% share held by Arca Assicurazioni and 1% share held by Arca Inlinea
(7) 1.63% share held by other subsidiaries
(8) 34.6% share held by other subsidiaries
(9) 2.5% share held by Florence Centro di Chirurgia Ambulatoriale
(10) 1.19% share held by Pronto Assistance
(11) 100% share held by UnipolSai Finance
(12) 9.63% share held by Unipol Finance
(13) 100% share held by UnipolSai Finance
(14) 36.15% share held by UnipolSai Finance

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



Management Report

GROUP HIGHLIGHTS

Amounts in €m	31/12/2014	31/12/2013
Non-Life direct insurance premiums	8,969	9,821
% variation	*-8.7*	*-7.7*
Life direct insurance premiums	8,915	6,983
% variation	*27.7*	*13.1*
of which Life investment products	*141*	*169*
% variation	*-16.2*	*10.5*
Direct insurance premiums	17,883	16,804
% variation	*6.4*	*-0.1*
Banking business - direct customer deposits	10,261	10,809
% variation	*-5.0*	*0.7*
Annual Premium Equivalent (APE) Life business - Group share	493	430
% variation	*14.7*	*16.3*
Non-Life loss ratio - direct business	68.0%	68.2%
Non-Life expense ratio - direct business	26.7%	24.7%
Non-Life combined ratio - direct business	94.7%	92.9%
Net gains on financial instruments (*)	1,697	1,661
% variation	*2.2*	*17.1*
Consolidated profit (loss)	505	188
% variation	*168.8*	*-55.9*
Balance on the statement of comprehensive income	1,260	450
Investments and cash and cash equivalents	79,985	74,109
% variation	*7.9*	*1.6*
Non-current assets or assets of a disposal group held for sale	9	175
Technical provisions	61,895	56,875
% variation	*8.8*	*0.7*
Financial liabilities	15,459	16,041
% variation	*-3.6*	*-1.2*
Shareholders' Equity attributable to the owners of the Parent	5,691	5,414
% variation	*5.1*	*2.0*
Liabilities associated with disposal groups	0	74
No. staff	14,223	15,230

(*) excluding net gains and losses on financial instruments at fair value through profit or loss for which investment risk is borne by customers (index- and unit-linked) and arising from pension fund management

Alternative performance indicators

Alternative performance indicators	Business	31/12/2014	31/12/2013
Loss ratio - direct business (including OTI ratio)	Non-Life	68.0%	68.2%
Expense ratio - direct business	Non-Life	26.7%	24.7%
Combined ratio - direct business (including OTI ratio)	Non-Life	94.7%	92.9%
Loss ratio - net of reinsurance	Non-Life	68.6%	69.3%
Expense ratio (calculated on premiums earned) - net of reins.	Non-Life	25.4%	23.8%
Combined ratio (with expense ratio calculated on premiums earned) - net of reins.	Non-Life	94.0%	93.1%
Premium retention ratio	Non-Life	95.4%	95.7%
Premium retention ratio	Life	99.8%	99.7%
Premium retention ratio	Total	97.6%	97.3%
Group pro-rata APE (amounts in €m)	Life	493	430
Expense ratio - direct business	Life	4.0%	4.3%
Expense ratio - net of reinsurance	Life	3.9%	4.2%

These indicators are not defined by accounting rules; rather, they are calculated based on economic-financial procedures used in the sector.

Loss ratio: primary indicator of the cost-effectiveness of operations of an insurance company in the Non-Life sector. This is the ratio of the cost of claims for the period to premiums for the period.

OTI (*Other Technical Items*) ***ratio***: ratio of the sum of the balance of other technical charges/income and the change in other technical provisions to net premiums for the period. From 2013, the *OTI ratio* (the ratios of the previous periods were adjusted accordingly) was also included in the Loss ratio.

Expense ratio: percentage indicator of the ratio of total operating expenses to premiums written as far as direct business is concerned, and the premiums as far as retained business, net of reassurance, is concerned.

Combined ratio: indicator that measures the balance of Non-Life technical management, represented by the sum of the loss ratio and the expense ratio.

APE – *Annual Premium Equivalent*: the new Life business expressed in APE is a measurement of the volume of business relating to new policies and corresponds to the sum of periodic premiums of new products and one tenth of single premiums. This indicator is used to assess the business along with the in force value and the Life new business value of the Group.

The **premium retention ratio** is the ratio of premiums retained (total direct and indirect premiums net of premiums ceded) to total direct and indirect premiums. Investment products are not included in calculating this ratio.

Management report

Creation of UnipolSai Assicurazioni

On 31 December 2013, the merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin (jointly, the "Merged Companies") into Fondiaria-SAI (the "Merging Company") was stipulated, which as a result of the merger (the "Merger") assumed the company name UnipolSai Assicurazioni SpA or UnipolSai SpA ("UnipolSai").
The merger took effect on 6 January 2014 ("Effective Date"), following the registration of the associated deed with the competent offices of the Register of Companies, which took place on 2 January 2014. The tax and accounting effects of the Merger were instead from 1 January 2014.
The merger between the long-established companies, among the most important in the domestic insurance field in terms of brands, tradition, expertise and experience, was the final and essential act in the Unipol Group and Premafin/Fondiaria-SAI Group integration plan launched at the beginning of 2012, details of which were provided in previous years' financial statements.

At the Effective Date, all shares of the Merged Companies were cancelled and exchanged for shares of the Merging Company, which arranged:
- the assignment of all shares of the Merging Company owned by the Merged Companies through their redistribution via the share swaps, without ever being acquired as treasury shares of the Merging Company, and
- as regards the excess portion, increased its share capital for a total of €782,960,791.85, through the issuing of 1,330,340,830 new ordinary shares and 55,430,483 new class B savings shares, all with no nominal value and with regular dividend entitlement, to be allocated to the shareholders of Unipol Assicurazioni, Milano Assicurazioni and Premafin, based on the following share exchange ratio:
  - 0.050 ordinary shares of the Merging Company for every Premafin ordinary share;
  - 1.497 ordinary shares of the Merging Company for every Unipol Assicurazioni ordinary share;
  - 0.339 ordinary shares of the Merging Company for every Milano Assicurazioni ordinary share;
  - 0.549 Class B savings shares of the Merging Company for every Milano Assicurazioni savings share.

The statutory amendments associated with the Merger entered into force from the Effective Date, and the share capital of UnipolSai was €1,977,533,765.65 (entirely subscribed and paid-in), comprising 2,250,906,752 ordinary shares, 1,276,836 Class A savings shares and 377,193,155 Class B savings shares, all without nominal value. The shares already issued by Milano Assicurazioni and Premafin were delisted on 6 January 2014.

The new issues of ordinary shares and Class B savings shares were listed on the MTA market organised and managed by Borsa Italiana S.p.A. with effect from 6 January 2014, at par with the ordinary shares and Class B savings shares of the Merging Company outstanding at the time of issue.

No holder of Milano Assicurazioni savings shares exercised the right of withdrawal pursuant to Art. 2437, paragraph 1, letter g) of the Civil Code.

By contrast, the right of withdrawal was legitimately exercised by Premafin ordinary shareholders, in relation to a total of 13,975,294 ordinary Premafin shares, corresponding to 0.6495% of Premafin's share capital, for a total settlement amount of €2,441,483.86.

On 14 January 2014 the rights issue and right of pre-emption (the "Rights Issue") for Premafin shareholders other than withdrawing holders of 13,975,294 ordinary Premafin shares in relation to which the right of withdrawal through the Merger was legitimately exercised and which, in application of the swap ratio, became 698,764 ordinary UnipolSai shares (the latter hereinafter the "Shares Subject to Withdrawal").
On conclusion of the Rights Issue a total of 5,144 Shares Subject to Withdrawal were purchased pursuant to Art. 2437-quater, paragraph 3 of the Civil Code, for €3.494 per Share Subject to Withdrawal, and therefore for a total of €17,973.13.
For the remaining 693,620 Shares Subject to Withdrawal not purchased as part of the Rights Issue (the "Unsold Shares"), their offer on the MTA market, organised and managed by Borsa Italiana SpA (the "MTA market") was arranged in accordance with Art. 2437-quater, paragraph 4 of the Civil Code.
The stock exchange offering period concluded on 31 January 2014, following which all 693,620 ordinary UnipolSai shares involved remained unsold.
On 26 February 2014, pursuant to Art. 2437-quater, paragraph 5 of the Civil Code, the Unsold Shares were refunded by UnipolSai via the purchase of treasury shares using the available reserves for €3.494 for each share subject to withdrawal, therefore for a total of €2,423,508.28.

Issue of a Convertible Loan by UnipolSai

On 15 January 2014, the Board of Directors of UnipolSai, resolved, inter alia, to exercise the power conferred to it by the shareholders' meeting on 25 October 2013, pursuant to articles 2420-*ter* and 2443 of the Civil Code, for the issuing of a €201.8m loan convertible into ordinary UnipolSai shares, with the subsequent increase in share capital in service of the conversion for a total maximum value of €201.8m, including share premium, to be carried out through the issuing of ordinary company shares of UnipolSai with no nominal value, with regular dividend rights, with the same characteristics as those outstanding at the issue date (the "Convertible Loan").

The issue of the Convertible Loan was planned from the start as part of the Merger and included in the rescheduling plan for Premafin debt entered into with the lending banks, subject to the effectiveness of the Merger.

The Board of Directors resolved to:

– approve the regulation relating to the Convertible Loan, granting mandate to the Chief Executive Officer to define the final text of the Regulation by inserting the elements missing at 15 January 2014;
– approve the increase in share capital, against payment and in indivisible form, in one or more tranches and by the final deadline of 31 December 2015 - in service of the Convertible Loan, with the exclusion of the option right pursuant to Art. 2441, paragraph 5 of the Italian Civil Code, for a maximum of €201.8m, including share premium, to be carried out through the issuing of ordinary UnipolSai shares, with no nominal value, with regular dividend entitlement, with the same characteristics as those outstanding at the issue date, reserved irrevocably and unconditionally for the conversion of the bonds, with the exclusion of the option right;
– consequently amend Art. 6 of the By-Laws to reflect the exercise of the aforementioned powers.

On 24 April 2014 UnipolSai issued the Convertible Loan, represented by 2,018 bonds with a unit nominal value of €100k, for a total of €201.8m. The bond loan was subscribed as follows:

(i) €134.3m by the lending banks that had approved the debt restructuring agreement of the former Premafin, excluding GE Capital Interbanca SpA, which - due to the merger by incorporation of Premafin, Unipol Assicurazioni and Milano Assicurazioni into UnipolSai - became lenders of UnipolSai, and
(ii) €67.5m by the parent company Unipol.

The bonds issued are bearer bonds, which cannot be split up, and are freely transferable as well as included in the Monte Titoli SpA centralised management system for dematerialised securities. They constitute direct - not guaranteed or subordinated - obligations, accrue gross annual interest (which cannot be capitalised) of 6.971%, calculated on the unit nominal value, with deferred payment every six months, with the first coupon scheduled for 31 May 2014.
The conversion ratio, equal to 36,630.037 newly issued ordinary UnipolSai shares for each bond held, is calculated as the ratio of (a) the unit nominal value of the bonds to (b) the initial conversion price (€2.730 per share). Therefore, a maximum number of 73,919,409 shares will be issued to serve the Convertible Loan.

Bondholders have the option to convert the bonds at any time during the period from 24 April 2014 to 22 December 2015 and, in any event, shall be automatically converted into shares on 31 December 2015 (expiry date of the Convertible Loan).

On 5 May 2014 Unipol requested the conversion of all 675 bonds subscribed on issue of the Loan. Following the conversion, Unipol took ownership of 24,725,274 newly issued ordinary UnipolSai shares. As a result, at the conversion date Unipol's interest in the ordinary capital of UnipolSai increased from 63% to 63.41%, i.e. 54.38% of the total capital.

Issue of subordinated bond securities with an indefinite maturity by UnipolSai and early repayment of subordinated loans with indefinite maturity

On 11 June 2014, UnipolSai, within the scope of the Medium Term Issue Programme (EMTN) for a total nominal amount of €3bn, successfully placed subordinated bond securities with indefinite maturity for a total nominal amount of €750m, targeted exclusively at institutional investors. The transaction registered demand 3 times the amount offered, with offers exceeding €2.2bn, proof of the recognised strength and reliability of the Company. Foreign investors accounted for around 70% of the total order portfolio.

These securities meet the requirements for being included in the elements of the available Solvency margin of the company up to a maximum limit of 50%, given UnipolSai has obtained the necessary regulatory authorisations in this regard. The securities pay a fixed coupon of 5.75% until the first early repayment date, set for 18 June 2024 and, after said date, the coupon will be variable and based on the 3-month Euribor plus a spread of 518 basis points.
The securities were issued at 100% of the nominal value, with settlement date 18 June 2014.

The newly issued securities, as per the prevailing market practice, were listed on the Luxembourg Stock Exchange. The issue was placed by J.P. Morgan Securities plc, Mediobanca and UniCredit Bank AG.

Revenue from the issue was used for the early repayment of subordinated loans with an indefinite maturity disbursed in the past from Mediobanca to Fondiaria-SAI (now UnipolSai) and to merged entities Milano Assicurazioni and Unipol Assicurazioni for a total amount of €750m, all falling within the available Solvency margin of the financed companies to the limit of 50%.

The issues and the subsequent repayment, authorised by IVASS, not only diversify the sources of financing and lengthen the average duration of UnipolSai's subordinated debt, make it possible to comply with the relevant measures prescribed by the Antitrust Authority at the time of authorisation of the transaction involving the acquisition of control of the former Premafin/Fondiaria-SAI Group, which made provision for the reduction of existing debt with Mediobanca for a total amount of €350m by 2015.

Following the transaction, the incidence of subordinated loans granted by Mediobanca on total subordinated debt fell from 72% to 35%.

Partial Exchange Offer of the senior unsecured notes due in January 2017 issued by Unipol

On 18 February 2014, Unipol announced the launch of a partial exchange offer for up to a maximum of €500m in principal ("Exchange Offer"), proposing that holders of the securities representing the bond loan known as "€750,000,000 5.00 per cent. Notes due 11 January 2017" (the "Existing Notes"), issued by Unipol in December 2009 and listed on the market regulated by the Luxembourg Stock Exchange (ISIN Code XS0472940617), exchange the Existing Notes with newly issued notes to be issued by the Company for a maximum amount of principal of €500m, due in March 2021, to be listed on the market regulated by the Luxembourg Stock Exchange (the "New Notes"), according to the terms and conditions pursuant to the Exchange Offer Memorandum dated 18 February 2014.
The offer period started on 18 February 2014 and ended on 26 February 2014, and the settlement date for the Exchange Offer was set for 5 March 2014.

The Exchange Offer was promoted in compliance with the offer restrictions set forth in the Exchange Offer Memorandum and, in Italy, pursuant to Art. 35-bis, paragraph 4 of the Regulation adopted by Consob in its Resolution no. 11971 of 14 May 1999 as amended (the "Issuer's Regulation") and therefore is exempt from the provisions of Part IV, Title II, Chapter II, Section I of Legislative Decree 58 of 24 February 1998 and those of Part II, Title II of the Issuer's Regulation.
Unipol accepted offers of Existing Notes validly submitted pursuant to the Exchange Offer in the total nominal amount of €352m. Therefore, the new nominal value of the 2017 senior bond is €398m.

On 27 February 2014, as set forth in the Exchange Offer Memorandum, the exchange ratio (108.1826%), the issue price of the New Notes (99.369%), the coupon rate (4.375%) and the return of the New Notes (4.482%) were established.

The new 4.375% senior bond due in 2021 was issued on 5 March 2014 for a total nominal amount of €500m, since Unipol in any event had reserved the right to issue New Notes for a maximum principal amount of up to €500m.
Therefore, a portion of the New Notes, in the amount of €381m, was issued in connection with the Exchange Offer, while the residual portion, of €119m (the 'Residual Portion'), was placed exclusively with qualified Italian and foreign investors. With respect to the Residual Portion, the book of orders received was 4.3 times greater than the offer, with foreign investors accounting for 30% of the total.

The New Notes, which were rated "Ba2" by Moody's and "BB+" by Standard & Poor's, were issued as part of the Euro Medium Term Note programme of the Company and their ISIN Code is XS1041042828.

Disposals planned in compliance with Measure dated 19 June 2012 of the Antitrust Authority

It should be remembered that, by measure dated 19 June 2012 (the "Measure") which authorised the Unipol Group's acquisition of control of the Premafin/Fondiaria-SAI Group, the Antitrust Authority prescribed certain measures and disposals, in part already carried out in previous years. For further details of the contents of the Measure and action taken in compliance with the Measure in previous years, reference should be made to the separate and consolidated financial statements of the Unipol Group for 2012 and 2013. Information on the measures implemented during the year are provided below, including the disposal of an insurance business unit of the former Milano Assicurazioni.

Transfer of a former Milano Assicurazioni insurance business unit to Allianz

On 15 March 2014, UnipolSai and Allianz signed an agreement for the transfer of a business unit including a Non-Life insurance portfolio for a value of €1.1bn (2013 figures), 729 insurance agencies and 500 employees dedicated to managing these activities. The transfer of the assets forming part of former Milano Assicurazioni (now UnipolSai) made provision for a maximum consideration of €440m.
On 30 June 2014, UnipolSai and Allianz signed the contract for transfer of the insurance business unit, effective from 1 July 2014. As part of said contract, the transfer of the insurance product sales activities took effect immediately, carried out, inter alia, by a network of 725 agencies and 470 employees dedicated to managing these activities, against the payment by Allianz of a consideration of €200m.
The business unit transferred also included the Non-Life insurance portfolio managed by the agencies transferred. The transfer was finalised in December 2014 after obtaining IVASS authorisation.
On 19 December 2014, in fact, having ascertained that the conditions precedent of the transfer agreement signed on 30 June 2014 were met, UnipolSai completed the business unit transfer to Allianz and - with effect from 31 December 2014 - the Non-Life insurance portfolio managed by the agencies transferred, against payment from Allianz on 20 February 2015 of a price integration, calculated on the total portfolio transferred or renewed during the second half of 2014, of €179m (and therefore a total business unit price of €379m).
The total capital gain realised in Unipol's consolidated financial statements was €289m, net of the deducted portion of goodwill and the value of the portfolio already recognised in previous years among intangible assets, for its own attributable share of the business unit transferred.
In relation to the business unit transfer, accessory charges of €34m were also incurred.

Non-compliance proceedings launched by the Antitrust Authority and the Unipol application for review of the Measure of 19 June 2012

On 19 February 2014, the Antitrust Authority notified Unipol of provision protocol no. 0016093 with which it started non-compliance proceedings, notifying Unipol and UnipolSai of the breach of Art. 19, paragraph 1, of Law 287/1990, for not having observed the obligation of selling the assets indicated in the Measure by the pre-established deadlines set by said Measure.
Unipol and UnipolSai, deeming their actions to be proper on the basis of valid arguments in fact and in law, took the necessary defensive actions and submitted a request aimed at obtaining a revision of some of the measures set forth by the Measure.

As a result of said request, on 30 May 2014, the Antitrust Authority resolved (i) to extend the term for closing the non-compliance proceedings to 30 October 2014 and (ii) the start of proceedings, to be concluded by 30 October 2014, for evaluating the aforementioned review application. With reference to the latter proceedings, it should be noted that, by means of a notice dated 25 July 2014, the Antitrust Authority communicated the results of a preliminary investigation performed by the competent offices of said Authority (Direzione Settoriale Credito - Credit Division - of the General Competition Department) to Unipol and UnipolSai, by means of which the aforesaid offices held the review application formulated by Unipol and UnipolSai to be acceptable.

The Antitrust Authority sent the following to the company on 4 November 2014:

a) The measure relating to the conclusion of proceedings concerning assessment of the review application, by which the Authority decided to replace the provisions of points f) and g) of the Measure of 19 June 2012 as follows:
    - (i) merger of Liguria Assicurazioni S.p.A. and Liguria Vita S.p.A. into UnipolSai;
    - (ii) non-use of the Milano Assicurazioni and Sasa brands;

- (iii) release of the customer portfolio managed by each agency, for an amount equal to the excess of existing premiums, in the provinces of Barletta-Andria-Trani, Cosenza, Enna, Catania, Ragusa and Cagliari only;

b) the measure relating to the conclusion of non-compliance proceedings, by which the Authority considered there were no grounds for inflicting the penalty pursuant to Art. 19, paragraph I of Law 287/1990.

With reference to the replacement measures indicated under point a), prescribed by the Antitrust Authority, note that:

a) as already notified to the Antitrust Authority, completion of the merger of Liguria Assicurazioni S.p.A. and Liguria Vita S.p.A. into UnipolSai is expected by 31 December 2015;
b) the rebranding to comply with replacement measure (ii) has been completed;
c) UnipolSai has taken the necessary action to release the portfolio, which in the provinces of Barletta-Andria-Trani, Cosenza, Enna, Catania, Ragusa and Cagliari has resulted in the Company transferring premiums for a total of €18.6m, higher than the €18.2m minimum indicated in the Antitrust Authority measure.

Reduction of overall exposure to Mediobanca

It should be noted that the measures imposed by the Antitrust Authority also required the Unipol Group to reduce its overall debt to Mediobanca by €350m over the 2013-2015 period.

On 18 June 2014, as illustrated in the previous pages, UnipolSai arranged for the repayment of subordinated loans with an indefinite maturity disbursed by Mediobanca to said entity and to the merged entities Milano Assicurazioni and Unipol Assicurazioni for a total amount of €750m, all falling within the available Solvency margin of the financed companies up to the limit of 50%. Hence, UnipolSai exceeded the specified amount and anticipated the implementation of said measure.

Unipol Gruppo Finanziario Parent of the Unipol Banking Group

Following introduction of the supervisory regulations for banking groups, by specific notice of 1 August 2014, at the end of its investigation, the Bank of Italy granted the request filed by Finsoe S.p.A. to be exempt from registration as a Banking Group Parent Company as prescribed by Legislative Decree no. 53 of 4 March 2014, incorporating Directive 2011/89/EU (Ficod1) which took effect on 16 April 2014.

The Bank of Italy also arranged entry in the Register, pursuant to Art. 64 of the Consolidated Law on Banking and with effects backdated to 16 April 2014, of the “Unipol Banking Group”, with Unipol Gruppo Finanziario SpA as parent. At the same time, the Unipol Banca Banking Group (parent: Unipol Banca) was cancelled from the register and consequently became part of the Unipol Banking Group.

Attached to these consolidated financial statements is the “Disclosure as Banking Parent of the Unipol Banking Group”, containing the consolidated statement of financial position and income statement relating to the scope of banking prudential supervision (banking formats pursuant to Bank of Italy Circular no. 262) and the related equity ratios calculated in accordance with current supervisory rules for banking groups (EU Regulation no. 575/2013).

Main corporate rationalisation operations of the Group

Several corporate structure simplification operations were implemented in 2014 to rationalise the Group's business activities.

The following were carried out in the Real Estate segment:

– merger by incorporation of the following companies directly or indirectly controlled by UnipolSai into Immobiliare Fondiaria-SAI, which at the same time changed the company name to UnipolSai Real Estate: Immobiliare Milano Assicurazioni, IN.V.ED, Mizar, R.EDIL.MO., Bramante, Cascine Trenno, Trenno Ovest, IAT, Meridiano Bellarmino, Immobiliare Litorella, Meridiano Bruzzano, Meridiano Aurora, Campo Carlo Magno, Sintesi Seconda, Stimma, UnipolSai Servizi Immobiliari (formerly Immobiliare Lombarda), International Strategy and Unifimm;
– absorption of the subsidiaries Covent Garden and Comsider into the subsidiary Midi.

In the Banking business, on 3 November 2014 the merger of Banca Sai (a 100% subsidiary of UnipolSai) into Unipol Banca, approved by the respective shareholders' meetings on 3 October 2014, also became effective (accounting and tax effects backdated to 1 January 2014). Based on the swap transaction agreed in the merger plan, UnipolSai received 132,428,578 new Unipol Banca shares (equal to a €132m increase in share capital in service of the merger), increasing the interest held from 32.25% to 42.25%. Unipol's investment therefore decreased to 57.75%. The put and call option rights agreed with Unipol regarding the investment do not extend to the new Unipol Banca shares received by UnipolSai in the swap transaction resulting from the merger (for more information, refer to the section providing information on related party transactions).

In the Other Businesses segment, the merger by incorporation of Eurosai, Finadin and Saifin Saifinanziaria into Smallpart took effect on 23 December 2014, which at the same time took on the name of UnipolSai Finance.

In the Insurance segment, the merger of Isi Insurance into Arca Assicurazioni became effective on 4 December 2014, with accounting and tax effects backdated to 1 January 2014.

All transactions carried out in 2014 are explained in detail in the Consolidation scope section of the Notes, which should be referred to.

Bankruptcy order of Im.Co. SpA in liquidazione and Sinergia Holding di Partecipazioni SpA in liquidazione

By means of judgment issued on 14 June 2012, the companies belonging to the Sinergia Holding di Partecipazioni SpA Group in liquidazione ("Sinergia"), including the subsidiary Immobiliare Costruzioni Im.Co. SpA in liquidazione ("Im.Co."), were declared bankrupt by the second civil section of the Court of Milan. Europrogetti Srl was also declared bankrupt on 14 December 2012.

On 17 November 2014 the Court of Milan approved the bankruptcy agreement regarding Im.Co that had been put forward by Visconti, the company Unicredit and Banca Popolare di Milano incorporated with the objective of proposing a bankruptcy agreement to settle the insolvency of the companies Im.Co. and Sinergia. The main effects of the relevant decree included transfer of the real estate complex in Milan at Via De Castillia to UnipolSai, and the real estate complex in Parma, Località San Pancrazio Parmense, to UnipolSai Real Estate. At 31 December 2013 they were respectively recorded in the financial statements as receivables, net of their bad debt provisions, for €25m (versus an original receivable of €77m) and €8m (versus a receivable of €23m).

On 5 December 2014 the bankruptcy agreement regarding Sinergia was also approved.

All the details pertaining to the agreement with Visconti are provided in the paragraph Provisions of the Notes, to which reference is made; execution of this agreement will be completed during the year.

Operating performance

The first financial year of UnipolSai was 2014. UnipolSai is the result of the merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI, the operation that completed the corporate integration plan of the Unipol Group with the former Premafin/Fondiaria-SAI Group started in 2012.
Group activities in 2014 therefore essentially related to the corporate integration of UnipolSai, which is now the leading company in the domestic Non-Life insurance market, with a leading agency network in Italy in terms of distribution, widespread coverage and actual ability to meet customer requirements. The integration involved organisational/logistics aspects and the preliminary activities for the sharing of the agency underwriting systems among the various agency networks, a crucial step towards full exploitation of the synergies identified in the 2013-2015 Business Plan. The first roll-outs of former Fondiaria-SAI agencies on the UnipolSai underwriting systems started in September, while starting from the month of June actions were launched for the release of the new claims management IT system ("Liquido"), which is gradually being applied at present to the claims portfolio of the former Unipol Assicurazioni to then be extended to the claims portfolios of the former Fondiaria-SAI.

As already mentioned, the Group's activity was also concentrated on discharging commitments undertaken with AGCM regarding, among others, the disposal of insurance assets that led the Group to enter into an agreement with Allianz for the disposal of the former Milano Assicurazioni insurance assets, performed at the end of the first half of 2014, achieved by transferring a network of 725 agencies (together with their contracts portfolio) and 470 employees who manage these assets. Allianz paid UnipolSai the amount of €379m in two tranches for the disposal, of which €179m were paid as the second tranche on the basis of the actually transferred or renewed portfolio on 20 February 2015.

From a business perspective, in 2014 the Unipol Group had a positive operating performance in terms of the income statement and the financial position, due to the favourable Non-Life loss ratio trend, despite a tariff squeeze, growth in the Life business and profitability of financial investments in a scenario of a return to stability in the financial markets. In the banking business, despite the clear progress in operations, the profit for the year was influenced by a complete review towards the end of the year of the credit-related asset measurement, based on recommendations of the Supervisory Authority (according to logic deriving from the ECB's Asset Quality Review (AQR) on the major banks) and on that performed in 2014 by most Italian and European banks.

For the Non-Life sector, direct premiums decreased, affected by the recession and the effects on tariffs - particular MV TPL - of the highly competitive scenario triggered by the profitability of this sector. UnipolSai premiums were also impacted from 1 July 2014 by the effects of the transfer of 725 former Milano Assicurazioni agencies to Allianz. In this context, consolidated Non-Life direct premiums amounted to €8,969m at 31 December 2014 (-8.7% compared to 31/12/2013). Based on management assessments performed, excluding the effect of the aforementioned portfolio transfer, the ongoing trend estimated for Non-Life direct premiums for the current year (the "estimated operating figure") should be around -5.9%, recording a slight recovery on the figure at 30 September 2014 (-6.4%).

In the motor vehicle TPL class, commercial policies aimed to protect the policy portfolio and production relaunch, also through the continuation of targeted advertising and sales campaigns, such as zero-interest premium instalment payment plans in synergy with the Group's banking business, which met with a positive reception by UnipolSai customers. Also note the successful continuation of the electronic product mix: at

31 December 2014 the number of policies matched to black boxes exceeded two million. Premiums in this class came to €4,532m, down 13.3% on 31 December 2013 (operating figure estimated at -9.5%). The Land Vehicle Hulls class declined (-10.9%), recording premiums of €677m which remain conditioned by the effects of the recession on the automotive market (operating figure estimated at -7.7%).
The Non-MV segment showed greater staying power with respect to the unfavourable macroeconomic scenario, with premiums of €3,759m and a slight dip of 2% (operating figure estimated at -0.9%).

Analysing the Non-Life results of the main Group companies, UnipolSai contributed a total of €8,000m to consolidated premiums (-9.1%; operating figure estimated at -6%). The considerable growth of Unisalute, a health segment specialist, was confirmed with premiums of €270m (+9%), whilst the premiums decreased for Group companies operating mainly in the MV markets, such as Linear (with premiums of €172m, -16.5%), Liguria Assicurazioni (€146m, -15.3%) and Arca Assicurazioni (€103m, -5.3%). SIAT, focused on the Transport classes, particularly the sea vehicles sector, recorded direct premiums of €114m, down 5.3%.

With regard to Non-Life claims, during the year MV TPL business recorded a drop in claims with a further slight decrease in claims frequency which, albeit only in part, allowed the effects of the decline in average premiums applied to policyholders to be limited. The average cost of claims continued to benefit from the lower impact of claims involving injuries and from action to limit the cost of vehicle repairs and combat fraud, but especially in the final months of the year it was affected by a higher incidence of claims with fatalities compared to last year and by their prudent estimate.
Among Non-MV classes, as a result of maintaining strict subscription policies, the loss ratio improved considerably over the year in the General TPL and Health businesses. The loss ratio for Fire, however, deteriorated due to the stronger presence of significant claims and flood damage, that for Marine Vessels due to a highly significant claim almost fully absorbed by reinsurance, and the Bonds business in particular felt the impact of the negative economic scenario associated with the building industry that has a strong effect on the portfolio of this class.
After strengthening in recent years, provisions for prior year claims remained steady, though for prudential reasons a number of actuarial integrations were made in the TPL classes of certain companies. At Group level, however, a positive balance was recorded in the total Non-Life run-off of direct business, net of recoveries, for around €74m compared to the negative €136m of the previous year.
In this context, at the end of 2014 the Unipol Group's loss ratio for direct business (including the balance of other technical items) was 68%, essentially in line with the figure at 31 December 2013 (68.2%).

The expense ratio for direct business, affected by the conspicuous drop in premiums associated with the tariff decrease and the disposal of insurance assets, reached 26.7%. They were also affected by the commercial efforts made to support the recovery in production and investments in the IT system required during this integration phase, as well as a greater incidence of commissions due to the changes in the product mix and the improvement in technical business which impacts the variable part.

Overall, the Group's combined ratio (direct business) stood at 94.7% at 31 December 2014 compared to 92.9% at 31 December 2013.

In the **Life sector**, the 2014 performance - more marginally impacted by the effects of the aforementioned sale of former Milano Assicurazioni agencies historically most active in the Non-Life sector - showed a strong increase in premiums on traditional guaranteed products, aided by the lower interest rates and the lower risk appetite of policyholders. Group premiums therefore increased significantly, +27.7% to reach €8,915m.
In this segment, the Unipol Group benefited from the growth in the bancassurance channel represented mainly by Arca Vita and Arca Vita International, which recorded total premiums of €1,329m (+57.3% over 31/12/2013), and the Popolare Vita Group which with €3,664m recorded growth of 44.6% at 31 December 2014.

With €3,696m in premiums, UnipolSai also experienced growth of 7.5% despite the fact that some considerable collections on policies which positively impacted 2013 were not repeated.

As a result of the above, the volume of new business in terms of pro-quota APE stood at €493m at 31 December 2014 (€430m at 31/12/2013), of which €276m contributed by the traditional companies and €216m relating to bancassurance companies.

In 2014, in an improved financial markets scenario backed by constant ECB action to relaunch economic growth and put a halt to the current deflationary drift, the market value of the portfolio, mostly comprising Italian government debt securities, increased considerably. In this context, the Group's insurance financial investments obtained maintained consistency between assets and liabilities assumed with respect to policyholders and reduced exposure to structured securities, as well as obtaining significant return of approximately 4.45% of assets invested.
Note the decrease in 2014 in the portfolio of Level 2 and Level 3 structured securities for around €2bn, also resulting in the recognition of a total capital gain of approximately €30m. In this respect, note again that in January 2015 the "Willow" structured security was sold for a total of around €438m with a capital gain of over €9m.

In the Banking business the focus on the retail and small business segments continued, also through a new sales boost deriving from synergies with the insurance sector.
In the last quarter of the year, as for most of the sector in 2014, Unipol Banca performed a complete review of its credit-related asset measurement in accordance with Supervisory Authority recommendations, which led to adjustments to receivables and other assets for the entire year of around €250m. As a result of this activity, banking business recorded a loss, albeit against a significant increase in the hedged percentage of impaired credit which, also including provisions by the parent in relation to the indemnity agreement signed in 2011, exceeded 42%.

As regards the Real Estate sector, operations focused on cost containment, also via the merger of numerous real estate companies, and on the rationalisation and redevelopment of property assets by seeking valuation opportunities despite market conditions remaining influenced by the tough crisis affecting the entire sector, with constantly declining prices and rents that have led to the write-down of a number of portfolio properties.

The results recorded by companies in the other sectors in which the Group conducts business, particularly in the hotel, clinical, medical and agricultural sectors, improved with respect to the past - though still negative - due to redevelopment and new business development initiatives implemented by the new management.

The Unipol Group closed 2014 with a positive consolidated result of €505m, a considerable increase over the €188m achieved in the same period of the previous year.

The consolidated solvency position at 31 December 2014 presented a ratio between available capital and required capital of roughly 1.7, with a capital surplus of €2.9bn, up on the final figure at 31 December 2013 (a 1.6 ratio, with a capital surplus of €2.7bn).

For the Unipol Banking Group note that the CET 1 was 10.6% compared to the regulatory minimum defined as 8% for 2014 and 8.5% with effect from 2015.

Salient aspects of business operations

The Consolidated Financial Statements at 31 December 2014 closed with a **net income totalling €505m** (€188m at 31/12/2013, +168.8%), to which the Insurance sector contributed €870m (€857m in 2013), of which €699m relating to Non-Life business (€494m in 2013) and €171m to Life business (€363m in 2013).

The Group's other operating segments still recorded negative results, though an improvement on 2013:
- The Banking sector recorded a negative €83m (-€296m in 2013);
- the Holding and Other Businesses sector recorded a negative €235m (-€328m in 2013), as a result of the negative performances of companies operating in the healthcare and hotel sectors, and the negative result of the holding Unipol which reflects provisions relating to the credit indemnity agreement in place with Unipol Banca for €196m (€200m in 2013);
- the Real Estate sector recorded a total of -€46m, in line with the previous year, after recognising property write-downs totalling €68m and depreciation of €30m.

The important factors that marked the performance of the Group included the following:

- **direct insurance premiums**, gross of reinsurance, were €17,883m (€16,804m in 2013, +6.4%). Non-Life direct premiums amounted to €8,969m (€9,821m in 2013, -8.7%) and Life direct premiums €8,915m (€6,983m in 2013, +27.7%), €141m of which related to Life investment products (€169m in 2013). The transfer of insurance product distribution activities to Allianz, from 1 July 2014, increased the decline in Non-Life business premiums by approximately 1.8% (estimated operating figure);
- **net premiums earned**, net of reinsurance, amounted to €17,766m (€16,581m in 2013), €9,012m of which was from Non-Life business (€9,787m in 2013) and €8,754m from Life business (€6,794m in 2013).
- **bank direct customer deposits** amounted to €10,261m (€10,809m in 2013, -5%);
- **net charges relating to claims**, net of reinsurance, amounted to €15,604m (€14,016m in 2013), €6,092m of which was from Non-Life business (€6,655m in 2013) and €9,512m from Life business (€7,361m in 2013), including €421m in net gains on financial assets and liabilities at fair value (€293m in 2013);
- the **loss ratio** of direct Non-Life business was 68%, (68.2% in 2013);
- **operating expenses** amounted to €3,025m (€3,083m in 2013). In the Non-Life business, they amounted to €2,348m (€2,362m in 2013), €385m in the Life business (€319m in 2013), €304m in the Banking sector (€309m in 2013), €121m in the Holding and Other Businesses sector (€392m in 2013) and €10m in the Real Estate sector (€8m in 2013);
- the **combined ratio** of direct Non-Life business was 94.7%, (92.9% in 2013);
- **net gains on investments and financial income** from financial assets and liabilities (excluding net gains on financial assets and liabilities at fair value relating to Life business) amounted to €1,697m (€1,661m in 2013);
- the **gross result** amounted to €801m (€520m in 2013) and was positively impacted for €289m (gross of €34m for accessory charges) by the realisation of the capital gain regarding the disposal of insurance assets to Allianz, of which €282m relating to Non-Life business and €7m to Life business;
- **taxation** for the period constituted a net expense of €294m (€331m in 2013). The tax rate was 36.7%, (63.7% in 2013, more specifically impacted by the 8.5% IRES surcharge on financial/insurance

companies). Among the factors contributing to the considerable tax rate decrease, other than removal of the IRES surcharge that had a 14% impact on consolidated pre-tax profit in 2013, there was also the lower impact of IRAP, the total charge for which fell from €93m in 2013 (17.9% on consolidated pre-tax profit) to €79m in 2014, with a 9.9% impact on consolidated pre-tax profit;

- net of the €313m profit attributable to non-controlling interests, the **result attributable to the owners of the Parent** at 31 December 2014 was a **profit of €192m** (€79m loss in 2013);
- the net result just for the fourth quarter of 2014 was positive to the tune of €74m (loss of €175m in the fourth quarter of 2013);
- the **comprehensive result** was a profit of €1,260m (€450m in 2013), particularly because of the increase in the reserve for gains or losses on available-for-sale financial assets (€712m);
- **investments and cash and cash equivalents** amounted to €79,985m (€74,109m in 2013);
- **technical provisions** and **financial liabilities** amounted to €77,354m (€72,917m in 2013).

Below is a summary of the consolidated income statement at 31 December 2014, broken down by business segment: Insurance (Life and Non-Life), Banking, Holding and Other Businesses and Real Estate, compared with the figures at 31 December 2013.

Condensed Consolidated Operating Income Statement broken down by business segment

	NON-LIFE BUSINESS			LIFE BUSINESS			INSURANCE SECTOR			BANKING SECTOR			HOLDING AND OTHER BUSINESSES			REAL ESTATE (*) SECTOR			Intersegment eliminations		TOTAL CONSOLIDATED		
Amounts in €m	Dec-14	Dec-13	*% var.*	Dec-14	Dec-13	*% var.*	Dec-14	Dec-13	*% var.*	Dec-14	Dec-13	*% var.*	Dec-14	Dec-13	*% var.*	Dec-14	Dec-13	*% var.*	Dec-14	Dec-13	Dec-14	Dec-13	*% var.*
Net premiums	9,012	9,787	*-7.9*	8,754	6,794	*28.8*	17,766	16,581	*7.1*												17,766	16,581	*7.1*
Net commission income	0	0	*-3.7*	7	9	*-20.0*	7	9	*-20.3*	108	113	*-4.3*	19	6	*228.6*	0	0	*0.0*	-55	-38	78	89	*-12.1*
Financial income/expense (excl. assets/liabilities at fair value)	502	560	*-10.4*	1,485	1,514	*-1.9*	1,987	2,074	*-4.2*	77	-103		-45	-37	*24.1*	-32	-29	*8.5*	-290	-244	1,697	1,661	*2.2*
Net interest income	*424*	*408*		*1,232*	*1,190*		*1,656*	*1,598*		*255*	*246*		*-38*	*-39*		*-2*	*-2*		*-56*	*-14*	*1,814*	*1,789*	
Other gains and losses	*62*	*49*		*-3*	*23*		*60*	*73*		*0*	*0*		*-5*	*-7*		*34*	*20*		*-40*	*-30*	*49*	*56*	
Realised gains and losses	*119*	*176*		*237*	*269*		*356*	*445*		*78*	*14*		*0*	*8*		*-1*	*-2*				*432*	*465*	
Unrealised gains and losses	*-103*	*-74*		*18*	*32*		*-86*	*-42*		*-255*	*-364*		*-2*	*2*		*-63*	*-46*		*-193*	*-200*	*-599*	*-649*	
Net charges relating to claims	-6,092	-6,655	*-8.5*	-9,512	-7,361	*29.2*	-15,604	-14,016	*11.3*												-15,604	-14,016	*11.3*
Operating expenses	-2,348	-2,362	*-0.6*	-385	-319	*20.4*	-2,733	-2,681	*1.9*	-304	-309	*-1.7*	-121	-392	*-69.1*	-10	-8	*25.8*	143	307	-3,025	-3,083	*-1.9*
Commissions and other acquisition costs	*-1,857*	*-1,911*	*-2.8*	*-216*	*-180*	*19.8*	*-2,073*	*-2,091*	*-0.9*										*57*	*18*	*-2,017*	*-2,073*	*-2.7*
Other expenses	*-491*	*-451*	*8.9*	*-169*	*-139*	*21.2*	*-660*	*-590*	*11.8*	*-304*	*-309*	*-1.7*	*-121*	*-392*	*-69.1*	*-10*	*-8*	*25.8*	*87*	*288*	*-1,008*	*-1,010*	*-0.2*
Other gains and losses	-64	-466	*-86.2*	-75	-125	*-39.7*	-139	-591	*-76.4*	18	-125		-160	41	*-493.6*	-32	-12	*164.2*	202	-25	-112	-712	*-84.3*
Pre-tax profit (loss)	1,009	865	*16.7*	274	512	*-46.5*	1,283	1,376	*-6.7*	-101	-424	*-76.3*	-308	-382	*19.4*	-74	-49	*-49.8*	0	0	801	520	*54.0*
Income tax	-311	-371	*-16.1*	-103	-149	*-31.0*	-413	-519	*-20.4*	17	129	*-86.6*	74	54	*36.4*	29	4	*551.3*	0	0	-294	-331	*-11.3*
Profit (loss) from discontinued operations	0	0		0	0		0	0		0	-1		-1	0		-1	0		0	0	-2	-1	
Consolidated profit (loss)	699	494	*41.5*	171	363	*-52.8*	870	857	*1.5*	-83	-296	*-71.8*	-235	-328	*-28.2*	-46	-45	*2.9*	0	0	505	188	*168.8*
Profit (loss) attributable to the owners of the Parent																					*192*	*-79*	
Profit (loss) attributable to non-controlling interests																					*313*	*267*	

(*) The real estate sector only includes Group real estate companies

Insurance Sector

The Group's insurance business ended with a **total pre-tax profit of €1,283m** (€1,376m at 31/12/2013), of which €1,009m relating to the Non-Life sector (€865m at 31/12/2013) and €274m relating to the Life sector (€512m at 31/12/2013).

The Non-Life segment benefited from the €282m capital gain realised on the disposal of the insurance assets of the former Milano Assicurazioni, before relevant taxation. In relation to the business unit transfer, accessory charges of €34m were also incurred.

Total premiums (direct and indirect premiums and investment products) at 31 December 2014 amounted to €17,911m (€16,842m at 31/12/2013, +6.3%).
Non-Life premiums amounted to €8,995m (€9,857m at 31/12/2013,-8.7%) and Life premiums totalled €8,916m (€6,985m at 31/12/2013, +27.7%).

All premiums in the Non-Life classes of Group insurance companies are classified under insurance premiums, as they meet the requirements of IFRS 4 (presence of significant insurance risk).
As regards Life business, investment products at 31 December 2014 worth €141m related to Class III (unit- and index-linked policies), Class V (capitalisation insurance) and Class VI (pension funds).

Consolidated premiums

Amounts in €m	31/12/2014	% comp.	31/12/2013	% comp.	% var.
Non-Life direct premiums	8,969		9,821		-8.7
Non-Life indirect premiums	26		36		-27.0
Total Non-Life premiums	8,995	50.2	9,857	58.5	-8.7
Life direct premiums	8,773		6,814		28.7
Life indirect premiums	1		2		-17.2
Total Life business premium income	8,775	49.0	6,816	40.5	28.7
Total Life investment products	141	0.8	169	1.0	-16.2
Total Life business premium income	8,916	49.8	6,985	41.5	27.7
Overall total	17,911	100.0	16,842	100.0	6.3

Direct premium income amounted to €17,883m (€16,804m at 31/12/2013, +6.4%), of which Non-Life premiums totalled €8,969m and Life premiums €8,915m.

Direct premium income

Amounts in €m	31/12/2014	% comp.	31/12/2013	% comp.	% var.
Non-Life direct premiums	8,969	50.2	9,821	58.4	-8.7
Life direct premiums	8,915	49.8	6,983	41.6	27.7
Total direct premium income	17,883	100.0	16,804	100.0	6.4

The overall premium income for just the fourth quarter of 2014 amounted to €4,528m (€4,616m in the fourth quarter of 2013).

With regard to **Non-Life claims**, during the year MV TPL business recorded a drop in claims with a further slight decrease in claims frequency which, albeit only in part, allowed the effects of the decline in average

premiums applied to policyholders to be limited. The average cost of claims continued to benefit from the lower impact of claims involving injuries and from action to limit the cost of vehicle repairs and combat fraud, but especially in the final months of the year it was affected by a higher incidence of claims with fatalities compared to last year and by their prudent estimate.
Among Non-MV classes, as a result of maintaining strict subscription policies, the loss ratio improved considerably over the year in the General TPL and Health businesses. The loss ratio for Fire, however, deteriorated due to the stronger presence of significant claims and flood damage, that for Marine Vessels due to a highly significant claim almost fully absorbed by reinsurance, and the Bonds business in particular felt the impact of the negative economic scenario associated with the building industry that has a strong effect on the portfolio of this class.

After strengthening in recent years, provisions for prior year claims remained steady, though for prudential reasons a number of actuarial integrations were made in the TPL classes of certain companies. At Group level, however, a positive balance was recorded in the total Non-Life run-off of direct business, net of recoveries, for around €74m compared to the negative €136m of the previous year.

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

Non-Life business *Amounts in €m*	Claims experience at 31/12/2014
MV TPL (classes 10 and 12)	-79
Land Vehicle Hulls (class 3)	+18
General TPL (class 13)	-52
Other Classes	+187
TOTAL	+74

The **loss ratio** solely for Non-Life direct business, including the OTI ratio, stood at 68% (68.2% at 31/12/2013).

The number of claims reported, without considering the MV TPL class, declined by 0.8%, due in particular to the Land Vehicle Hulls class (-10%) and General TPL (-7.9%).

Number of claims reported (excluding MV TPL)

	31/12/2014	31/12/2013	*% var.*
Land Vehicle Hulls (class 3)	328,787	365,127	*-10.0*
Accident (class 1)	152,886	147,436	*3.7*
Health (class 2)	2,583,836	2,662,864	*-3.0*
Fire and Other damage to property (classes 8 and 9)	366,189	341,052	*7.4*
General TPL (class 13)	121,287	131,742	*-7.9*
Other classes	391,849	326,495	*20.0*
Total	3,944,834	3,974,716	*-0.8*

As regards the MV TPL class, where the CARD agreement is applied[1], at 31 December 2014 cases relating to "fault" claims (Non-Card, Debtor Card or Natural Card) reported totalled 784,649, down 15.3% (926,205 in 2013).

Claims reported that present at least a Debtor Card claim numbered 458,435, down 19.8% compared to the same period in the previous year (from 2014, claims between the former Unipol Assicurazioni, the former Fondiaria-SAI and the former Milano Assicurazioni are to be considered as "Natural" and therefore classified solely as Handler Card).
Handler Card claims totalled 569,366 (including 134,496 Natural Card claims, claims between policyholders at the same company), down by 6.9%. The settlement rate in 2014 was 80% as compared to 80.3% recorded last year.
The weight of cases to which the Card agreement may be applied (both Handler Card and Debtor Card claims) out of total cases (Non-Card + Handler Card + Debtor Card) in 2014 came to 84.2% (84.3% in 2013).
The average cost (amount paid plus amount reserved) for claims reported rose in 2014 by 1.5% compared to the previous year (+4.6% in 2013). The average cost of the amount paid out increased by 1.1%.

The expense ratio for Non-Life direct business was 26.7% (24.7% at 31/12/2013), a value affected by the drop in premiums, the commercial efforts made to support the recovery in production and investments in the IT system required during this integration phase, as well as a greater incidence of commissions due to the changes in the product mix and the improvement in technical business which impacts the variable part.

The combined ratio, based on direct business, was 94.7% at 31 December 2014 (92.9% at 31/12/2013).

The expense ratio for Life direct business stood at 4% (4.3% at 31/12/2013).

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[1] CARD -Convenzione tra Assicuratori per il Risarcimento Diretto - Agreement between Insurers for Direct Compensation: Motor TPL claims may be classified into one of three cases of claims managed:

– Non-Card claims: claims governed by the ordinary regime, to which CARD is not applied;
– Debtor Card claims: claims governed by CARD where "our" policyholder is fully or partially liable, which are settled by the counterparty's insurance companies, to which "our" insurance company must pay a flat rate payout ("Debtor Flat Rate");
– Handler Card claims: claims governed by CARD where "our" policyholder is fully or partially not liable, which are settled by "our" insurance company, to which the counterparty's insurance companies must pay a flat rate payout ("Handler Flat Rate").

However, it must be noted that this classification is a simplified representation because, in effect, each individual claim may contain damages included in each of the three above cases.

Non-Life business performance

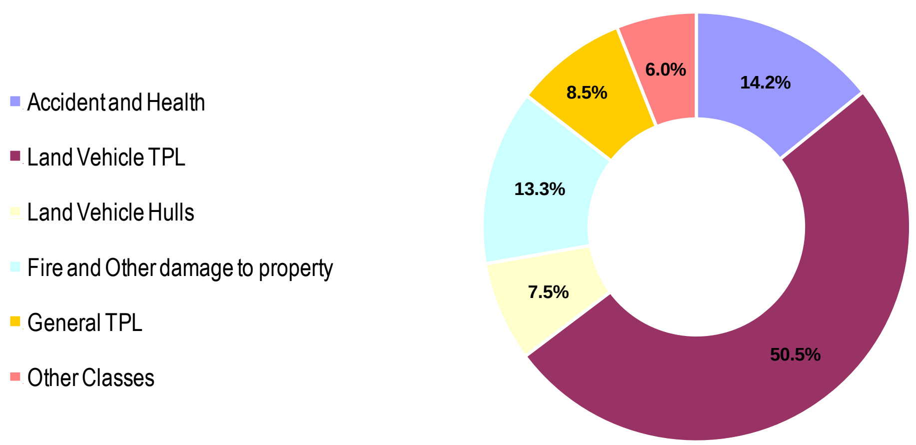
Total Non-Life premiums (direct and indirect) at 31 December 2014 amounted to €8,995m (€9,857m at 31/12/2013, -8.7%). Direct business premiums alone amounted to €8,969m (€9,821m at 31/12/2013, -8.7%). Indirect business premiums amounted to €26m (€36m at 31/12/2013).

The breakdown of **direct business** relating to the main classes compared with 31 December 2013 is set out in the following table:

Non-Life business direct premium income

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	4,532		5,226		*-13.3*
Land Vehicle Hulls (class 3)	677		760		*-10.9*
Total premiums - Motor vehicles	5,209	*58.1*	5,986	*60.9*	*-13.0*
Accident and Health (classes 1 and 2)	1,270		1,329		*-4.4*
Fire and Other damage to property (classes 8 and 9)	1,189		1,204		*-1.3*
General TPL (class 13)	761		782		*-2.7*
Other classes	540		521		*3.6*
Total premiums - Non-Motor vehicles	3,759	*41.9*	3,835	*39.1*	*-2.0*
Total Non-Life direct premiums	8,969	*100.0*	9,821	*100.0*	*-8.7*

% breakdown of Non-Life direct business premiums



Direct premiums decreased, affected by the recession and the effects on tariffs - particular MV TPL - of the highly competitive scenario triggered by the profitability of this sector. Premiums were also impacted from 1 July 2014 by the effects of the transfer of 725 former Milano Assicurazioni agencies to Allianz. Based on management assessments performed, excluding the effect of the aforementioned portfolio transfer, the ongoing trend estimated for Non-Life direct premiums (estimated operating figure) should be around -5.9%, recording a slight recovery on the figure at 30 September 2014 (-6.4%).

In the motor vehicle TPL class, commercial policies aimed to protect the policy portfolio and production relaunch, also through the continuation of targeted advertising and sales campaigns, such as zero-interest premium instalment payment plans in synergy with the Group's banking business, which met with a positive reception by UnipolSai customers. Also note the successful continuation of the on-board telematics: at 31 December 2014 the number of policies matched to black boxes exceeded two million. Premiums in this class came to €4,532m, down 13.3% on 31 December 2013 (operating figure estimated at -9.5%). The Land Vehicle Hulls class declined (-10.9%), recording premiums of €677m which remain conditioned by the effects of the recession on the automotive market (operating figure estimated at -7.7%).
The Non-MV segment showed greater staying power with respect to the unfavourable macroeconomic scenario, with premiums of €3,759m and a slight dip of 2.0% (operating figure estimated at -0.9%).

Non-Life premiums of the main Group insurance companies

The Non-Life direct premiums of the UnipolSai Group (former Fondiaria-SAI Group and former Unipol Assicurazioni) totalled €8,424m (€9,257m in 2013, -9%).

UnipolSai Group - Non-Life business direct premiums

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	4,351		5,008		*-13.1*
Land Vehicle Hulls (class 3)	658		738		*-10.8*
Total premiums - Motor vehicles	5,009	*59.5*	5,746	*62.1*	*-12.8*
Accident and Health (classes 1 and 2)	963		1,042		*-7.6*
Fire and Other damage to property (classes 8 and 9)	1,172		1,189		*-1.4*
General TPL (class 13)	754		775		*-2.7*
Other classes	525		505		*4.0*
Total premiums - Non-Motor vehicles	3,414	*40.5*	3,511	*37.9*	*-2.7*
Total Non-Life premiums	8,424	*100.0*	9,257	*100.0*	*-9.0*

The direct premiums of only UnipolSai, the Group's main company, stood at €8,000m (-9.1%), of which €4,856m in the MV classes (-12.4%) and €3,144m in the Non-MV classes (-3.4%).
The sale of the business unit to Allianz accentuated the reduction in premiums compared with 2013: the estimate of this effect, based on the performance of management figures, amounted to approximately 3 percentage points on total Non-life business.

UnipolSai Assicurazioni Spa - Non-Life business direct premium income					
Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	4,216		4,832		*-12.7*
Land Vehicle Hulls (class 3)	640		714		*-10.3*
Total premiums - Motor vehicles	4,856	*60.7*	5,546	*63.0*	*-12.4*
Accident and Health (classes 1 and 2)	931		1,009		*-7.7*
Fire and Other damage to property (classes 8 and 9)	1,130		1,148		*-1.6*
General TPL (class 13)	739		758		*-2.5*
Other classes	344		339		*1.5*
Total premiums - Non-Motor vehicles	3,144	*39.3*	3,254	*37.0*	*-3.4*
Total Non-Life premiums	8,000	*100.0*	8,800	*100.0*	*-9.1*

The MV segment recorded a considerable reduction of total premiums, especially in the MV TPL class (-12.7%), caused by three key factors: recourse to application of tariffs aimed at boosting greater competitiveness (in particular for the new policies), the sale of the business unit to Allianz and a drop in number of contracts in the portfolio. With reference to the Land Vehicle Hulls class, total premiums of the guarantees in addition to the mandatory coverage decreased with a slow-down of the negative trend during the latter part of the year. The ageing of the vehicle fleet on the road led to a drop in number of insured vehicles and a progressive reduction of the values covered by insurance.
The decrease in premiums in Non-MV classes regarded both businesses and individuals. Making a decisive impact were the economic crisis, as well as the effect of the transfer of the business unit to Allianz (estimated operating figure -1.3%), and - to a lesser extent - the redevelopment actions which concerned the portfolios of the Fondiaria, Sai, Milano, Previdente and Nuova Maa Divisions.
The Accident and Health classes again recorded a drop in premiums (-7.7%). Specifically, the Accident classes (-2.7% and -1.5% the estimated operating figures), recorded positive results due to the commercial initiatives launched throughout the country, the coverage dedicated to road traffic and the acquisitions of new group policies of significant value, only partially offsetting the adverse dynamics in the socio-economic scenario which continues to generate a decrease in the portfolio, particularly in the retail segment.
The Health class was down by 19.4% (estimated operating figure -19.3%), due on one hand to continued actions to rationalise the negatively performing portfolio and, on the other, to losses reported for the portfolio of individual policies.
Premiums in the Fire class were essentially in line with the previous year, whilst the Other Damage to Property class saw a generalised decline again in 2014, for all guarantees comprising the class, with the exception of Other Damage to Property from Fire and the Hail guarantee.
The 2.5% drop in premiums in the General TPL class (-1% the estimated operating figure) is linked to further portfolio selection actions, particularly in the Public Authority, healthcare facilities and independent professionals and industrial segments, and to the reduction in turnover of businesses. The underwriting policy was, as always, focused on profitability with the aim of structurally modifying the portfolio's profile and ensure a stable balance.

During 2014 UnipolSai decided to extend to 31 December 2014 the option to pay motor policies in monthly

instalments at zero interest rate, intended both for current and new customers, whereby the policyholders will not incur any additional costs because all financial expenses will be borne by UnipolSai (TAN, or annual nominal rate: 0.00%; TAEG, or annual percentage rate: 0.00%; purchase fees: 0.00%)
Continuing with the successful experience matured in MV TPL, in July UnipolSai extended the option to pay the premium in instalments at zero interest rate to numerous other Non-MV products. In this period of prolonged economic crisis, which is having a significant impact on household and business spending power, the offer of further facilitating traditional premium payment methods confirms the Unipol Group's focus on customer needs as well as a distinctive element of the Group's commercial offering.

The Non-Life company in the Arca Vita Group, Arca Assicurazioni, that at 31 December 2014 had incorporated the associate ISI Insurance, registered direct premiums of €103m, down 7.2% compared to 31 December 2013. The decrease in volumes was mainly due to reduced banking channel premiums.

Arca Vita Group - Non-Life business direct premiums					
Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	38		44		*-14.0*
Land Vehicle Hulls (class 3)	4		5		*-23.1*
Total premiums - Motor vehicles	42	*41.2*	50	*45.0*	*-15.0*
Accident and Health (classes 1 and 2)	30		31		*-2.0*
Fire and Other damage to property (classes 8 and 9)	16		15		*6.8*
General TPL (class 13)	7		7		*2.9*
Other classes	8		9		*-12.2*
Total premiums - Non-Motor vehicles	60	*58.8*	61	*55.0*	*-0.8*
Total Non-Life premiums	103	*100.0*	110	*100.0*	*-7.2*

The specialist companies (Linear and Unisalute) recognised direct premiums of €442m at 31 December 2014 (-2.6%).

Unisalute achieved direct premiums of €270m, (€248m at 31/12/2013,+9%). Based on the figures on insurance premiums provided by IVASS for the third quarter of 2014, Unisalute's market share in 2014 will be around 11.9%, compared to 10.8% in 2013.
Unisalute continued to concentrate prevalently on developing collective coverage for company employees and members of sector funds, maintaining a selective underwriting policy which the focuses maximum attention on the profitability and sustainability over time.
Of note among the new 2014 agreements are the CNR (National Research Council), CIPAG (Italian Welfare and Assistance Fund for Surveyors), Employees of the Emilia Romagna Region, the Altea Fund (woodworking and industry workers).
In the most innovative market area, relating to long-term care, premiums totalled €7m at 31 December 2014.
The number of customers was approximately 5.3m, around 3.7m of which in the Health class (3.6m at 31 December 2013) and roughly 1.6m in the Assistance class.

Linear achieved direct premiums of €172m, (€206m at 31/12/2013, -16.5%). In a still unfavourable market situation in the MV TPL class, the relative incidence of other guarantees increased in relation to total premiums from 15.9% in December 2013 to the current 16.9%. Once again, the year was characterised by a deterioration in the renewal rate and in new products, with most situations due to a gradual intensification of competition on the car market combined with the difficult economic scenario. These factors led to a stronger focus on price and an overall significant drop in the average premium. At 31 December 2014, policies in the portfolio were close to 458 thousand, down by 11.7%, whilst the average premium earned decreased by 5.9%.

Performance of Life Premiums

Life business (direct and indirect premiums) amounted to a total of €8,916m (€6,985m at 31/12/2013, +27.7%). Direct premiums, which comprise almost all premiums, break down as follows:

Life business direct premium income					
Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Premiums					
I - Whole and term Life insurance	6,231	71.0	4,455	65.4	39.9
III - Unit-linked/index-linked policies	1,473	16.8	1,063	15.6	38.6
IV - Health	1	0.0	1	0.0	21.8
V - Capitalisation insurance	599	6.8	897	13.2	-33.2
VI - Pension funds	469	5.3	398	5.8	17.8
Total Life business premium income	8,773	100.0	6,814	100.0	28.7
Investment products					
III - Unit-linked/index-linked policies	100	70.5	120	70.9	-16.8
V - Capitalisation insurance	0	0.0	1	0.7	
VI - Pension funds	42	29.5	48	28.4	-12.7
Total Life investment products	141	100.0	169	100.0	-16.2
Total premium income					
I - Whole and term Life insurance	6,231	69.9	4,455	63.8	39.9
III - Unit-linked/index-linked policies	1,572	17.6	1,182	16.9	33.0
IV - Health	1	0.0	1	0.0	21.8
V - Capitalisation insurance	599	6.7	898	12.9	-33.3
VI - Pension funds	511	5.7	446	6.4	14.5
Total Life business direct premium income	8,915	100.0	6,983	100.0	27.7

Of particular note the significant increases in premiums on traditional class I products (+39.9%), aided by low interest rates and the reduced risk appetite of policyholders, and in class III where the increase was 33%. Class VI was also up (+14.5%), whilst class V recorded a decline (-33.3%).
In particular, the Unipol Group benefited from the growth in the bancassurance channel (companies of the Arca Vita Group and the Popolare Vita Group), which recorded total direct premiums of €4,993m (up 47.8% compared to 31/12/2013).

New business in terms of APE, net of non-controlling interests, amounted to €493m at 31 December 2014 (€430m at 31/12/2013, +14.7%), of which €216m contributed by bancassurance companies and €276m by traditional companies.

Pension Funds

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

At 31 December 2014 the Unipol Group managed a total of 21 occupational pension fund mandates (13 of them for accounts "with guaranteed capital and/or minimum return"). In 2014 three mandates (of which one guaranteed) were sold and the mandate of the Fondinps pension fund was purchased. On the same date resources under management totalled €3,719m (€2,671m with guaranteed capital). At 31 December 2013, it managed a total of 23 mandates (13 of them for accounts "with guaranteed capital and/or minimum return") and total resources managed came to €3,681m (of which €2,269m with guaranteed capital).

As regards open pension funds, at 31 December 2014 the Unipol Group managed 8 Open-Ended Pension Funds (Unipol Insieme, Unipol Previdenza, Conto Previdenza, Fondiaria Previdente, Fondo Pensione Aperto Sai, Fondo Pensione Aperto Milano Assicurazioni, Fondo Pensione Aperto Popolare Vita and Fondo Pensione Aperto BIM Vita) that at 31 December 2014 amounted to a total of 45,157 members for total assets of €802m. At 31 December 2013, there were 8 Open-Ended Pension Funds for total assets of €723m and total member numbers of 45,533.

Life premiums of the main Group insurance companies

The Life direct premiums of the **UnipolSai Group** (former Fondiaria-SAI Group and former Unipol Assicurazioni) totalled €7,584m (€6,137m at 31/12/2013, +23.6%). Classes I, III and VI recorded increases of 34.7%, 37.8% and 14.5%, respectively, whilst class V was down 35.4%.

The breakdown of Life direct premiums by class is shown in the following table:

UnipolSai Group - Life business direct premium income						
	Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
I	Whole and term life insurance	5,016	*66.1*	3,724	*60.7*	*34.7*
III	Unit-linked/index-linked policies	1,481	*19.5*	1,074	*17.5*	*37.8*
	- of which investment products	*8*	*0.1*	*12*	*0.2*	*-33.3*
IV	Health	1	*0.0*	1	*0.0*	*21.8*
V	Capitalisation insurance	576	*7.6*	891	*14.5*	*-35.4*
	- of which investment products	*0*	*0.0*	*1*	*0.0*	*-100.0*
VI	Pension funds	511	*6.7*	446	*7.3*	*14.5*
	- of which investment products	*42*	*0.6*	*48*	*0.8*	*-12.7*
Total Life business		7,584	*100.0*	6,137	*100.0*	*23.6*
- of which investment products		*50*	*0.7*	*61*	*1.0*	*-18.4*

The bancassurance companies **Popolare Vita** and **The Lawrence Life** collected premiums amounting to €2,982m (€1,584m at 31/12/2013, +88.3%) and €682m (€951m at 31/12/2013, -28.3%), respectively. With €3,696m in premiums, **UnipolSai** also experienced growth of 7.5% despite the fact that some considerable collections on policies which positively impacted 2013 were not repeated.

UnipolSai Assicurazioni Spa - Life business direct premium income						
	Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
I	Whole and term life insurance	2,631	*71.2*	2,104	*61.2*	*25.1*
III	Unit-linked/index-linked policies	9	*0.2*	13	*0.4*	*-31.9*
	- of which investment products	*8*	*0.2*	*0*	*0.0*	
IV	Health	1	*0.0*	1	*0.0*	*21.8*
V	Capitalisation insurance	551	*14.9*	880	*25.6*	*-37.4*
VI	Pension funds	505	*13.7*	440	*12.8*	*14.8*
	- of which investment products	*35*	*1.0*	*0*	*0.0*	
Total Life business		3,696	*100.0*	3,438	*100.0*	*7.5*
- of which investment products		*43*	*1.2*	*0*	*0.0*	

At 31 December 2014, the Life insurance companies in the **Arca Group** (Arca Vita and Arca Vita International), with premiums of €1,329m, recorded significant growth (+57.3%) compared to the corresponding period in the previous year. The increase can be seen as even more important if compared to 2013 which had already been characterised by an exceptional performance. The significant growth in volumes is primarily attributable to class I products with a guaranteed return. The breakdown by class is shown in the following table:

Arca Vita Group - Life business direct premium income						
	Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
I	Whole and term life insurance	1,214	*91.4*	730	*86.4*	*66.2*
III	Unit-linked/index-linked policies	92	*6.9*	108	*12.8*	*-15.0*
	- of which investment products	*92*	*6.9*	*108*	*12.8*	*-15.0*
V	Capitalisation insurance	23	*1.7*	7	*0.8*	*251.3*
Total Life business		1,329	*100.0*	845	*100.0*	*57.3*
- of which investment products		*92*	*6.9*	*108*	*12.8*	*-15.0*

Reinsurance

Indirect business

Upon renewing the agreements for 2014, a strict selection was carried out of the indirect business subscribed in the market which, in Non-Life, led to a reduction in underwritings from the previous year.

Indirect Non-Life and Life premiums amounted to €28m at 31 December 2014 (€38m in 2013) and was made up of €26m of premiums from Non-Life business (€36m in 2013) and €1m from Life business (€2m in 2013).

Indirect business					
Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Non-Life premiums	26	*94.9*	36	*95.5*	*-27.0*
Life premiums	1	*5.1*	2	*4.5*	*-17.2*
Total indirect premiums	28	*100.0*	38	*100.0*	*-26.5*

Reinsurance ceded

Group **premiums ceded** totalled €433m (€443m in 2013), €412m of which came from Non-Life premiums ceded (€421m in 2013) and €21m from Life premiums ceded (€22m in 2013).

Premiums ceded					
Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Non-Life premiums	412	*95.2*	421	*95.0*	*-2.2*
Retention ratio - Non-Life business (%)	*95.4%*		*95.7%*		
Life premiums	21	*4.8*	22	*5.0*	*-6.1*
Retention ratio - Life business (%)	*99.8%*		*99.7%*		
Total premiums ceded	433	*100.0*	443	*100.0*	*-2.3*
Overall retention ratio (%)	*97.6%*		*97.3%*		

The retention ratio is the ratio of premiums retained (total direct and indirect premiums net of premiums ceded) to total direct and indirect premiums. Investment products are not included in calculating this ratio.

At 31 December 2014, the premiums ceded generated an overall positive result for reinsurers.

Unipol Group reinsurance policy

As regards the risks underwritten in the Non-Life classes, the reinsurance strategy of the new Group focused, since 2013, on developing synergies and economies of scales by acquiring standard insurance coverage for all companies in Group. This process was further developed with the renewal of the treaties for 2014, by obtaining not only an increase in overall capacities, but also a reasonable cost saving.

The following Group cover was negotiated and acquired:
- excess of loss treaties for the protection of MV TPL, General TPL, Fire (by risk and by event), Theft, Accident and Aviation classes (Aircraft / Aircraft TPL) portfolios;
- stop loss treaty for the Hail class;

- proportional treaties for risks in the technological sector (C.A.R. - Contractors' All Risks-, Erection all Risks and Decennale Postuma - Ten-year Building Guarantee), for "D&O" policies in the TPL sector and for new "multi-risk" policies underwritten in the Hail class.

Therefore, there were still separate insurance policies for the former Unipol Assicurazioni Division and for the former Fondiaria-SAI Group Division in the Credit and Bonds classes, protected with proportional treaties. In addition, for the Transport class, the renewal of the excess of loss treaty due to expire was negotiated for the former Unipol Assicurazioni Division, while the former Fondiaria-SAI Group Divisions continued to cede on a proportional basis to SIAT, the Group's specialist company. Lastly, the policies of the Assistance and Legal Expenses classes were ceded by each of the Divisions to specialised reinsurers and/or specialist Group companies.

In order to minimise the counterparty risk, reinsurance continued to be fragmented and placed with leading professional reinsurers rated very sound financially by the main rating agencies, for the purposes of a comprehensive and competitive service.

As regards the risks underwritten in the Life classes, the reinsurance strategy involved the same forms of cover as 2013. In particular, the former Unipol Assicurazioni Division continued to protect itself with automatic proportional types of cover by directly addressing the market, while the former Fondiaria-SAI Group Division continued to cede on a proportional basis to the company UnipolRe (formerly Lawrence Re), which in turn is protected on the market with non-proportional retrocessions in the form of excess of loss and stop loss.

Banking Sector

Operating performance of Unipol Banca

Following the new aspects introduced by supervisory regulations for banking groups, by a special notice of 1 August 2014 the Bank of Italy notified the change in the Banking Groups Register, with effects backdated to 16 April 2014, regarding cancellation of the Unipol Banca Banking Group from the register and entry of the new Unipol Banking Group. Consequently Unipol Banca is no longer the parent of the former Unipol Banca Banking Group and at the same time became a member of the Unipol Banking Group with Unipol Gruppo Finanziario as the parent.

In June 2014, the €100m capital increase was completed, after the reduction in capital to cover previous losses (amounting to €339.5m), resolved by the Extraordinary Shareholders' Meeting of 24 April 2014.

On 25 September 2014 the Bank of Italy gave its approval for Unipol Banca and Banca Sai to proceed with the merger of Banca Sai into Unipol Banca, which was performed on 3 November 2014. The tax and accounting effects of the merger were backdated to 1 January 2014.

November 2014 saw the disposal of the investment in Unicard.

In October 2014 a general investigation by the Bank of Italy began and was completed in January 2015. The results will be notified by the Supervisory Authority in the next few months.

Unipol Banca's activities in 2014 were targeted primarily at retail customers (private and SMEs), and in particular Group insurance customers and shareholders of consumer cooperatives. A total of 76.5% of new mortgage loans (equal to €159m) were disbursed to retail customers, augmented by a further €100m in unsecured loans and personal loans (64.1% of business).
Commercial development activities made an increase by 10.9% possible (compared to the end of 2013 which also included approximately 12,600 Banca Sai accounts at that date) in the number of ordinary accounts, which at 31 December 2014 totalled around 317,500. Also considering Banca Sai accounts, therefore, a particularly positive result came from the 9% drop in the churn rate, down significantly compared to the 2013 figure (11.8%). The acquisition rate was also up considerably, reaching 19.9% (13.1% at December 2013), with more than 57,000 accounts opened. A growth in the acquisition rate was seen in all the distribution channels, by +49.9% for branches, +44.8% for agencies, in addition to the MyUnipol channel (activated in the second half of 2013) with around 3,000 new accounts.

Direct deposits at 31 December 2014, totalling €10,248m, was up on the figure at 31 December 2013 (+1.8%) as a result of the volumes acquired following the Banca Sai merger, which amounted to €840m at 31 December 2013. Considering the volumes included at 31 December 2013 the change on a like-for-like basis would be 6%.
Bond sales and purchases with ordinary customers saw a negative net balance between purchases and sales for €89m in 2014. In 2014, bonds matured totalling €459m, previously placed with ordinary customers and fully replaced thanks to a commercial effort that enabled to place new bonds issued amounting to €624m.
With a view to extending the average duration of its debt, the parent Unipol Banca also concluded some transactions with institutional investors by placing €200m in bonds, repurchased during the issue phase. In addition, notes issued by a proprietary securitisation vehicle and simultaneously repurchased on issue by Unipol Banca (object of a so-called "self-securitisation") were placed with institutional investors, bringing the value of notes available on the market to €758m (€485m at 31/12/2013).

Short-term deposits recorded a total decrease of €377m due to the significant drop in current accounts (-€443m) and time deposits (-€159m), only partly offset by the rise in repurchase agreements (+€128m), mostly attributable to transactions with *Cassa Compensazione e Garanzia* (+€125m).
An analysis by counterparty shows growth both in retail customers (+€289m) and corporate (+€52m). Net of volumes attributable to Unipol Group companies, direct deposits grew by 5.4%.

At 2014, indirect deposits amounted to €49.1bn, marking a significant increase (+€25.4bn) due to the merger of Banca Sai, whose volumes at 31 December 2013 were €19.6bn. The change on a like-for-like basis was +13.3%, or €5.7bn, of which €5.4bn relating to UnipolSai Group volumes.
On the whole, assets under management totalled €1.9bn at 31 December 2014 (+52.8% compared to December 2013), divided into managed portfolios (€227m), funds (€937m) and Life insurance policies (€702m).
Funds under custody totalled €47.2bn at 31 December 2014, marking growth of €24.7bn due mostly to the merger with Banca Sai mentioned above.
Volumes relating to ordinary customers amounted to €1.7bn, of which €0.9bn on the retail market and €0.8bn corporate.

At 31 December 2014, receivables from customers were €9,828m up 2.2% compared to the figure at the end of 2013. If the opening figure included the €682m for Banca Sai at 31 December 2013, the change would be negative at 4.6%. The new lending transactions in 2014 were primarily aimed at retail customers (private customers and SMEs).

Gross impaired loans at 31 December 2014 amounted to €3,896m (€3,176m at 31/12/2013). The increase for the year of €720m (+22.7% on 2013) was partly due to the merger of Banca Sai (€171m at 31/12/2013). The coverage ratio rose by 2.9 percentage points during the year.
It should be noted that Unipol Banca credit risk is mitigated by the Indemnity Agreement signed with the Holding company Unipol, relating to a segment of net non-performing exposures (extended on 7/8/2014 - with effect from 30/6/2014 by additional net impaired loans of €192m, and on 11/2/2015 - with effect from 31/12/2014 - by other net impaired loans for €201m), which at 31 December 2014 totalled €908m (€517m at 31/12/2013), mostly relating to counterparties in the real estate sector. Through the indemnity agreement, Unipol Banca in effect transferred the credit risk associated with these positions, net of valuation reserves, to Unipol.

In relation to concentration risk in the statement of financial position at 31 December 2014, the item "receivables from customers" included exposures that were deemed to be major because of both the level of concentration of the risk and the sector of financial activity, which in almost all cases was real estate. This related, in particular, to 26 economic groups with a total gross exposure of €1,206m, of which €763m classified as bad and doubtful loans, €432m in other categories of impaired positions, in addition to some performing but anomalous positions for €11m. The related valuation reserves totalled €100m. At 31 December 2013, this portfolio segment included 21 economic groups for a total exposure of €877m, with valuation reserves of €84m.
Most of this portfolio is subject to the Indemnity Agreement with Unipol, whose commitment consisted of more than merely a duty to make a reimbursement but took the form of helping to assess the amount of the property assets used as security for the loan.

At 31 December 2014 the net balance due to the banking system was negative by €450m (negative by €874m at the end of 2013).
Receivables from banks recorded a decrease, compared to 31 December 2013, in the Banks' Mandatory Provision (ROB) from €104m to €92m, and in bank bonds which fell from €31m to €8m. Deposits and current accounts instead remained stable, changing from €248m in 2013 to €247m in 2014.

In terms of payables to banks, current accounts and deposits reduced from €408m to €31m. Specifically, in 2014 a medium/long-term loan was repaid which in December 2013 had totalled €320m, whilst short positions (interbank, repurchase agreements, overnight deposits) fell by €57m. With regard to ECB transactions, in 2014 a total of €500m from LTRO auctions were settled early, with participation in the TLTRO auction of December 2014 for €415m. At the end of 2014 the exposure to the ECB was €765m (€850m in 2013).

In relation to the income statement, net interest income in 2014 totalled €219m, up 6.1% (€13m) compared to 2013, as a result of the merger with Banca Sai and of the funding cost containment action which offset the loss deriving from higher interest-free volumes among assets (bad and doubtful loans).

Net commission income amounted to €104m, up 10.7% (+€10m on 2013). The contribution from Banca Sai and the growth in the component associated with indirect deposits offset the increase in liabilities on the Indemnity Agreement (+€13m following expansion of the scope of the agreement and changes to its economic terms).

Financial income in 2014 recorded an increase of €73m compared to 2013. The growth is particularly due to purchase and sale transactions in government securities which generated revenue of €70m.
Overall, gross operating income reached €402m at 31 December 2014, up 31.1% compared to 2013.

Value adjustments to receivables at 31 December 2014, €194m, were down €112m compared to 2013 (-36.6%) but remained high (cost of risk equal to 197.5 basis points compared to 318.2 basis points in 2013). Adjustments were also made to the available-for-sale assets portfolio for €48m.

Operating expenses in 2014 amounted to €267m, up on the final figure at 31 December 2013 by 4.4% (+€11m), attributable to the merger with Banca Sai.

The gross loss at 31 December 2014 was €113m, an improvement on the gross loss of €432m in 2013, due in particular to the write-downs of goodwill with an indefinite useful life and value adjustments to the loan portfolio. The net loss totalled €91m (loss of €300m in 2013).

The pre-tax result of the Banking sector at 31 December 2014 was a loss of €101m (pre-tax loss of €424m at 31/12/2013).

The following table shows the principal items in the income statement of the Banking sector, set out in accordance with the layout specified for banks.

Banking business			
Amounts in €m	31/12/2014	31/12/2013	*% var.*
Net interest income	256	251	*1.9*
Net commission income	108	113	*-4.3*
Other net financial income	76	6	*1,256.7*
Gross operating income	441	370	*19.1*
Net reversals due to impairment of financial assets	-254	-377	*-32.6*
Net financial income	186	-7	
Operating expenses	286	292	*-2.2*
of which provisions for risks and charges	*5*	*6*	
Cost/income	*64.9%*	*79.0%*	*-17.9*
Other income (charges)	-1	-125	
Pre-tax profit (loss)	-101	-424	*-76.3*

Investments and cash and cash equivalents of the banking sector totalled €11,814m at 31 December 2014 (€12,866m at 31/12/2013).

Financial liabilities amounted to €11,152m (€12,270m at 31/12/2013) and mainly consisted of:

- €589m in subordinated loans (€591m at 31/12/2013);
- €2,754m in debt securities issued (€2,196m at 31/12/2013);
- €6,917m in payables to customers (€8,022m at 31/12/2013);
- €796m in interbank payables (€1,258m at 31/12/2013).

Real Estate Sector

In 2014 the corporate structure of the real estate sector was simplified as approved by the Boards of Directors of Unipol and UnipolSai in June 2014, which envisaged:

(i) a planned merger by incorporation into Immobiliare Fondiaria-Sai, which at the same time changed the company name into UnipolSai Real Estate, of the subsidiaries and associates Immobiliare Milano Assicurazioni, IN.V.ED, Mizar, R.EDIL.MO., Bramante, Cascine Trenno, Trenno Ovest, IAT, Meridiano Bellarmino, Immobiliare Litorella, Meridiano Bruzzano, Meridiano Aurora, Campo Carlo Magno, Sintesi Seconda, Stimma, UnipolSai Servizi Immobiliari, International Strategy and Unifimm;

(ii) another simplification project with absorption of the subsidiaries Covent Garden and Comsider into the subsidiary Midi.

The Boards of Directors and Shareholders' Meetings of all of the real estate companies involved approved the planned mergers in September, which were concluded in November/December with accounting and tax effects backdated to 1 January 2014.

In 2014, disposal of a portion of the portfolio continued through a series of transactions involving properties held for sale in fractions, individual properties located throughout Italy and land and buildings. The most significant disposal of this transaction was the property located in Milan at Viale Boezio 20, a hotel closed since 2009.

In terms of operations aimed at optimising properties' profitability, design activities commenced concerning some of the properties that will undergo renovation works.
Among the most significant transactions, of note is the upcoming completion of the enhancement project on the property located in Assago, Milanofiori - Street 6 - Building A, aimed at leasing the entire property to leading leaseholders.
In relation to the renovation and enhancement of the building located in Milan, via Fara 41 ("Torre Galfa"), completely vacant since 2001, note that in 2014 a lease agreement with a primary international hotel operator regarding the portion of property with future receptive use was completed and the step to apply for permits started.

Investments continued, through some Group companies, for the creation of the real estate development project in the area known as "Porta Nuova" in Milan, structured into the independent projects Porta Nuova Garibaldi, Porta Nuova Varesine and Porta Nuova Isola.
In relation to the area in Milan in via Melchiorre Gioia at the corner of via Don Sturzo, owned by the Group, with an urban redevelopment zone known as "Porta Nuova Garibaldi", preliminary design activities are underway for the construction of a new multi-storey building.
Works on the hotel facilities in Bologna at Via Larga were completed and opened for business in April 2014, and the hotel in Bologna, Piazza Costituzione 1, re-opened for business in September 2014.

In July the subsidiary Marina di Loano repaid the residual debt of €48m on the bank loan granted in 2009. In order to meet this commitment, the company used, for €44m, a loan originally granted by UnipolSai that was then transferred to UnipolSai Finance as part of a transaction to reallocate financial credit and debit relations within the Group.

The key financial data for the Real Estate sector are summarised below:

Income Statement - Real Estate Sector			
Amounts in €m	31/12/2014	31/12/2013	*% var.*
Gains (losses) on financial instruments at fair value through profit or loss	-1	-2	*-41.0*
Gains on investments in subsidiaries, associates and interests in joint ventures	0	0	*-11.1*
Gains on other financial instruments and investment property	75	56	*33.4*
Other revenue	41	39	*4.1*
Total revenue and income	115	94	*22.5*
Losses on investments in subsidiaries, associates and interests in joint ventures	-3	0	
Losses on other financial instruments and investment property	-103	-84	*23.3*
Operating expenses	-10	-8	*25.8*
Other costs	-73	-51	*42.2*
Total costs and expenses	-189	-143	*31.9*
Pre-tax profit (loss) for the year	-74	-49	*49.8*

The pre-tax result at 31 December 2014 was a loss of €74m (-€49m at 31/12/2013), after having effected property write-downs of €68m and depreciation of investment property (€21m at 31/12/2013) and other tangible assets for €33m (€35m at 31/12/2013).

Investments and cash and cash equivalents of the real estate sector (including instrumental properties for own use) totalled €1,855m at 31 December 2014 (€1,911m at 31/12/2013), consisting mainly of investment property amounting to €1,157m (€1,177m at 31/12/2013) and properties for own use totalling €481m (€541m at 31/12/2013).

Financial liabilities amounted to €164m at 31 December 2014 (€175m at 31/12/2013).

Holding and Other Businesses Sector

Redevelopment and commercial development actions of the diversified companies started in 2013 continued in 2014. The actions carried out are starting to have positive effects on the results of the companies, which although negative, have sharply improved compared to the same date of the previous year.

In the hotels segment, although Atahotels reported a loss (-€9m), its result definitely improved in comparison with the same period of 2013 (-€23m). Extraordinary and non-recurring components regarding tax liabilities and building amnesties also made a negative impact for a total of €2m on the result, which benefitted from the rationalisation initiatives already implemented.

Note that in September an agreement was signed between Atahotels and the Chinese company BTG-Jianguo Hotels & Resort, belonging to the Beijing Tourism Group, the primary Chinese tourist operator that, among other activities also manages over 2,000 accommodation facilities in China. The agreement sets out to intercept a broad share of Chinese tourists expected to come to Italy for Expo 2015 and to define a cross training programme between the two hotel chains focussing on cuisine and the cultural training of staff.

As for the medical clinics, Centro Oncologico Fiorentino reported a €13m loss (-€12m in 2013) after having absorbed extraordinary expenses amounting to €3m due to the write-down of real estate assets owned by the company. With regard to ordinary operations, a considerable increase in non-region sales and the introduction of several production cost monitoring measures are reported. These measures, also thanks to a new internal organisation, produced the first positive effects in terms of cost savings and an increase in structures' efficiency.
Despite the improvements achieved in ordinary operations, the company still had an unbalanced costs/revenue structure not remediable in the short term. In order to allow it to pursue its business, during the year the holding company UnipolSai resolved an operation to strengthen equity through a shareholders payment of €13.5m into the equity account in September.
The loss of Villa Donatello, amounting to €3m due to extraordinary provisions totalling €2m, which includes the results of Donatello Day Surgery (company placed into liquidation at the start of 2014 and whose activities, primarily ophthalmology, were transferred to Villa Donatello) improved from result of 2013 (-€9m).

With regard to the result of the agricultural activities, it improved compared to the previous year, although negative. In fact, the result of the company Tenute Del Cerro (former Saiagricola) went from -€11m at 31 December 2013 to -€1m at 31 December 2014. The 31 December 2014 figure recorded increased value of production (+55% compared to 2013) and reduced industrial costs (-13%). The result was negatively impacted by the financial expenses relating to the contracting of a loan originally by UnipolSai (now transferred to UnipolSai Finance) at the end of 2013 under market conditions, to purchase the land of Tenuta del Cerro, previously rented. Important agreements were signed in 2014 with a primary French large-scale retail chain and with the Chinese hotel group Beijing Tourism Group, already Atahotels partner, which will produce the first results in 2015.

With respect to the holding Unipol, with the establishment in January 2014 of UnipolSai, almost all service agreements and 245 employees were transferred to the subsidiary. At 31 December 2014 Unipol had 83 employees, compared to 331 at 31 December 2013.
The profit recorded at 31 December 2014 was €208m (loss of €7m at 31/12/2013), particularly due to the collection of €419m in dividends from subsidiaries (€250m at 31/12/2013), eliminated in the consolidation process.
Among the costs, note that provisions for risks were allocated for €196m (€200m at 31/12/2013) in relation to the Credit Indemnity Agreement with the subsidiary Unipol Banca in connection with a segment of net impaired

positions (integrated in 2014) for a total of €908m (€517m at 31/12/2013). Commission income for the year of €19m was recorded against the above-mentioned agreement (€6m at 31/12/2013).
Interest expense on the bond loans issued totalled €41m at 31 December 2014 (€37m at 31/12/2013).

The main income statement figures of the Holding and Other Businesses sector are shown below:

Income Statement - Holding and Other Businesses Sector

Amounts in €m	31/12/2014	31/12/2013	*% var.*
Commission income	19	6	*227.3*
Gains (losses) on financial instruments at fair value through profit or loss	-1	3	*-137.0*
Gains on other financial instruments and investment property	10	24	*-60.2*
Other revenue	331	678	*-51.2*
Total revenue and income	358	712	*-49.7*
Losses on investments in subsidiaries, associates and interests in joint ventures	0	-3	*-97.8*
Losses on other financial instruments and investment property	-54	-61	*-11.4*
Operating expenses	-121	-392	*-69.1*
Other costs	-491	-638	*-23.0*
Total costs and expenses	-666	-1,094	*-39.1*
Pre-tax profit (loss) for the year	-308	-382	*-19.4*

The pre-tax result at 31 December 2014 was a loss of €308m (-€382m at 31/12/2013); the net loss for the period was €235m (-€328m at 31/12/2013).

At 31 December 2014, Investments and cash and cash equivalents of the Holding and Other Businesses Sector (including properties for own use for €187m) totalled €1,220m (€970m at 31/12/2013).

Financial liabilities amounted to €1,280m (€1,514m at 31/12/2013) and were mainly composed:
- for €904m, of two senior bonds issued by Unipol with a total nominal value of €898m (€782m at 31/12/2013, with a nominal value of €750m). The increase compared to 31 December 2013 is attributable to the Partial Exchange Offer of the senior unsecured notes due in January 2017 issued by Unipol, completed on 5 March 2014;
- for €268m, of loans payable in place with the subsidiary UnipolSai (€269m at 31/12/2013).

At 31 December 2013, there were €379m in liabilities of the former Premafin (Amended Pre-Integration Loan Agreement) which, as part of the merger into Fondiaria-SAI (now UnipolSai), were attributed to the Non-Life sector.

Asset and financial management

Investments and cash and cash equivalents

Transactions carried out in 2014

In 2014, in line with previous years, the investment policies adhered, in terms of medium/long-term investments, to the general criteria of prudence and of preserving asset quality consistent with the Guidelines defined in the Group Investment Policy.
Operations were therefore geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, and the maintenance of a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, with a particular focus on the liquidity profile.

The bond segment was the main focus of operations, mainly affecting Italian government bonds and non-government bonds, applying a medium/long-term investment approach.
The increase in the exposure to government-issued securities during the year stood at €1,123m. The net balance of Government bonds was positive on the Life segment (+€2,086m), whereas it was negative on the Non-Life sector, where the decrease amounted to €963m.
Purchases on the Life portfolio involved mainly fixed rate securities, and were useful to meet the ALM requirements of the Segregated Funds, continuing the rationalisation of the maturity dates of liabilities with covering assets. This activity, carried out on the basis of the contractual commitments and the goals of the Business Plan, was also implemented by using zero coupon type government bonds, primarily BTP (Long-Term Treasury Bond) strips and to a lesser extent Spanish bonds, which allow the protection of minimum guaranteed returns and of the coupon reinvestment risk in a deflationary macroeconomic scenario marked by low interest rates. In line with the macroeconomic scenario described above, a swap to cover the risk of rising interest rates was also concluded on the Life portfolio for the nominal value of €160m. The aim of this transaction was to bring into line the durations of the assets and liabilities in the segregated accounts affected.
In the Non-Life sector, whereas there was a net reduction in the exposure to nominal Government bonds, exposure to Italian government bonds linked to European inflation increased, with purchases spread over varying maturities, thus benefiting from the high returns offered by this segment. Furthermore, in the third quarter coverage strategies were implemented to reduce the concentration on Italian government bonds and came to a value of roughly €1,700m, reducing exposure to Italian government bonds for a total of €2,600m.

The non-government component of bonds saw an increase in overall exposure of €1,693m. This increase affected both the Life segment (€861m) and Non-Life segment (€847m) against a decrease of around €15m on the holding. The action mainly involved financial and industrial securities, both senior unsecured and subordinated. Overall, net exposure to subordinated securities rose by €1,628m, with an increase of €739m in the Life portfolio and a €909m increase in the Non-Life portfolio, whilst the holding decreased by €19m.

Asset portfolio simplification activities continued during the year. Level 2 and 3 structured bonds saw an overall reduction of €2,039m. The table below shows the Group's exposure in structured bonds based on the composition by financial characteristics:

Amounts in €m	31/12/2014 Carrying amount	Market value	Implied +/-	31/12/2013 Carrying amount	Market value	Implied +/-
Simple structured securities [1]	966	882	-84	2,107	1,908	-199
Complex structured securities [2]	472	473	1	617	585	-33
CMS)	4,542	4,725	183	3,732	3,775	43
Total structured securities	5,980	6,081	100	6,456	6,268	-188
of which levels 2 and 3	*2,404*	*2,331*	*-73*	*4,443*	*4,086*	*-357*

(1) Bonds with returns linked to floating rates (predominantly Libor rates or constant maturity swap rates) with cap or floor options are considered simple structured financial instruments. These securities generally have an adequate degree of liquidity for being sold in the short-term.
(2) Bonds with returns linked predominantly either to the volatility of market interest rates and the gradient and level of the interest rate curve or credit risk are considered complex structured financial instruments. These securities generally do not have an adequate degree of liquidity for being sold in the short-term.

Share exposure increased in 2014 by €79m. Transactions were broken down based on individual shares and ETFs (Exchange Traded Funds), representing share indexes. A put option was purchased against this increase for hedging purposes on the stock market on the Eurostoxx 50 index with strike price 2400 and expiry date in January 2016. The value hedged by the option was about €820m. The portfolio contained bonds with a good scope for future profits and a high profit flow. Almost all equity instruments in the portfolio belong to the main European share indexes.

Exposure to alternative funds, a category that includes Private Equity Funds and Hedge Funds, amounted to €404m, up by €162m during 2014. The transaction involved subscriptions of Hedge funds for €245m and sales for about €54m. The new funds selected mainly reflect the criteria of the UCITS IV EU regulations. Exposure to Private Equity funds, amounting to €110m, contracted as a result of redemptions amounting to approximately €29m. In the Private Equity segment, a commitment of €20m to participate in a new fund launched by a manager already in the portfolio was communicated. The effect of this commitment will surface starting from 2015 and in the coming years.

Currency operations were conducted exclusively to hedge the currency risk of outstanding equity and bond positions.

The overall Group duration stood at 5.23 years, up compared to 4.36 years at the end of 2013. The non-Life duration in the Group insurance portfolio was 3.13 years and in Life business was 6.15 years. The Holding duration was 1.04 years due to the liquidity suitably held in the portfolio.

The fixed rate and floating rate components of the bond portfolio stood at 80.8% and 19.2% respectively. The government component accounted for approximately 79% of the bond portfolio whilst the corporate component accounted for the remaining 21%, split into 16.1% financial and 4.9% industrial credit. Italian government bonds accounted for 73.4% of the total bond portfolio.

92.8% of the bond portfolio was invested in securities with ratings higher than BBB-. 3% of the total were positioned in classes "AAA" to "AA-", while 5.7% of securities had a rating in the "A" class. The exposure to securities in the BBB rating class was 84.1%.

The liquidity component in the portfolio stood at €1.4bn, predominantly deposited with Group banks.

At 31 December 2014, Group **Investments and cash and cash equivalents** totalled €79,985m (€74,109m at 31/12/2013), with the following breakdown according to type of business:

Investments and cash and cash equivalents -Breakdown by business segment					
Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Insurance	67,354	*84.2*	61,236	*82.6*	*10.0*
Banking	11,814	*14.8*	12,866	*17.4*	*-8.2*
Holding and Services	1,220	*1.5*	970	*1.3*	*25.7*
Real Estate	1,855	*2.3*	1,911	*2.6*	*-2.9*
Intersegment eliminations	-2,259	*-2.8*	-2,875	*-3.9*	*-21.4*
Total investments and cash and cash equivalents	79,985	*100.0*	74,109	*100.0*	*7.9*

The breakdown by investment category is as follows:

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Property (*)	4,010	*5.0*	4,129	*5.6*	*-3.2*
Investments in subsidiaries, associates and interests in joint ventures	178	*0.2*	189	*0.3*	*-5.8*
Held-to-maturity investments	2,238	*2.8*	2,933	*4.0*	*-23.7*
Loans and receivables	14,658	*18.3*	16,300	*22.0*	*-10.1*
Debt securities	4,414	*5.5*	5,295	*7.1*	*-16.6*
Loans and receivables from bank customers	9,006	*11.3*	9,752	*13.2*	*-7.7*
Interbank loans and receivables	338	*0.4*	353	*0.5*	*-4.2*
Deposits with ceding companies	31	*0.0*	35	*0.0*	*-12.8*
Other loans and receivables	868	*1.1*	864	*1.2*	*0.5*
Available-for-sale financial assets	48,378	*60.5*	39,934	*53.9*	*21.1*
Financial assets at fair value through profit or loss	9,849	*12.3*	9,787	*13.2*	*0.6*
held for trading	392	*0.5*	570	*0.8*	*-31.2*
at fair value through profit or loss	9,457	*11.8*	9,217	*12.4*	*2.6*
Cash and cash equivalents	674	*0.8*	837	*1.1*	*-19.5*
Total investments and cash and cash equivalents	79,985	*100.0*	74,109	*100.0*	*7.9*

(*) Including properties for own use.

Net gains on investments and financial income

The breakdown of net gains (losses) on investments and financial income and charges is shown in the table below:

Net investment income			
Amounts in €	31/12/2014	31/12/2013	*% var.*
Investment property	-104	-79	
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	-5	5	
Net gains on held-to-maturity investments	106	108	
Net gains on loans and receivables	42	76	
Net gains on available-for-sale financial assets	2,337	1,827	
Net gains on held-for-trading financial assets and at fair value through profit or loss (*)	-338	37	
Balance on cash and cash equivalents	5	10	
Total net gains on financial assets, cash and cash equivalents	2,043	1,984	*2.9*
Net losses on held-for-trading financial liabilities and at fair value through profit or loss (*)	2	17	
Net losses on other financial liabilities	-347	-340	
Total net losses on financial liabilities	-345	-323	*6.8*
Total net gains (*)	1,697	1,661	*2.2*
Net gains on financial assets at fair value (**)	513	353	
Net losses on financial liabilities at fair value (**)	-92	-61	
Total net gains on financial instruments at fair value (**)	421	293	
Total net gains on investments and net financial income	2,118	1,954	*8.4*

(*) excluding net gains and losses on financial instruments at fair value through profit or loss for which investment risk is borne by customers (index- and unit-linked) and arising from pension fund management

(**) net gains and losses on financial instruments at fair value through profit or loss with investment risk borne by customers (index- and unit-linked) and arising from pension fund management

At 31 December 2014, the following write-downs were booked to the income statement: write-downs of Loans and Receivables, attributable to banking activities for €428m (€514m at 31/12/2013) and write-downs due to impairment on financial instruments classified in the available-for-sale asset category for €58m (€73m at 31/12/2013). Investment property includes €41m in depreciation and €114m in write-downs (€53m and €61m, respectively, at 31/12/2013).

Shareholders' equity

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

Amounts in €m	31/12/2014	31/12/2013	*variation in amount*
Share capital	3,365	3,365	*0*
Other equity instruments	0	0	*0*
Capital reserves	1,725	1,725	*0*
Income-related and other equity reserves	-356	327	*-683*
(Treasury shares)	-36	-23	*-12*
Reserve for foreign currency translation differences	2	2	*0*
Gains/losses on available-for-sale financial assets	777	121	*656*
Other gains and losses recognised directly in equity	20	-25	*45*
Profit (loss) for the year	192	-79	*271*
Total shareholders' equity attributable to the owners of the Parent	5,691	5,414	*277*

The main changes in the period were as follows:
- decrease due to dividend distribution for €120m;
- a decrease of €488m due to the change in the share of participating interests in the UnipolSai Group after the merger into the former Fondiaria-SAI of Unipol Assicurazioni, Milano Assicurazioni and Premafin;
- an increase of €656m owing to the increase in the provision for gains and losses on available-for-sale financial assets, from €121m at 31 December 2013 to €777m at 31 December 2014;
- an increase of €45m owing to the increase in the provision for Other gains or losses recognised directly in equity;
- an increase of €192m as a result of the Group profit at 31 December 2014.

Shareholders’ Equity attributable to non-controlling interests amounted to €2,749m (€2,067m at 31/12/2013). The increase was due in particular to the change in the share of participating interests in the UnipolSai Group after the merger and to UnipolSai’s issue of the Convertible Loan recognised for €110m among shareholders’ equity items in accordance with IAS 32.15.
The profit for the period attributable to non-controlling interests amounted to €313m; additionally, dividends of €293m were paid to non-controlling interests.

Treasury shares

In 2014, programmes were launched for the purchase of ordinary shares of the Holding company Unipol (the “Shares”), resolved by the respective Boards of Directors of the following subsidiaries: UnipolSai, Unisalute, Linear, Arca Vita and Arca Assicurazioni, in the service of compensation plans based on financial instruments (performance share type), intended for the managers of the aforesaid subsidiaries. In detail:

<u>Unisalute</u> - The Unisalute Programme, resolved by the Board of Directors on 8 May 2014 - due to the authorisation for the purchase of shares of the Holding company issued, pursuant to Art. 2359-bis of the Civil Code, by the Shareholders’ Meeting of 24 April 2014, for a maximum period of 18 months and for a maximum spending limit of €500k – involved the purchase of a maximum number of 60,000 Shares (equal to approximately 0.014% of ordinary Unipol share capital).

On 24 June 2014 Unisalute purchased 55,000 Shares, for a total price of €230,152.43 (average price per share €4.1846).

Linear - The Linear Programme, resolved by the Board of Directors on 8 May 2014 - due to the authorisation for the purchase of shares of the Holding company issued, pursuant to Art. 2359-bis of the Civil Code, by the Shareholders' Meeting of 24 April 2014, for a maximum period of 18 months and for a maximum spending limit of €300k - involved the purchase of a maximum number of 20,000 Shares (equal to approximately 0.005% of ordinary Unipol share capital).

On 24 June 2014 Linear purchased 15,000 Shares, for a total price of €62,755.63 (average price per share €4.1837).

Arca Vita - The Arca Vita Programme, resolved by the Board of Directors on 12 May 2014 - due to the authorisation for the purchase of shares of the Holding company issued, pursuant to Art. 2359-bis of the Italian Civil Code, by the Shareholders' Meeting of 28 April 2014, for a maximum period of 18 months and for a maximum spending limit of €1m - involved the purchase of a maximum number of 84,000 Shares (equal to approximately 0.019% of ordinary Unipol share capital).

On 24 June 2014 Arca Vita purchased 84,000 Shares, for a total price of €351,377.59 (average price per share €4.1831).

Arca Assicurazioni - The Arca Assicurazioni Programme, resolved by the Board of Directors on 12 May 2014 - due to the authorisation for the purchase of shares of the Holding company issued, pursuant to Art. 2359-bis of the Civil Code, by the Shareholders' Meeting of 28 April 2014, for a maximum period of 18 months and for a maximum spending limit of €300k - involved the purchase of a maximum number of 19,600 Shares (equal to approximately 0.004% of ordinary Unipol share capital).

On 24 June 2014 Arca Assicurazioni purchased 19,600 Shares, for a total price of €82,008.50 (average price per share €4.1841).

UnipolSai - The UnipolSai Programme, resolved by the Board of Directors on 15 May 2014 - due to the authorisation for the purchase of shares of the Holding company issued, pursuant to Art. 2359-bis of the Civil Code, by the shareholders' meeting of 29 April 2014, for a maximum period of 18 months and for a maximum spending limit of €50m - involved the purchase of a maximum number of 4,200,000 Shares (equal to approximately 0.95% of ordinary Unipol share capital), allocated to service the compensation plan based on financial instruments (performance shares) for the years 2013-2015.

In December 2014 UnipolSai purchased 3,029,024 shares at an average price of €4.1514, for a total of €12,574,648.63.

Through these transactions, the aforesaid Companies completed their respective Programmes for the purchase of Holding company shares.

The first tranche of shares pertaining to the compensation plan based on financial instruments for the 2010-2012 time interval was assigned to Managers of the Unipol Group on 1 July 2014, therefore at 31 December 2014 Unipol held a total of 9,874,831 ordinary treasury shares. In detail:

- Unipol held 6,529,907;
- UnipolSai Assicurazioni held 3,175,902;
- Unisalute held 53,122;
- Linear Assicurazioni held 14,743;
- Arca Vita held 82,074;
- Arca Assicurazioni held 19,083.

At 31 December 2013, Unipol held a total of 6,955,000 ordinary treasury shares, of which 6,740,000 directly and 215,000 indirectly through its subsidiaries former Unipol Assicurazioni (175,000), former Fondiaria-SAI (24,000) and former Milano Assicurazioni (16,000).

Reconciliation statement for the Group result for the year and shareholders' equity showing the corresponding figures for the Parent

In accordance with CONSOB Communication 6064293 of 28 July 2006 the statement reconciling the Group result for the year and shareholders' equity, including the corresponding figures for the Parent, is shown below:

Amounts in €m	Share capital and reserves	Profit (loss) for the year	Shareholders' equity at 31/12/2014
Parent balances in accordance with Italian GAAP	5,713	167	5,880
IAS/IFRS adjustments to the Parent's financial statements	66	41	107
Differences between net carrying amount and shareholders' equity and profit (loss) for the year of consolidated investments, of which:	-2,036	524	-1,512
- Translation reserve	*2*		*2*
- Gains or losses on available-for-sale financial assets	*776*		*776*
- Other gains or losses recognised directly in equity	*0*		*0*
Consolidation differences	1,254	-36	1,218
Difference posted to other assets (property, etc.)	13	-2	11
Companies measured using the equity method			0
Intercompany elimination of dividends	478	-478	0
Other adjustments (securities, etc.)	11	-24	-13
Consolidated balances - portion attributable to the owners of the Parent	5,499	192	5,691
Non-controlling interests	2,436	313	2,749
Consolidated total	7,935	505	8,440

Technical provisions and financial liabilities

At 31 December 2014 technical provisions amounted to €61,895m (€56,875m at 31/12/2013) and financial liabilities totalled €15,459m (€16,041m at 31/12/2013).

Technical provisions and financial liabilities			
Amounts in €m	31/12/2014	31/12/2013	*% var.*
Non-Life technical provisions	17,636	18,583	*-5.1*
Life technical provisions	44,259	38,292	*15.6*
Total technical provisions	61,895	56,875	*8.8*
Financial liabilities at fair value	2,277	2,057	*10.7*
Investment contracts - insurance companies	1,608	1,582	*1.6*
Other	670	475	*41.0*
Other financial liabilities	13,182	13,985	*-5.7*
Investment contracts - insurance companies	7	26	*-71.4*
Subordinated liabilities	2,623	2,575	*1.8*
Payables to bank customers	5,717	6,096	*-6.2*
Interbank payables	796	1,258	*-36.7*
Other	4,039	4,030	*0.2*
Total financial liabilities	15,459	16,041	*-3.6*
Total	77,354	72,917	*6.1*

Unipol Group Debt

For a correct representation of the accounts under examination, information is provided below of financial debt only, which is the total amount of the financial liabilities not strictly associated with normal business operations. Therefore liabilities constituting operating debt, i.e. liabilities directly or indirectly associated with assets, are excluded.

Group debt structure (excluding net interbank business)			
Amounts in €m	31/12/2014	31/12/2013	*variation in amount*
Subordinated liabilities issued by UnipolSai	2,034	1,984	*49*
Subordinated liabilities issued by Unipol Banca	589	591	*-2*
Debt securities issued by Unipol Banca	2,714	2,136	*578*
Debt securities issued by Unipol	896	776	*120*
Other loans	132	839	*-707*
Total debt	6,365	6,327	*38*

With reference to the Subordinated Liabilities issued by UnipolSai, the main transactions carried out during the period were as follows:

- on 24 April 2014, issue of a Convertible Loan for a total of €201.8m, of which €67.5m subscribed by the Parent Unipol and converted into shares on 22 May 2014. Pursuant to IAS 32.15, the loan was recognised upon issue to increase Shareholders' Equity for its component attributable to instruments representing share capital, equal to an amount of €180.2m. The remainder, recognised under Financial Liabilities, had a residual value at 31 December 2014 of €9.6m, reduced owing to payment of the coupons due on the loan;

- on 18 June 2014, issue of a subordinated bond with indefinite maturity for a total nominal amount of €750m, with the simultaneous early repayment of subordinated loans with indefinite maturity disbursed in the past from Mediobanca to Fondiaria-SAI (now UnipolSai) and to merged entities Milano Assicurazioni and Unipol Assicurazioni for a total amount of €750m.

In application of the contractual clauses, on 11 September 2014 UnipolSai and Mediobanca signed an agreement to amend some Loan Agreements covering medium-term subordinated loans amounting to €700m. This agreement provides for the amendment of several economic terms, including payment by way of compromise, of an annual indemnity equal to €71.5 basis points, in the form of spread in addition to that originally provided for in the Loan Agreements, thereby raising the total spread from 180 to 251.5 basis points. Please note that the additional cost for 2014 was €5m.

Debt securities issued by Unipol, net of intragroup subscriptions, for €896m (€776m at 31/12/2013) relate to two senior unsecured bonds listed on the Luxembourg Stock Exchange, with a total nominal value of €898m (nominal value of €750m at 31/12/2013). The increase compared to 31 December 2013 is attributable to the Partial Exchange Offer of the senior unsecured notes due in January 2017 carried out on 5 March 2014.

The outstanding debt securities issued by Unipol Banca amounted to €2,714m (€2,136m at 31/12/2013). This increase is the result of certain transactions with institutional investors carried out by the bank with a view to extending the average duration of liabilities.

With regard to Other loans, totalling €132m (€839m at 31/12/2013), €112m refer to the loan stipulated by the Closed-End Real Estate Fund Tikal R.E. with Mediobanca acting as Agent Bank (amount unchanged compared to 31/12/2013).

The reduction in Other loans is mainly due to the following transactions:

- extinction for €379m of the former Premafin loan concerning the "Amended Post-Integration Loan Agreement" (€340m), the "GE Capital Agreement" (€39m), transactions planned from the start as part of the Merger and included in the rescheduling plan for Premafin debt entered into with the lending banks, subject to the effectiveness of the Merger. Specifically:
  - on 24 April 2014 €202m were repaid, with the concomitant issue of a convertible loan of the same amount;
  - on 7 August 2014 the other €178m were extinguished in advance (of which €138m were to fall due in 2018 and €39m in 2020);
- expiry of the loan repurchase agreement of the former Unipol Assicurazioni for approximately €104m;
- repayment by Marina di Loano of the loan agreement entered into with Intesa Sanpaolo as Agent Bank for about €48m;
- repayment by the former Finadin, now incorporated in UnipolSai Finance (formerly Smallpart) of the two loan agreements entered into with Banca Popolare di Milano and Banco Popolare for a total carrying amount of about €12m.

Other information

Human Resources

The total number of employees in the Group at 31 December 2014 was 14,223 (-1,007 compared with 2013).

Human Resources			
	31/12/2014	31/12/2013	*variation*
Total number of Unipol Group employees	14,223	15,230	*-1,007*
of which on a fixed-term contract	*401*	*398*	*3*
Full Time Equivalent - FTE	13,563	14,516	*-953*

This includes 111 seasonal staff of Atahotels at 31 December 2014 (72 at 31/12/2013), and foreign company employees (1,408) include 597 agents.

The reduction of 630 employees is due to adherence to the Solidarity Fund pursuant to the trade union agreement of 18 December 2013 and to the Call for Retirement, while 470 employees were transferred to Allianz as part of the disposal of insurance assets of the former Milano Assicurazioni.

The management of human resources based on corporate social responsibility focuses on individuals, paying particular attention not only to them as employees but also to the various requirements of their entire professional lives, by developing, inter alia, supplementary welfare benefits able to adequately meet the new requirements both for products and services.

Group company employees, holding managerial and non-managerial functions, can become members of both a Pension Fund and a Welfare Fund. Various funds and assistance schemes are offered simultaneously, based on the sector and company of origin.
This commitment is enriched with a constant and continuous activity of offering services for a better work-life balance, “Noi Unipol”, to support management of the time and resources of those working in the Group.

Social and environmental responsibility

Sustainability governance

In order to ensure integration between the business strategy and sustainability values of the Group, Unipol has at its disposal an ethical and social responsibility governance structure, with the department as a direct staff unit of the Chairman, with a guiding and supervisory role on behalf of the Board of Directors and whose objective is to develop and manage the sustainability strategy and coordinating reporting and communications on CSR projects and initiatives.

Within the Board of Directors, the committees set up as part of the Corporate Governance Code include the Sustainability Committee, which simultaneously performs the function of Ethics Committee. This Committee carries out investigations, makes suggestions and provides advice on preparations for meeting all the Group's Sustainability targets.

The person responsible for promoting the Code of Ethics and applying it properly is the Head of Ethics, whose task is, together with the corporate structures, to raise awareness of the values and principles of conduct defined by the Code, and to collect and report information about alleged infringements of the Code. The Ethics Report, which summarises the activities carried out, is published annually as part of the Sustainability Report.

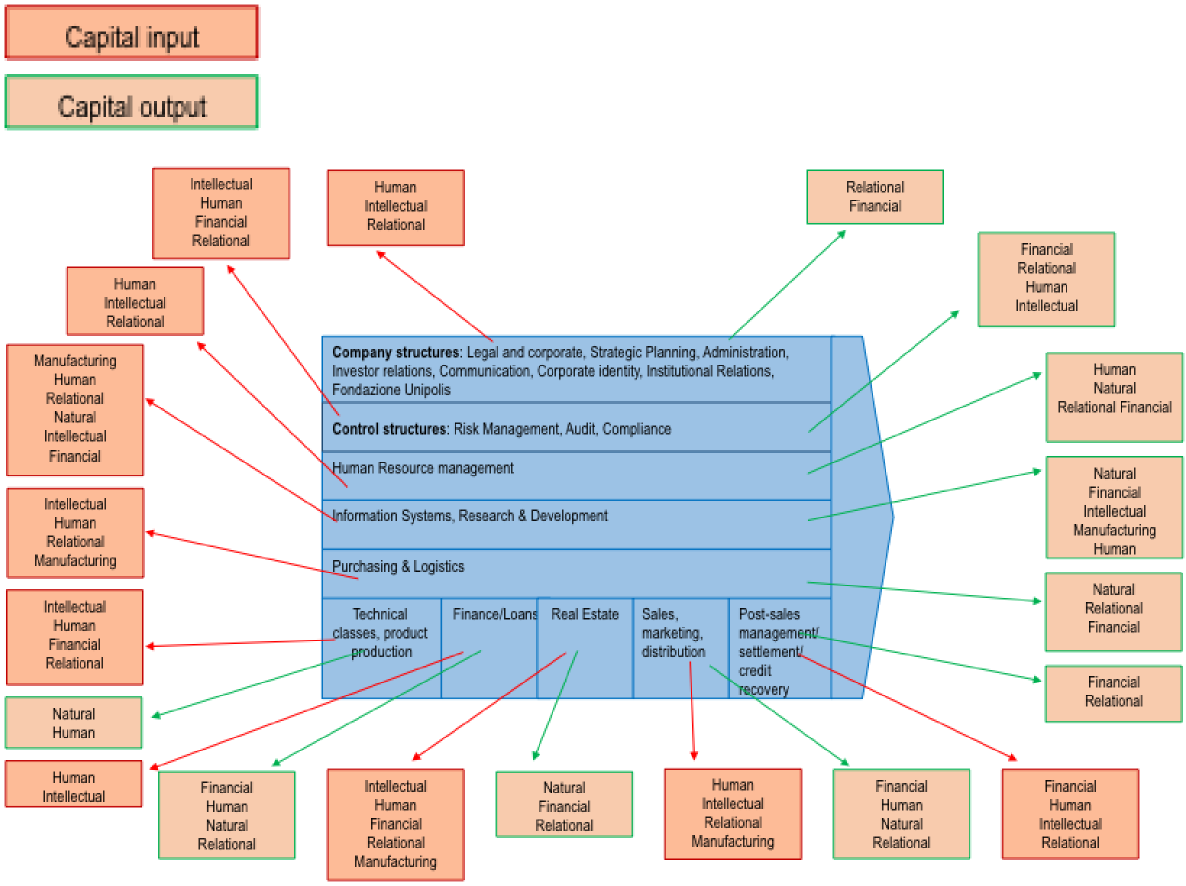
The Chief Executive Officer, supported by the Group Management Committee has the job of approving the strategic objectives, actions and subsequent budget commitments.

Unipol's business model

The decision has been taken to represent Unipol's business model using the value chain, based on the model developed by Michael Porter, as it is a tool that clearly highlights the most important functions that characterise the insurance business. The challenge for Unipol is developing these functions in order to create sustainable value over time and for the benefit of all its stakeholders.

The diagram below shows which forms of capital[2] Unipol values by developing its corporate business and which benefits it generates for shareholders, customers, the community, the environment and all key references.

Forms of capital input and output in the Unipol Group's value production processes



[2] As per the model defined by IIRC (International Integrated Reporting Council) http://www.theiirc.org/international-ir-framework/

Company functions	Capital input	Capital output
Company structures: Legal and corporate, Planning, Administration, Investor relations, Communication, Corporate identity, Institutional Relations, Fondazione Unipolis	Human and Intellectual: strengthening and dissemination of the Group's values and their encoding into governance and control processes, employee skills and knowledge Relational: relations with ratings companies and investors, supervisory authorities, economic contributions to the local communities	Relational: transparency and correctness of stakeholder relations, support for a widespread quality of life and social equity, promotion of culture and legality Financial: increasing capital strength, capitalisation support
Control structures: Risk Management, audit, compliance	Intellectual: pre-application for the Internal Model, Risk Appetite Framework and platform for solvency ratio calculation, internal control system, dedicated processes and software Human: encoding of the Group's values in governance and control processes, employee skills and knowledge Financial: loans, reserves, capital Relational: relations with universities and research bodies, relations with ratings agencies, relations with national and international industry networks, relations with supervisory authorities.	Financial: increasing capital strength, capitalisation support and correct allocation Relational: monitoring of intangible aspects related to the reputation with various stakeholders, transparency and fairness in relations with stakeholders, Human: spreading of a risk and control culture Intellectual: model and process innovation
Human Resource management	Human: sharing and dissemination of the Group's values, professional and managerial training, employee skills and knowledge Intellectual: skills and potential evaluation tools Relational: relations with all levels of the organisational structure, trade union agreements, institutional, social and industry representation, relations with the Universities	Human: growth in skills and people Natural: reduction in resource consumption, fossil fuels and emissions Relational: corporate social responsibility and company welfare Financial: greater operational efficiency
Information Systems, Research & Development	Manufacturing: Data Processing Centre, technologies and infrastructures Human: employee skills and knowledge Relational: innovation and university networks Natural: energy Intellectual: IT Lab experimentation centre Financial: investments	Natural: dematerialisation of internal management processes, reduction in resource consumption and emissions produced Financial: greater operational efficiency Intellectual: product innovation, process innovation Manufacturing: data processing centre with certification of efficiency and reliability (Tier 4) Human: people empowerment
Purchasing & Logistics	Intellectual: suppliers' register, business travel systems, MANEM[3], multi-catalogue Human: employee skills and knowledge Relational: Partner Day Manufacturing: electric cars, electric bicycles	Natural: forest protection, reduction of resource consumption and pollution Relational: better knowledge and closer, longer-lasting relations with suppliers, promotion of the culture of legality Financial: greater operational efficiency
Technical classes, product construction	Intellectual: product construction procedures, databases, risk assessment models Human: employee skills and knowledge Financial: portfolio value and features, capital funding value and features Relational: relations with universities and research bodies	Human: welfare support, protection of purchasing power Natural: promotion of green economy
Finance (insurance)/Loans (banking sector)	Human: employee skills and knowledge Intellectual: investment policy, credit policy	Financial: financial strength, balance between medium- and long-term risk and return Human and natural: investment rating based on ESG criteria[4], ethical pension funds, microcredit Relational: support for regional development (banking sector)
Real Estate	Intellectual: LEED certification for building environmental compatibility, 50001 certification, internal management systems and consumption monitoring	Natural: reduction of water and energy consumption and emissions, obtainment of white certificates[5]

[3] closed cycle supplier management IT system
[4] ESG, Environmental Social & Governance
[5] Energy efficiency certificates produced

	Human: employee skills and knowledge Financial: capital Relational: SGR (asset management companies) and other strategic partnerships Manufacturing: portfolio properties	Financial: greater resource profitability Relational: qualification of urban space, well-being of working environments
Sales, marketing, distribution	Human: employee skills and knowledge Intellectual: agency network training, agency technical support personnel Relational: Agency network, Corporate Agencies, Social Organisations and Regional Unipol Councils, Conventions Manufacturing: FEA[6], digital tools, Home Insurance, Home banking and on-line banking	Financial: profitability Human: agent qualification Natural: reduction in resource consumption Relational: improvement in the service to agents and customers
Post-sales management, settlement/credit recovery	Financial: provision management Human: employee skills and knowledge Intellectual: Proprietary business IT systems, multichannel access for customers, black box platform Relational: network of advisors, trustees and process of channelling claims to the contracted body shops, doctors involved in claims handling	Financial: profitability Relational: customer satisfaction

Sustainability activities

With the launch of UnipolSai, 2014 was characterised by action to disseminate and consolidate the objectives and sustainability policies of the new company, with a particular focus on implementation of the 2013-2015 Sustainability Plan published during the summer.
The Plan is divided into 10 Policies, each of which associated with a quantitative objective to be achieved by the end of the Plan, monitored and reported on a half-yearly basis and disclosed to the public through the sustainability website. The Policies are essentially made up of 48 actions and over 100 indicators for monitoring progress and efficiency, the result of participation by the working groups responsible for preparing the Integration Plan, following discussions with the Directors, all heads of department and Top Managers.
The Sustainability Plan was initially approved by the Board of Directors, after which it was presented at six meetings held in the Group's major cities of operation (in addition to Palermo).
With regard to reporting and with a view to better responding to the expectations of stakeholders, particularly investors and the rating agencies dedicated to SRI (Social Responsible Investing) finance, it was decided to prepare two Sustainability Reports.

The Sustainability Report of the Unipol Group was fully reviewed in structural terms in accordance with GRI4 standard and reorganised by consolidation scope, introducing description sheets for the main investees. The process for defining the materiality matrix was launched, with the involvement of all managers and heads of department in the identification of matters strategic to the organisation and with the direct engagement of the major stakeholders to define their priorities. Over the next few years the matrix will be fine-tuned with the gradual involvement of all stakeholders, and will become an integral part of the Emerging and Reputational Risks Monitor. This Report was subject to assurance from the independent auditors PWC in accordance with GRI4 Standard.

The Sustainability Report of UnipolSai, which illustrates the insurance business activities and the main economic, environmental and social performance indicators. In UnipolSai's first year of operations this was a Zero Report, which provides an overview of the situation at 31 December 2014.
During the year the dedicated sustainability website, especially constructed last year, was constantly updated on activities relevant to the development of Group sustainability, as were the respective pages of the company websites.

[6] Advanced Digital Signature

In order to strengthen commitment to environmental sustainability, a multi-year Protocol was signed in 2014 with Legambiente, which sees the two entities working side by side in the Bellezza Italia campaign to undertake restoration and revitalisation of neglected areas of Italy with a view to handing them over to the local communities on completion. Last year, works were completed in Paestum, building a path linking the archaeological site - a 7th century B.C. Greek settlement - with the protected dune grassland.

To enhance its social role, an education project was launched to identify, manage and prevent risk with the aim of improving awareness of these issues and of insurance solutions and tools available to individuals, particularly young people. The column "Conoscere l'assicurazione" was launched, with the fortnightly publication of in-depth articles on insurance topics, and the pilot project in a number of schools of the educational programme on life situations "*I casi della vita*". At the same time, the Group initiated a means of further studying the impact of the spread of gambling in Italy's production and cultural fabric.

The sustainability department also performed a support role for company departments in the development of specific projects with a high social or environmental value, in particular:

- the Unipol Climate project, whose objective is to help the Italian population and companies to become more resilient to climate change, by offering the necessary insurance coverage and also assistance services and incentives for good conduct, has been developed. This was the result of the year's work on a Position Paper on this issue and a three-year plan of action;
- the creation of the UnipolIdeas "incubator" project, a platform for promoting entrepreneurship and innovation in young people and all those with ideas and projects for contributing to the country's sustainable growth. 2014 saw the launch of a social innovation tender which led to an intensive two-month acceleration for eight start-ups, followed by investment in some of these. At the end of the year the commitment was strengthened with the creation of UnipolSai FutureLab to provide crowdfunding support for innovative start-ups in the fields of mobility, sharing economy, culture and the environment;
- the setup of an Emerging and reputational risks monitoring centre for the Unipol Group led this year to the identification of materiality issues for the sector and for the group, through the application of meeting points that were later merged into the materiality matrix;
- the company welfare programme, NoiUnipol, became fully operational in Bologna, which led to the activation of "free time" and family support services for employees to help them best manage their work-life balance, and extension to the other Group offices has begun;
- a number of initiatives were organised by the company volunteer groups at the main offices: food collections, food parcels in partnership with the Stop Hunger Now association, and participation in the *"Puliamo il Mondo"* initiative with Legambiente;
- sustainability certification was extended to UnipolSai life insurance investment products;
- to improve supplier chain monitoring, rating requirements in relation to legal status were introduced to the suppliers register.

Lastly, it is important to highlight that the Sustainability Committee of the Board of Directors examined and evaluated the path taken throughout the entire year, and issued its judgments on the process adopted and on the main sustainability decisions taken by the Group.

Group sales network

In order to support the activities of the Group's sales network, training courses were held in 2014 for the entire sales network, aimed at both meeting training obligations, and, in particular, at enhancing the skills of its intermediaries.

In line with the objective of devising increasingly exhaustive educational tools and more in keeping with the actual needs of users, all training courses were developed using methods differentiated by level of technical depth and type of sales approach. The methods adopted were distance-learning courses and traditional classroom-based training. The first method permits a prompt authorisation of the intermediation of products already on sale and of newly marketed ones, as well as updating in accordance with industry legislation.
In 2014, a total of 205,782 hours were provided for agencies, which involved 70,259 participants. For the secondary network, 2014 saw a total of 815,645 hours provided, involving 298,867 participants. A total of 49,809 hours were provided for Corporate Agencies, which involved 18,093 participants.
As regards the contents, in addition to legislative and product updating, the managerial training was again offered, enriched with technical training on the use of digital tools.

UnipolSai Group: with regard to the Group's main company, at 31 December 2014 a total of 3,595 agencies were in operation (at 31/12/2013 the agencies numbered 4,449, of which 1,412 former Unipol Assicurazioni and 3,037 of the former Fondiaria-SAI Group). These employed 5,522 agents (5,881 at 31/12/2013).
The reduction since the beginning of the year is particularly due to the transfer of 725 agencies with 950 agents to Allianz as part of the disposal of the insurance company business described above. However, please note that these agencies are continuing their activity for UnipolSai only for handling the Life and Bonds business, which is not part of the transfer perimeter.
UnipolSai Assicurazioni also placed Life products through the branches of Unipol Banca.

The leading bancassurance companies of the Group placed their products through the following sales networks:
- Popolare Vita and The Lawrence Life through the sales network of Banco Popolare Società Cooperativa and Banca Aletti;
- Bim Vita through Banca Intermobiliare, Banca Ipibi and Cassa di Risparmio di Fermo;
- Incontra through Unicredit Group.

Arca Group: at 31 December 2014 there were no longer any agency mandates (at 31/12/2013 the number of active agencies was 16). The number of bank branches declined from 2,448 in 2013 to 2,430 at 31 December 2014.

Linear: operates in MV business by telephone (call centre) and via the internet.

Unisalute: operates in health and assistance mainly by means of group policies with businesses that require specific areas of expertise. The company has a specialist department for this type of work, which operates directly or in collaboration with brokers and agencies. In the case of individual policies Unisalute operates through a network of 162 agencies (157 in 2013), all with a UnipolSai mandate, and through the direct marketing channel by telephone and via the internet.

Unipol Banca: in 2014 a total of 5 branches were closed due to grouping within the same area of operations and surrounding areas, whilst 4 new branches were added from the merger of Banca Sai. At 31 December 2014 the distribution network comprised 291 bank branches (292 in 2013, plus 4 former Banca Sai branches), of which 153 integrated with insurance agencies (157 in 2013), 344 financial advisors (229 in 2013, plus 132 advisors from the former Banca Sai) and 1,805 agency points of sale authorised to sell banking products (1,567 in 2013).

Customers

The Unipol Group believes customer service is fundamental and key element of company business. For this reason, it interacts with its customers in a structured manner, using its range of products and services to meet a growing number of requirements, both insurance and banking, and dedicating itself to experimenting with innovative sales channels.
The two most critical aspects that emerge in relations with the customer in terms of insurance, banking and financial services are the completeness of information and distribution of costs. As regards the first matter, Unipol has been working for many years to reduce the information imbalance that characterises the relationship between companies and policyholders, by offering a more personalised customer offer, improving information booklets and developing supplementary channels. On the other hand, work continued on portfolio selection and rationalisation, by assessing it with great care, leaving certain market segments and investing in the development of the claims settlement structure, thereby ensuring that claims are settled sufficiently quickly.

The most innovative products offered to customers by way of support in this difficult economic climate include the division of car policy payments into zero-rate instalments, which reached 9.8% of new business, added to which was the option for SMEs of paying for building and accident policies in instalments. To this end, the possibility continued of adding "*salvapremio*" (save premium) and "*salvabenessere*" (save well-being) guarantees to traditional car and home insurance policies.

In seeking to respond adequately to new needs expressed by Group customers and/or the market and, at the same time, strongly promote the adoption of new virtuous conduct in consumers, the Group developed and offers a number of products that are particularly valid in social and/or environmental terms.
By their nature, all insurance products have a certain social value, in that they constitute a response to the welfare and protection needs of customers. As regards Life protection business, among the products with a particularly high social validity are the "*Temporanea Caso Morte UnipolSaiSmart*" guarantee, "*UnipolSai Risparmio Giovane*" and "*UnipolSai Autonomia*".
Of particular social and environmental importance in Non-Life protection business are:

- the "*Terremoto*", "*Salvapremio*" and "*Salvabenessere" guarantees*,
- specific forms of compensation services for businesses, monthly splitting and zero-rate financing of MV and Non-MV products,
- the "Attività Smart" products, particularly the offer for start-ups and those with newly-acquired VAT registrations, Health business and photovoltaic plant protection products.

In 2014 companies in the Unipol Group as a whole recorded a 3% decrease in insurance customers, which numbered 9.9m, excluding Unisalute policyholders.

Main environmental impacts

The environmental impacts connected with the Group's activities are classified, according to internationally adopted methods, into direct and indirect impacts. The former concern the activities carried out directly or controlled by Group companies, while the latter derive from activities related to and functional in the Group's core business, but which do not depend on company control.

As regards direct impacts, improvement activities focused in particular on cutting energy consumption, and, subsequently, greenhouse gas emissions, water consumption, waste production, and on reducing the consumption of paper. For consumption that could not be reduced further, the Group's commitment targeted the promotion of virtuous practices and conduct that help to reduce overall environmental impact, for example the purchase of only FSC (Forest Stewardship Council) certified paper, the promotion of separate waste collection in offices, etc. For each area of intervention, the different Group companies have defined their own policies, targeted as much at monitoring the impacts in a structured manner, as reducing them. At the end of this process, management identified the concrete actions to be taken in order to intervene in the areas identified and implement the policies selected.

Waste generated by Group activities refers mainly to office material. In recent years, a significant initiative has been undertaken to reduce the production of waste and for differentiation in the collection and disposal process. Waste is now collected with differentiated methods: toner and materials for printers, office paper, cans and plastic (mainly from vending machines located in the different office refreshment areas) and sanitary waste from infirmaries located in the Group's facilities.
In order to reduce the use of materials, the Group implemented a process of dematerialisation both for internal processes and on the customer side. In this regard, the Group extended the option of using Digital Electronic Signatures to agencies, whilst Unipol Banca continued to transmit communications solely on-line for client companies in the corporate segment and *MyUnipolBanca*, which provides exclusively digital services, was enhanced.

In terms of real estate, 2014 saw improved energy consumption monitoring of properties owned by the diversified companies, and ISO50001 energy certification was obtained on four instrumental properties. At the end of the year, Leed Gold certification was also awarded to the hotel owned by the Group and managed by AtaHotels, which completes the complex in Via Larga, Bologna, where the Torre home to Linear and Unisalute had already obtained certification. The construction of the Group's new single Data Processing Centre, characterised by a significant reduction in energy consumption, was completed, guaranteed by the TIER4 certification which ensures high performance, quality and safety.

CO_2 Emissions [tCO2 eq] - Unipol Group	
Scope 1 [7]	1,031
Scope 2	17,638
Scope 3	6,915
Total	25,584

[7] Scope is a technical definition associated with emissions regulations. The scopes are reporting areas that identify 3 different levels of the company's "control" of emissions.
Scope 1: direct and point source emissions (e.g. chimneys)
Scope 2: direct but not point source emissions (e.g. purchased energy)
Scope 3: indirect emissions (e.g. employee travel)

With regard to direct impact, work continued on employees' home-work travel, promoting car pooling through a dedicated portal, with incentives to use public transport through economic contributions for those purchasing an annual subscription and from 2014, as a pilot project at the Bologna offices, the introduction of bike sharing with electric bicycles made available to employees. Activities are also continuing aimed at raising supplier awareness and providing with them information through the Sustainability Partner community, as well as the introduction to the register of suppliers of requirements regarding their environmental and social impact and the management process adopted to reduce and/or mitigate it.

IT services

In line with plans, 2014 saw the continuation of activities covered by the 2013-2015 Three-year Plan by the Group's IT Services.

With reference to **UnipolSai**, following the merger at the beginning of 2014, the unification plans were completed for the merged companies as regards the IT platforms for the Administration, Accounts, Management and Budget Control, Finance and Treasury, Risk Management, Anti-Money Laundering and Complaints departments. In addition, the following main activities were undertaken:

- Non-Life Systems: procedures were implemented during the year for the migration from the Non-Life systems of the former Fondiaria-SAI to the target Essig Non-Life systems, and September saw the start of the gradual migration of former Fondiaria-SAI agencies to the Group non-life system.
- Life Systems: after consolidation to the single Essig Life system of old systems still in use by the former Unipol Assicurazioni divisions, action began during the year to migrate the individual policies of former Fondiaria-SAI divisions, due for completion by the end of 2015.
- Claims Systems: 2014 saw the completion of development of the new claims system and the new integrated trustees portal, and the release was successfully performed and according to deadlines across the entire adjusters network of the former Unipol Assicurazioni (over 5,000 human resources already online). Completion of the migration of business claims and the release of a number of special insurance business functions is due in the first few months of 2015. Activities will also begin to extend availability of the new claims system to the agencies and adjusters network of the former Fondiaria-SAI and for the opening of new claims.
- Processing centre unification and construction of the new Data Centre: insourcing of the infrastructures and personnel of UnipolSai Servizi Tecnologici was completed during the year, allowing removal of the outsourcing service and a major economic saving. Construction works are in the final stages on the new Data Centre, to which systems currently hosted by multiple Group offices will be migrated. As a result of the design techniques and innovative technology adopted, the new Data Centre obtained TIER IV certification which makes it an international leader in terms of security, structural reliability and energy efficiency.
- Automation of the agency networks: work began in 2014 on the automation of UnipolSai agencies and sub-agencies (5,581 points of sale to be automated) in accordance with a new unified agency architecture that standardises operating methods and introduces latest generation technology through the supply of over 19,000 new integrated multimedia workstations that allow agency personnel to work online in paperless mode and make use of new advanced digital signature functions, alternative storage and direct links to the Company's geographic network. The installation and activation of the new infrastructure was completed for the former Unipol Assicurazioni network and is continuing for the former Fondiaria-SAI/Milano Assicurazioni network in parallel with the migration to the operational target systems.
- Transfer of insurance assets: the project to transfer insurance assets of the former Milano Assicurazioni became a major commitment for the Systems Division in 2014, with regard to preparation of the assets for the operational start-up in Allianz of the 725 agencies transferred, migration of the portfolio transferred

and planning of an IT service to Allianz as operations support for 2015 regarding the MV portfolio transferred.

Activities were also implemented to port a further 23 companies of the former Fondiaria-SAI Group (insurance, real estate and financial companies) to the central SAP accounting system with effect from 2015.

The activities described, however, did not block ordinary business operations in support of profitability and commercial activity (8 new MV TPL/Land Vehicle Hull tariffs, around 30 portfolio rebuilding actions, 3 new converging Non-MV products and approximately 15 sales campaigns) or upgrading activities resulting from the continuous regulatory developments.
Various technology innovation activities were also completed which allowed the introduction of new services such as advanced digital signatures (already in operation at 8,000 "signing" points), alternative document storage, the new multi-quote calculator for general classes and the new agency intranet.

In terms of innovation, as part of the Group's IT Services Division a special ICT Innovation Lab was also set up, dedicated to research and testing of innovative ICT technology within the Group, which began looking into advanced monitoring systems for web-based and social media-based activities and big data analysis and management with a view to fraud prevention and the marketing aspects of Advanced Business Capability Development.

With reference to other Group companies, the following should be noted:
Linear Assicurazioni: optimisation continued of the web issue and call center, portfolio quality control and customer retention management processes, and claims channelling began on the Auto Presto e Bene (AP&B) and MyGlass network.
Unisalute: the project was launched for renewal of the institutional website and optimisation of links to the main supplier systems. The refactoring of the health services booking app was completed, integrated with development of the new UnipolSai app with use also extended to windows-phone devices. Unisalute and UnipolSai health claims management systems were integrated and the necessary IT procedures for launch of the service agreement with Allianz, planned for 2015 as part of the business unit transfer, were developed.
Unipol Banca: the technology refresh of the IT infrastructure of the branches and head offices was completed, leading to the replacement of around 3,000 workstations. November saw the merger of Banca SAI into Unipol Banca, with same-time upgrading of the bank and head office infrastructures of the former Banca SAI to Unipol Banca standards.
Finitalia: the systems enhancement and integration with UnipolSai applications was completed for the extension of financing services for policy payments.
Auto Presto e Bene and MyGlass: the integration with Unipol Group applications was completed for the use of Auto Presto e Bene and MyGlass channelling and provisioning services in managing Group claims, together with the operational consolidation of MyGlass. Projects were launched for upgrading to the new release of the ERP system management component and for the adoption of the SAP platform for accounting, the completion of which is planned during 2015.
Arca Group: review and upgrading of the IT systems architecture continued for Life and Non-Life sales via bank branches, with greater emphasis on integration with the various distributor bank applications. Creation of the new contact center management platform began for support to the banking sales network and to end customers, completion of which is expected by the middle of 2015.
Atahotels: work was completed on the design and implementation of the new hotel IT system.
Marina di Loano: IT activities were carried out to improve port control and provide ICT services for the new Molo Grandi Navi (large vessels wharf).
Tenute del Cerro: insourcing of the ICT infrastructure and implementation of the new administrative and production management ERP system were completed.

Transactions with related parties

The “Procedure for the performance of transactions with related parties” (the “Procedure”), prepared in accordance with Art. 4 of Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments, was approved by Unipol’s Board of Directors on 11 November 2010 and then amended on 22 December 2011 and 15 May 2014 (with effect from 1/6/2014), subject to prior opinion in favour from the Committee of Independent Directors. The Procedure is published on Unipol’s website (www.unipol.it), in the section Corporate Governance/Related party transactions.
The Procedure aims to define the rules, methods and principles for ensuring transparency and substantive and procedural fairness of transactions with related parties executed by Unipol, either directly or through subsidiaries.

No transactions “of major relevance” with related parties took place in 2014 and neither did any transactions that, according to Art. 2427, paragraph 2 of the Civil Code, had any significant effect on the Unipol Group’s financial position and results of operations.

The main transactions “of minor relevance” carried out during 2014 are listed below

Merger of Banca Sai into Unipol Banca

The merger by incorporation of Banca Sai (a 100% subsidiary of UnipolSai) into Unipol Banca (an associate with a 32.25% interest held by UnipolSai and 67.75% by Unipol) falls within the broader process of integrating Unipol and Fondiaria-SAI insurance groups following the Unipol’s acquisition of the latter and, in line with the 2013-2015 Business Plan of the Unipol Group, it is aimed at rationalising the work of the Group’s banking business through the creation of a single Banking Group.
In accordance with the current Procedure, this qualifies as a Transaction of Minor Relevance with Related Parties.

Put and call option on Unipol Banca shares

As part of the Merger, on 31 December 2013 Unipol granted UnipolSai a put option on the interest formerly held by the merging company Unipol Assicurazioni in Unipol Banca, equal on that date to 32.25% of its share capital, to be exercised on expiry of the fifth year after the statutory effective date of the Merger (6/1/2014), at a price no lower than the present carrying amount of said interest, i.e. approximately €332m (thus increased from the previous year as a result of the pro-rata subscription on 25/6/2014 of the capital increase resolved by the investee on 23/4/2014). In view of the above, UnipolSai granted Unipol a corresponding call option on said interest, at the same price, but providing Unipol with the possibility of exercising the option for the entire period running between the statutory effective date of the Merger and the expiry of the fifth year after said date.
The merger of Banca Sai into Unipol Banca became effective on 3 November 2014. The put and call option rights were not extended to shares issued to serve the merger with Banca Sai and assigned to UnipolSai. Therefore at 31 December 2014 the put and call options referred to 246,726,761 Unipol Banca shares, corresponding to 27.49% of the investee’s share capital

Resolution to transfer a 51% interest of the share capital of UnipolSai Investimenti SGR (former SAI Investimenti SGR) to Unipol

In execution of the request of Bank of Italy aimed at bringing the setup of the Unipol Banking Group into line with the new regulations on banking groups pursuant to Bank of Italy Circular no. 285 of 17/12/2013, on 13 November 2014 the Board of Directors of Unipol and UnipolSai approved, subject to obtainment of the required legal authorisations, the transaction to transfer 51% interest of the share capital of the company UnipolSai Investimenti SGR from UnipolSai to Unipol.

Classified as an intercompany transaction pursuant to ISVAP Regulation no. 25 of 27 May 2008, the transaction is subordinate to the approval of IVASS.

The information required by IAS 24 and Consob Communication DEM/6064293/2006 is contained in paragraph 5.6 - Transactions with related parties in the Notes to the financial statements.

Report on corporate governance and ownership structures pursuant to Art. 123-*bis*, Legislative Decree no. 58 of 24 February 1998.

The information required by Art. 123-*bis* of Legislative Decree 58 of 24 February 1998 and amended by Art. 5 of Legislative Decree 173 of 3 November 2008, is contained in the annual report on Corporate Governance, approved by the Board of Directors and published, together with the management report, in accordance with Art. 89-*bis* of the Regulation adopted by Consob in its Resolution no. 11971 of 14 May 1999 and with Section IA.2.6. Instructions on the Regulation of Markets organised and managed by Borsa Italiana SpA.

The annual corporate governance report is available in the "Corporate Governance" Section on the Company's website (www.unipol.it).

Significant events after the reporting period

Transfer of 20% interest of UnipolSai Investimenti SGR from UnipolSai to the company Immobiliare Grande Distribuzione - IGD

Following an investment agreement signed on 7 August 2014 by UnipolSai and Immobiliare Grande Distribuzione - Società di Investimento Immobiliare Quotata S.p.A. ("IGD") covering, among other things, a planned partnership to achieve common business objectives, on 28 January 2015 UnipolSai transferred 20% interest of the share capital of UnipolSai Investimenti SGR (100% held by UnipolSai) to IGD. The Bank of Italy authorised the transfer with a Measure dated 2 December 2014.

Approval for the mandatory conversion of Class A and Class B savings shares into ordinary UnipolSai shares

On 26 January 2015, the UnipolSai Assicurazioni S.p.A. ("UnipolSai" or the "Company") Extraordinary Shareholders' Meeting approved the mandatory conversion of Class A savings shares ("Class A Savings Shares") and Class B savings shares ("Class B Savings Shares") into ordinary UnipolSai shares (the "Conversion"), in accordance with the following conversion ratio:

(i) 100 ordinary shares, with normal dividend rights, for each Class A Savings Share, without equalisation payment;
(ii) 1 ordinary share, with normal dividend rights, for each Class B Savings Share, without equalisation payment.

The Special Shareholders' Meeting of holders of Class A Savings Shares and the Special Shareholders' Meeting of holders of Class B Savings Shares met on 27 January 2015 and approved, to the extent of their respective powers, the resolution passed by the Extraordinary Shareholders' Meeting of 26 January 2015 with regard to the Conversion, pursuant to Art. 146, paragraph 1, letter b) of Legislative Decree no. 58 of 24 February 1998.

With the measure issued on 5 March 2015, pursuant to Art. 196, Legislative Decree no. 209 of 7 September 2005 and IVASS Regulation no. 14/2008, IVASS authorised the statutory amendments arising from the Conversion ("IVASS Authorisation"). After the IVASS Authorisation was obtained, the Company recorded the shareholders' meeting resolutions at the Bologna Register of Companies on 12 March 2015, from which date the 15-day period started - still in progress on the date of this Report - by when the holders of Class A Savings Shares and the holders of Class B Savings Shares who contributed toward the approval of the Conversion may exercise withdrawal pursuant and consequent to Art. 2437, paragraph 1, letter g) of the Civil Code.

The redemption value of any Savings Shares withdrawn was calculated at €228.272 for each Class A Savings Share and at €2.238 for each Class B Savings Share.
The Conversion will take effect subject to the circumstance that the total value of the shares for which the right of withdrawal is exercised does not exceed €30m separately for the Class A Savings Shares and for the Class B Savings Shares.
If the amount of withdrawals does not exceed the thresholds stated above at the end of the period for exercising the right of withdrawal (i.e. the Company has waived this condition), the shares subject to withdrawal will be offered in rights issue and right of pre-emption to all other UnipolSai shareholders,

regardless of their share category, and then, if they remain unsold, they will be placed in a stock market offering.
It is also envisaged that the Conversion shall become final after the ex-dividend date relating to the year ending 31 December 2014 which - without prejudice to the above in reference to shares subject to withdrawal - will be distributed to each share category in compliance with current provisions of the By-Laws.

Approval of the proposal for mandatory conversion of preference shares into ordinary Unipol shares by the Extraordinary Shareholders' Meeting and Special Meeting for Preference Shareholders

On 25 February 2015, also with respect to the quorum envisaged for the Special Meeting of ordinary shareholders, the Unipol Extraordinary Shareholders' Meeting approved the mandatory conversion of the preference shares ("Preference Shares") into ordinary Unipol shares ("Ordinary Shares") (the "Conversion" or "Transaction"), based on the following conversion ratio:
- 1 Ordinary Share, with normal dividend rights, for each Preference Share, without equalisation payment (the "Conversion Ratio").

On 26 February 2015 the Special Meeting of Preference Shareholders (the "Special Meeting") approved the same resolution.

The Conversion proposal pursues multiple objectives, given its purpose of:
- rationalising and simplifying the Unipol capital structure, reducing corporate obligations and consequently the costs associated with the existence of two different share categories;
- standardisation of the equity and administrative rights of all the Shareholders, facilitating financial market investment decisions. Creating a single category of shares with a single price, in fact, would offer benefits in terms of understanding the value of the share and making it more appealing to investors;
- increasing the float and improving the liquidity and stability of shares held for all Shareholders;
- increasing the weighting of Unipol shares on the share indices, with resulting benefits for all Shareholders who would hold a share of greater appeal to the equity markets;
- contributing to improvement of the quality of the regulatory capital.

The Conversion will become effective subject to the following conditions being met:
(i) the circumstance that the total redemption value of the Preference Shares on which the right of withdrawal is exercised (determined by Art. 2437-ter, paragraph 3 of the Civil Code) does not exceed €100m, with the specification that this condition is in the sole interests of the Company therefore cannot be waived; and
(ii) the receipt of approval to be issued by IVASS, in agreement with the Bank of Italy, pursuant to the combined provisions of Articles 87-*bis* and 196 of Legislative Decree no. 209 of 7 September 2005, and IVASS Regulation no. 14/2008, of amendments to By-Laws resulting from the Conversion.

Holders of Preference Shares not consenting to approval of the Conversion may exercise the right of withdrawal, pursuant to Art. 2437, paragraph 1.g) of the Civil Code, within fifteen days of the date of entry of the shareholders' meeting resolutions in the Bologna Register of Companies. It should be emphasised that a vote in favour expressed at the Extraordinary and/or Special Shareholders' Meetings implies consent to adoption of the Conversion resolution. In this respect, the redemption value of any Preference Shares withdrawn was calculated at €3.711 for each Preference Share, in compliance with Art. 2437-*ter*, paragraph 3 of the Civil Code. Preference Shareholders exercising the right of withdrawal shall not be eligible to receive any dividend attributable to the financial statements at 31 December 2014, which will instead be payable to those purchasing any Preference Shares withdrawn as part of the redemption procedure referred to in Art. 2437-*quater* of the Civil Code.

It is also envisaged that the Conversion shall become final after the ex-dividend date, if any, relating to the year ending 31 December 2014 which - without prejudice to the above in reference to Preference Shares subject to withdrawal - will be distributed to each share category in compliance with current provisions of the By-Laws.

On conclusion of the Transaction, the Converted Preference Shares will be delisted from the MTA Market organised and operated by Borsa Italiana S.p.A. and Ordinary Shares originating from the Conversion will be traded on the MTA market.

"Porta Nuova" area - Milan - real estate project

With reference to the investment in the real estate project to develop the area called "Porta Nuova" (the "Project"), note that on 27 February 2015 Hines SGR, a closed type of speculative real estate investment mutual funds management company (the "Funds"), which owns the areas and relevant properties forming the Project, informally announced that the institutional investor Qatar Holding ("QIA") should purchase 100% of the shares of the Funds that it does not already own.
To this regard, please be reminded that in June 2013 QIA had already subscribed newly issued shares of the Garibaldi and Isola Funds for an amount equal to about 40% of them. The closing of the transaction is subject to the approval of some banks financing the Funds.

At this time the Group is waiting to learn the details of the transaction, with particular reference to the possible effects on the investments made, for the most part consisting of the subscription of financial instruments issued by the companies established under Luxembourg law that indirectly control the Funds.

Exchange offers targeting the holders of notes representing the 2017 Notes and 2021 Notes issued by Unipol

On 9 March 2015, Unipol (the Issuer) announced the launch of two exchange offers, proposing:

(i) to holders of outstanding notes representing the non-convertible Unsecured Senior Note known as "*€750,000,000 5.00 per cent Notes due 11 January 2017*" issued by the Issuer on 11 December 2009 and listed on the regulated market of the Luxembourg Stock Exchange (ISIN Code XS0472940617) (the 2017 Notes) and

(ii) to holders of notes representing the non-convertible Unsecured Senior Note known as "*€500,000,000 4.375 per cent Notes due 5 March 2021*", issued by the Issuer on 5 March 2014 and listed on the regulated market of the Luxembourg Stock Exchange (ISIN Code XS1041042828) (the 2021 Notes, and jointly as the 2017 Notes and Existing Notes),

to exchange their Existing Notes with securities representing a new non-convertible Unsecured Senior Note, with a fixed interest rate and due in 2025, to be issued by the Issuer for listing on the regulated market of the Luxembourg Stock Exchange (the New Notes, individually referred to as a New Note), in accordance with the terms and conditions of the Exchange Offer Memorandum dated 9 March 2015 (the "Exchange Offer Memorandum") (individually referred to as an Exchange Offer, and jointly as the Exchange Offers).

Subject to offer restrictions and the distribution indicated in the Exchange Offer Memorandum, the Exchange Offers were announced on 9 March 2015. The offer period ended on 13 March 2015 (the Offer Period End Date).

At the Offer Period End Date the Company had received valid offers of Existing Notes in accordance with the Exchange Offers for a total capital value of €281,700,000 and, specifically:

- 2017 Notes: for a total capital value of €99,052,000; and
- 2021 Notes: for a total capital value of €182,648,000.

The Company accepted all offers of Existing Notes validly submitted pursuant to the Exchange Offer for a total nominal value of €281,700,000.

On 16 March 2015 the following were established: (i) the exchange ratio for 2021 Notes, 115.222%, (ii) the issue price of the New Notes, 99.881%, and (iii) the coupon rate (3.000%) and the return on the New Notes (3.014%).

The total nominal value of the 2017 Notes accepted in exchange in accordance with the Exchange Offer, the final total accepted of the 2021 Notes, the respective exchange ratios relating to the 2017 Notes and 2021 notes, and the interest accrued on each series of Existing Notes are shown in the following table.

Existing Notes	Exchange ratio	Final total accepted (€)	Interest accrued (€)	Total outstanding after the settlement date of the Exchange Offers (€)
2017 Notes	1.083293	99,052,000	€452.05 for every €50,000 of 2017 Notes	298,647,000
2021 Notes	1.153597	182,648,000	€155.40 for every €100,000 of 2021 Notes	317,352,000

In addition to the 2017 Notes validly offered as part of the related Exchange Offer, the Company accepted all offers from parties that each held - and validly offered - a total nominal value of 2017 Notes lower than necessary, after application of the related exchange ratio, to reach at least a nominal amount of New Notes of €100,000 (this being the minimum unit value of the New Notes). The cash amount payable to these holders by the Company was equal to the nominal value of these 2017 Notes multiplied by the related exchange price. The total cash settlement to the aforementioned holders of 2017 Notes amounted to €3,484,040.

On the settlement date - 18 March 2015 - Unipol issued New Notes for a total nominal value of €1,000,000,000.
A portion of the New Notes, in the amount of €314,437,000, was given in exchange to the holders of Existing Notes whose exchange offers were accepted by the Company.

Taking into consideration the strong interest in the New Notes from institutional investors and the willingness to arrange a benchmark issue in order to guarantee liquidity, the Company decided to issue additional New Notes for a total nominal amount of €685,563,000, with the aim of reducing the average cost of debt and at the same time strengthening the liquidity available to the Company.

The New Notes were placed exclusively with qualified Italian and international investors. The New Notes, which were rated “Ba2” by Moody’s and “BB” by Standard & Poor’s, were issued as part of the Company’s Euro Medium Term Note programme.

The Exchange Offers and the placement of New Notes were handled by J.P. Morgan Securities plc, Mediobanca - Banca di Credito Finanziario S.p.A. and UniCredit Bank AG acting as Dealer Managers and Joint Lead Managers, respectively. Lucid Issuer Services Limited acts as Exchange Agent in the Exchange Offers.

Business outlook

In the period that followed the end of 2014, the macroeconomic scenario in Italy improved slightly and many of the monitors forecast a recovery in the national economy this year, aided by the low oil prices and the reduced value of the Euro. There has been new political tension but, also as a result of ECB intervention with the launch of Quantitative Easing, the financial markets' confidence in Italy was further consolidated, as confirmed by a narrowing of the BTP-Bund spread to below 100 points despite the renewed fears regarding the Greek public deficit.

Group business in 2015 will be focused on completing the integration of the sales networks and business management IT systems, as outlined in the 2013-2015 Business Plan, with a view to achieving cost synergies. Subject to approval from the appropriate authorities, additional corporate streamlining will be studied with a view to further simplifying the Group structure and pursue cost savings.

The reference context and the competitive trend continued to affect premiums in the first two months of 2015 to varying degrees in the business classes.

In the Non-Life sector, premiums declined in the first few months of 2015, as also expected during the rest of the year, feeling the full effects of the business unit transfer to Allianz with related transfer of the portfolio outstanding at the end of 2014. Premium volumes also continue to be affected by a steady competitive trend reflected in the average premium. The Group is continuing with the sales initiatives targeted at reinvigorating its product lines, such as the development of new network and customer relationship models, and the launch in February of the new UnipolSai advertising campaign that aims to consolidate its success in the sale of policies with monthly payments, in synergy with the Group's banking business. The technical trend was positive, in the wake of the trends recorded in 2014.

Again in the first few months of 2015, the favourable spell for the Life sector was confirmed in a market context characterised by a continued fall in interest rates which increases the appeal of the traditional insurance products with returns linked to segregated accounts. Premiums increased in February, despite comparison with a strong, steady performance recorded in the same period last year.

The Banking business saw a confirmation of the prudent lending policy of directing business largely at retail customers and SMEs in order to increase insurance agency customer penetration. Thanks to significant strengthening in previous years of the coverage of impaired loans and the commercial actions undertaken, it is believed that economic equilibrium can be gradually recovered.

The consolidated operating result, excluding unforeseeable events also connected with the reference context, is expected to be positive also for the current year.

Bologna, 19 March 2015

The Board of Directors

Tables of Consolidated Financial Statements:

- Statement of financial position
- Income statement and comprehensive income statement
- Statement of changes in shareholders' equity
- Statement of cash flows

Consolidated Statement of Financial Position - Assets

	Amounts in €m	31/12/2014	31/12/2013
1	INTANGIBLE ASSETS	2,133.2	2,237.0
1.1	Goodwill	1,581.9	1,583.2
1.2	Other intangible assets	551.2	653.8
2	PROPERTY, PLANT AND EQUIPMENT	1,521.6	1,383.3
2.1	Property	1,364.2	1,259.0
2.2	Other tangible assets	157.4	124.3
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	988.4	1,045.5
4	INVESTMENTS	77,946.0	72,012.3
4.1	Investment property	2,645.6	2,869.8
4.2	Investments in subsidiaries, associates and interests in joint ventures	177.8	188.8
4.3	Held-to-maturity investments	2,238.0	2,932.9
4.4	Loans and receivables	14,657.7	16,299.7
4.5	Available-for-sale financial assets	48,378.1	39,933.9
4.6	Financial assets at fair value through profit or loss	9,848.8	9,787.1
5	SUNDRY RECEIVABLES	3,594.0	3,415.5
5.1	Receivables relating to direct insurance business	1,691.9	1,851.5
5.2	Receivables relating to reinsurance business	95.0	135.4
5.3	Other receivables	1,807.1	1,428.6
6	OTHER ASSETS	1,769.8	3,373.3
6.1	Non-current assets or assets of a disposal group held for sale	9.4	174.5
6.2	Deferred acquisition costs	75.6	77.4
6.3	Deferred tax assets	1,043.5	2,338.2
6.4	Current tax assets	119.9	273.3
6.5	Other assets	521.4	509.9
7	CASH AND CASH EQUIVALENTS	674.4	837.3
	TOTAL ASSETS	88,627.3	84,304.3

Consolidated Statement of Financial Position - Shareholders' Equity and Liabilities

	Amounts in €m	31/12/2014	31/12/2013
1	SHAREHOLDERS' EQUITY	8,439.8	7,481.0
1.1	attributable to the owners of the Parent	5,691.2	5,414.1
1.1.1	Share capital	3,365.3	3,365.3
1.1.2	Other equity instruments	0.0	0.0
1.1.3	Capital reserves	1,724.6	1,724.6
1.1.4	Income-related and other equity reserves	-355.6	327.1
1.1.5	(Treasury shares)	-35.7	-23.3
1.1.6	Reserve for foreign currency translation differences	2.5	2.1
1.1.7	Gains or losses on available-for-sale financial assets	777.4	121.4
1.1.8	Other gains or losses recognised directly in equity	20.3	-24.6
1.1.9	Profit (loss) for the year attributable to the owners of the Parent	192.3	-78.6
1.2	attributable to non-controlling interests	2,748.6	2,066.9
1.2.1	Share capital and reserves attributable to non-controlling interests	1,971.9	1,390.6
1.2.2	Gains or losses recognised directly in equity	463.8	409.8
1.2.3	Profit (loss) for the year attributable to non-controlling interests	312.9	266.5
2	PROVISIONS	643.2	534.2
3	TECHNICAL PROVISIONS	61,894.8	56,875.3
4	FINANCIAL LIABILITIES	15,459.4	16,041.4
4.1	Financial liabilities at fair value through profit or loss	2,277.1	2,056.8
4.2	Other financial liabilities	13,182.2	13,984.6
5	PAYABLES	933.0	1,182.6
5.1	Payables arising from direct insurance business	153.7	177.5
5.2	Payables arising from reinsurance business	44.1	85.3
5.3	Other payables	735.2	919.9
6	OTHER LIABILITIES	1,257.2	2,189.8
6.1	Liabilities associated with disposal groups	0.1	74.2
6.2	Deferred tax liabilities	101.7	1,014.5
6.3	Current tax liabilities	28.2	141.7
6.4	Other liabilities	1,127.2	959.5
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	88,627.3	84,304.3

Consolidated Income Statement

	Amounts in €m	31/12/2014	31/12/2013
1.1	Net premiums	17,766.0	16,581.3
1.1.1	*Gross premiums earned*	*18,214.3*	*17,025.0*
1.1.2	*Earned premiums ceded to reinsurers*	*-448.3*	*-443.7*
1.2	Commission income	116.8	128.3
1.3	Gains and losses on financial instruments at fair value through profit or loss	84.3	347.3
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	7.7	11.3
1.5	Gains on other financial instruments and investment property	3,421.1	2,977.0
1.5.1	*Interest income*	*2,109.2*	*2,120.1*
1.5.2	*Other income*	*179.7*	*169.1*
1.5.3	*Realised gains*	*833.9*	*687.4*
1.5.4	*Unrealised gains*	*298.2*	*0.5*
1.6	Other revenue	857.8	555.8
1	TOTAL REVENUE AND INCOME	22,253.7	20,601.0
2.1	Net charges relating to claims	-16,024.8	-14,308.5
2.1.1	*Amounts paid and changes in technical provisions*	*-16,272.8*	*-14,488.9*
2.1.2	*Reinsurers' share*	*248.0*	*180.5*
2.2	Commission expense	-38.4	-39.1
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	-13.1	-6.4
2.4	Losses on other financial instruments and investment property	-1,382.1	-1,375.4
2.4.1	*Interest expense*	*-304.8*	*-346.1*
2.4.2	*Other charges*	*-101.0*	*-78.1*
2.4.3	*Realised losses*	*-336.3*	*-177.4*
2.4.4	*Unrealised losses*	*-640.0*	*-773.8*
2.5	Operating expenses	-3,024.7	-3,083.2
2.5.1	*Commissions and other acquisition costs*	*-2,016.6*	*-2,072.7*
2.5.2	*Investment management expenses*	*-71.6*	*-47.2*
2.5.3	*Other administrative expenses*	*-936.5*	*-963.3*
2.6	Other costs	-969.5	-1,268.1
2	TOTAL COSTS AND EXPENSES	-21,452.5	-20,080.7
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	801.2	520.3
3	Income tax	-293.8	-331.2
	PROFIT (LOSS) FOR THE YEAR AFTER TAXES	507.4	189.1
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-2.2	-1.1
	CONSOLIDATED PROFIT (LOSS)	505.2	187.9
	of which attributable to the owners of the Parent	*192.3*	*-78.6*
	of which attributable to non-controlling interests	*312.9*	*266.5*

Comprehensive Income Statement

Amounts in €m	31/12/2014	31/12/2013
CONSOLIDATED PROFIT (LOSS)	505.2	187.9
Other income items net of taxes not reclassified to profit or loss	-7.3	5.4
Change in the shareholders' equity of the investees	2.4	6.1
Change in the revaluation reserve for intangible assets	0.0	0.0
Change in the revaluation reserve for property, plant and equipment	0.0	0.0
Gains and losses on non-current assets or disposal groups held for sale	0.0	0.0
Actuarial gains and losses and adjustments relating to defined benefit plans	-8.7	-0.9
Other items	-1.0	0.2
Other income items net of taxes reclassified to profit or loss	762.6	256.8
Change in the reserve for foreign currency translation differences	-4.0	2.1
Gains or losses on available-for-sale financial assets	712.3	221.4
Gains or losses on cash flow hedges	54.2	33.3
Gains or losses on hedges of a net investment in foreign operations	0.0	0.0
Change in the shareholders' equity of the investees	0.0	0.0
Gains and losses on non-current assets or disposal groups held for sale	0.0	0.0
Other items	0.0	0.0
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	755.3	262.3
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (EXPENSE)	1,260.5	450.2
of which attributable to the owners of the Parent	*893.6*	*232.7*
of which attributable to non-controlling interests	*366.8*	*217.5*

Consolidated Statement of Changes in Shareholders' Equity

	Amounts in €m	Balance at 31/12/2012	Changes to closing balances	Amounts allocated	Adjustments from reclassification profit or loss	Transfers	Changes in investments	Balance at 31/12/2013
Equity attributable to the owners of the Parent	Share capital	3,365.3		0.0				3,365.3
	Other equity instruments							
	Capital reserves	1,724.5		0.1				1,724.6
	Income-related and other equity reserves	145.8		181.4		0.0	0.0	327.1
	(Treasury shares)	-0.1		-23.1				-23.3
	Profit (loss) for the year	285.3		-250.7		-113.1		-78.6
	Other comprehensive income (expense)	-212.4		318.5	-7.3	0.0	0.0	98.9
	Total attributable to the owners of the Parent	5,308.3	0.0	226.1	-7.9	-113.1	0.0	5,414.1
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	1,356.5		34.1			0.0	1,390.6
	Profit (loss) for the year	140.9		210.6		-85.0		266.5
	Other comprehensive income (expense)	458.8		73.9	-122.9	0.0	0.0	409.8
	Total attributable to non-controlling interests	1,956.2	0.0	318.6	-122.9	-85.0	0.0	2,066.9
Total		7,264.5	0.0	544.7	-130.8	-198.1	0.0	7,481.0

		Balance at 31/12/2013	Changes to closing balances	Amounts allocated	Adjustments from reclassification profit or loss	Transfers	Changes in investments	Balance at 31/12/2014
Equity attributable to the owners of the Parent	Share capital	3,365.3		0.0				3,365.3
	Other equity instruments							
	Capital reserves	1,724.6		0.0				1,724.6
	Income-related and other equity reserves	327.1		-210.7		-153.4	-318.6	-355.6
	(Treasury shares)	-23.3		-12.4				-35.7
	Profit (loss) for the year	-78.6		391.2		-120.3		192.3
	Other comprehensive income (expense)	98.9		923.3	-59.2	6,2	-169.0	800.2
	Total attributable to the owners of the Parent	5,414.1	0.0	1,091.4	-59.2	-267.4	-487.6	5,691.2
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	1,390.6		262.7		0.0	318.6	1,971.9
	Profit (loss) for the year	266.5		338.9		-292.5		312.9
	Other comprehensive income (expense)	409.8		-70.9	-44.3	0.1	169.0	463.8
	Total attributable to non-controlling interests	2,066.9	0.0	530.7	-44.3	-292.4	487.6	2,748.6
Total		7,481.0	0.0	1,622.1	-103.5	-559.8	0.0	8,439.8

STATEMENT OF CASH FLOWS (indirect method)

Amounts in €m	31/12/2014	31/12/2013
Pre-tax profit (loss) for the year	801.2	520.3
Change in non-monetary items	2,359.6	787.8
Change in Non-Life premium provision	-430.3	-347.2
Change in claims provision and other Non-Life technical provisions	-305.1	-726.2
Change in mathematical provisions and other Life technical provisions	3,356.2	1,673.2
Change in deferred acquisition costs	-0.5	-10.8
Change in provisions	109.0	117.8
Non-monetary gains and losses on financial instruments, investment property and investments	110.5	397.4
Other changes	-480.1	-316.3
Change in receivables and payables generated by operating activities	-460.8	132.8
Change in receivables and payables relating to direct insurance and reinsurance	116.2	201.9
Change in other receivables and payables	-577.0	-69.1
Paid taxes	-416.9	-348.9
Net cash flows generated by/used for monetary items from investing and financing activities	-421.0	745.2
Liabilities from financial contracts issued by insurance companies	-30.8	12.4
Payables to bank and interbank customers	-961.6	-408.9
Loans and receivables from banks and interbank customers	362.1	272.8
Other financial instruments at fair value through profit or loss	209.3	868.9
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	1,862.1	1,837.1
Net cash flow generated by/used for investment property	11.6	-14.8
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures	1.9	-10.1
Net cash flow generated by/used for loans and receivables	627.7	442.4
Net cash flow generated by/used for held-to-maturity investments	678.0	105.3
Net cash flow generated by/used for available-for-sale financial assets	-3,217.6	-2,203.9
Net cash flow generated by/used for property, plant and equipment and intangible assets	-68.7	-82.7
Other net cash flows generated by/used for investing activities	71.5	4.9
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	-1,895.7	-1,758.9
Net cash flow generated by/used for equity instruments attributable to the owners of the Parent	0.0	0.0
Net cash flow generated by/used for treasury shares	-12.4	-23.1
Dividends distributed attributable to the owners of the Parent	-120.3	-113.1
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	-172.8	-106.8
Net cash flow generated by/used for subordinated liabilities and equity instruments	23.3	
Net cash flow generated by/used for other financial liabilities	130.3	317.3
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	-151.8	74.3
Effect of exchange rate gains/losses on cash and cash equivalents	0.0	0.0
CASH AND CASH EQUIVALENTS AT 1 JANUARY	860.7	708.2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-185.4	152.5
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	675.3	860.7

(*) Cash and cash equivalents at the start of the year include the cash and cash equivalents of non-current assets or assets of a disposal group held for sale

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Unipol Group, consisting of the Parent Unipol Gruppo Finanziario ("Unipol") and its subsidiaries, operates in all Non-Life and Life insurance and reinsurance and capitalisation business; it may issue investment contracts and may set up and manage open-ended pension funds, in compliance with the provisions of Art. 9 of Legislative Decree no. 124 of 21 April 1993 and subsequent amendments
It also carries out real estate, banking, and to a lesser extent, hotel, agricultural and healthcare activities.

The Parent Unipol is a joint-stock company, has its registered office in Bologna (Italy) and is listed on the Milan Stock Exchange.

UnipolSai's Consolidated Financial Statements were drawn up in accordance with Art. 154-ter of Legislative Decree 58/1998 (Consolidated Law on Finance) and of ISVAP Regulation no. 7 of 13 July 2007, as amended. They conform to the IFRS issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of EC Regulation 1606/2002 in force on the date the financial statements closed.

The consolidated financial statements are made up of:
- statement of financial position;
- income statement and comprehensive income statement;
- statement of changes in shareholders' equity;
- statement of cash flows;
- notes to the financial statements;
- tables appended to the Notes to the financial statements.

The layout conforms to the provisions of ISVAP Regulation no. 7 of 13 July 2007, Part III as amended, relating to the layout of the Consolidated Financial Statements of insurance and reinsurance companies that must adopt IFRS.

IVASS Measure no. 29 of 27 January 2015 amended ISVAP Regulation no. 7/2007 in order to implement the changes that went into effect starting from the 2014 financial statements regarding quantitative disclosure required by the new IFRS 12. In particular, the Statement of Changes in Shareholders' Equity has been amended to add a new column (Changes in investments), which illustrates the consequences of changes in investments in subsidiaries that do not involve loss of control (IFRS 12.18), and separate indication in the statement of Consolidation Scope of the registered office and the operating office. Furthermore, two new statements were introduced: one being the "Consolidation scope: interests in entities with material non-controlling interests", including information on subsidiaries with significant non-controlling interests (IFRS 12.12), the other being "Interests in unconsolidated structured entities" to add information of this nature (IFRS 12.27-29). Since the case does not apply to the group, this latter statement was not published.

The information requested in CONSOB Communications DEM/6064293 of 28 July 2006 and DEM/11070007 of 5 August 2011 is also provided.

The Consolidated financial statements are drawn up on the assumption that the company will continue as a going concern, in application of the principles of accrual accounting, relevance and reliability of accounting information, in order to provide a true and fair view of the equity-financial position and economic result, in compliance with the principle of the prevalence of the economic substance of transactions of their legal form.
The going concern assumption is considered to be confirmed with reasonable certainty given that companies belonging to the Unipol Group have sufficient resources to ensure that they will continue to operate for the foreseeable future. In addition, the liquidity risk is deemed to be very remote.

The layout of the financial statements offers a comparison with the figures of the previous year. Where necessary, in the event of a change to the accounting standards, measurement or classification criteria, the comparative data are re-stated and reclassified to in order to provide homogeneous and consistent information.

The presentation currency is the euro and all the amounts shown in the financial statements and these notes are in €m, except when specifically indicated, rounded to one decimal place; therefore the sum of the individual amounts is not always identical to the total.

The Consolidated financial statements of Unipol are subject to an audit by independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2012/2020 period.

Consolidation scope

The Unipol Group's consolidated financial statements at 31 December 2014 have been drawn up by combining the figures of the Parent Unipol and those for the 74 direct and indirect subsidiaries (IFRS 10). At 31 December 2013, a total of 105 companies were consolidated on a line-by-line basis. Subsidiaries deemed to be too small to be of relevance are excluded from the consolidated financial statements.

There are no jointly-controlled interests.

Associates, in which the investment percentage ranges between 20% and 50%, and subsidiaries considered immaterial (40 companies), are measured using the equity method (IAS 28) or maintained at the carrying amount. At 31 December 2013, a total of 42 associates and subsidiaries were considered immaterial.

Investments consolidated on a line-by-line basis and those measured using the equity method are listed in the tables showing the Consolidation scope and Details of unconsolidated investments, respectively, which are appended to these Notes.

Changes in the consolidation scope compared with 31 December 2013 and other transactions

Changes in the consolidation scope:

- on 14 January 2014 the company Scontofin Sa in Liquidazione with offices in Luxembourg, held by Finadin SpA (incorporated on 23 December 2014 into UnipolSai Finance SpA, formerly Smallpart SpA) and Sailux Sa, 70% and 19% respectively, was deleted from the Register of Companies;
- following amendments to the governance agreement, the investment in Euromilano (in which UnipolSai holds a 14.86% investment in the share capital) no longer qualifies as an associate;

- on 14 April 2014, the subsidiary Arca Vita acquired 50% of the share capital of Isi Insurance, bringing the interest held to 100% at a value of €2.5m. Then on 4 December 2014 Isi Insurance was merged into Arca Assicurazioni with accounting and tax effects backdated to 1 January 2014;
- on 23 April 2014 the Extraordinary Shareholders' Meeting of the subsidiary Unipol Banca voted to reduce share capital because of losses to €665m. On 25 June 2014, a share capital increase was carried out in favour of Unipol Banca of €100m subscribed by shareholders proportionate to their respective investments: Unipol 67.75% and UnipolSai 32.25%. Then on 3 November 2014 the merger of Banca Sai SpA (a 100% subsidiary of UnipolSai) into the investee Unipol Banca SpA also became effective (accounting and tax effects backdated to 1 January 2014), as resolved by the respective shareholders on 3 October 2014. Based on the swap transaction agreed in the related merger plan, UnipolSai received 132,428,578 new Unipol Banca SpA shares (equal to a share capital increase to serve the merger of €132m), increasing its investment from 32.25% to 42.25%. Unipol's investment therefore decreased to 57.75%;
- the company Dominion Insurance Holdings Limited, with offices in London and a 100% subsidiary of Finsai International Sa, was cancelled from the Register of Companies on 14 October 2014;
- the merger by incorporation of Covent Garden BO Srl and Comsider Srl into Midi Srl became effective on 1 December 2014, with accounting and tax effects backdated to 1 January 2014;
- the merger by incorporation of Eurosai Srl, Finadin SpA and Saifin Saifinanziaria SpA into Smallpart SpA took effect on 23 December 2014 (taking the name of UnipolSai Finance SpA starting from 31/12/2014), with accounting and tax effects backdated to 1 January 2014;
- the merger by incorporation of the subsidiaries Bramante Srl, Campo Carlo Magno SpA, Cascine Trenno Srl, Immobiliare Litorella Srl, Immobiliare Milano Assicurazioni Srl, Iniziative Valorizzazioni Edili – IN.V.ED. – Srl, Insediamenti Avanzati nel Territorio I.A.T. – SpA, International Strategy Srl, Meridiano Aurora Srl, Meridiano Bellarmino Srl, Meridiano Bruzzano Srl, Mizar Srl, Ristrutturazioni Edili Moderne – R.EDIL.MO. – Srl, Sintesi Seconda Srl, Stimma Srl, Trenno Ovest Srl, Unifimm Srl and UnipolSai Servizi Immobiliari SpA into Immobiliare Fondiaria-Sai Srl took effect on 31 December 2014 (which at the same time took the name of UnipolSai Real Estate Srl). Accounting and tax effects of the transaction were backdated to 1 January 2014.

Transactions carried out on capital that did not modify the consolidation scope:

- on 5 February 2014 the Extraordinary Shareholders' Meeting of the subsidiary Atahotels voted to reduce share capital because of losses to €37.8m (registered in the Register of Companies on 19/4/2014). On 25 February 2014, UnipolSai subscribed and paid a share capital increase in the subsidiary Atahotels in the amount of €45.6m;
- on 31 March 2014 share capital was increased in favour of the associate Funivie del Piccolo San Bernardo SpA amounting to €2.5m. Immobiliare Fondiaria-SAI Srl (now UnipolSai Real Estate Srl) did not participate in the share capital increase; the percentage of interest dropped from 27.38% to 23.55%;
- on 24 April 2014 UnipolSai issued a Convertible Loan, represented by 2,018 bonds with a unit nominal value of €100,000, for a total of €201.8m, of which €67.5m (i.e., 675 bonds) subscribed by the parent Unipol.

  On 5 May 2014, Unipol requested the conversion of all 675 bonds subscribed, taking ownership of 24,725,274 newly issued ordinary UnipolSai shares. As a result, Unipol's direct holding in the total outstanding capital of UnipolSai increased from 53.94% to 54.38%. The total holding (including indirect interests) used to consolidate the data of the subsidiary UnipolSai, i.e. 64.10%, already takes into account the 49,194,135 shares still to be converted;

- on 1 May 2014 UnipolSai purchased 100% interest in Fondiaria-SAI Servizi Tecnologici SpA, which on 30 September 2014 took the name of UnipolSai Servizi Tecnologici SpA (USST);
- on 17 July 2014 the entire interest held by the company Donatello Day Surgery Srl in Liquidazone in the company Città della Salute Scrl was transferred to Centro Oncologico Fiorentino Casa di Cura Villanova Srl. Interest in the company Città della Salute Scrl is held as follows: 50% by the company Casa di Cura Villa Donatello SpA, 47.5% by the company Centro Oncologico Fiorentino Casa di Cura Villanova Srl, 2.5% by the company Florence Centro di Chirurgia Ambulatoriale Srl;
- on 22 December 2014 the entire interest held by the company Sailux Sa en liquidation and the company Sainternational Sa en liquidation in Finsai International Sa was transferred, respectively, to the companies Saifin Saifinanziaria SpA (now UnipolSai Finance SpA) and to UnipolSai. Interest in the company Finsai International Sa is held as follows: 63.85% by UnipolSai and 36.15% by Saifin Saifinanziaria SpA (afterwards merged into UnipolSai Finance SpA).

It should also be noted that:

- 13 February 2014 - Donatello Day Surgery Srl was placed in liquidation;
- 26 March 2014 - the company name of Saiagricola SpA - Società Agricola was changed to Tenute del Cerro SpA - Società Agricola;
- 24 April 2014 - the company name of Immobiliare Lombarda SpA was changed to UnipolSai Servizi Immobiliari SpA, merged into UnipolSai Real Estate Srl on 31 December 2014;
- 9 May 2014 - the company name of Sai Investimenti SGR SpA was changed to UnipolSai Investimenti SGR SpA;
- 13 June 2014 - Saint George Capital Management Sa was placed in liquidation.
- 6 October 2014 - the company name of The Lawrence Re Limited was changed to UnipolRe Limited;
- 10 October 2014 - the company name of Fondiaria-Sai Nederland BV was changed to UnipolSai Nederland BV;
- 4 December 2014 - Atavalue Srl was placed in liquidation and cancelled from the Register of Companies on 8 January 2015;
- 17 December 2014 - Euresa Holding Sa was placed in liquidation.

Reporting date

The reporting date of the consolidated financial statements is 31 December 2014, the date the separate financial statements of the Parent Unipol closed. All the consolidated companies closed their financial statements at 31 December with the exception of the associate Pegaso Finanziaria SpA, which closed its latest financial statements at 30 June and for which interim financial statements up to the date of the Consolidated Financial Statements have been used.
With the exception of the companies in the banking sector subject to supervision by the Bank of Italy, the consolidated financial statements were drawn up using restatements of the individual financial statements of the consolidated companies adjusted to comply with the IAS/IFRS, as applied by the Parent Unipol and approved by the Boards of Directors of the companies concerned. The companies in the Unipol Banca Group draw up separate financial statements by applying the IAS/ IFRS.

Basis of consolidation

Companies consolidated on a line-by-line basis

This method provides for the consolidation on a line-by-line basis of the assets, liabilities, gains and losses of the consolidated companies as from the date they were acquired, with the carrying amount of the investment eliminated being offset against the corresponding amount of the shareholders' equity of each individual subsidiary and, in the case of investments not wholly owned, the separate recognition of the amount of the equity and the profit or loss for the year attributable to non-controlling interests.
The amount of equity attributable to non-controlling interests is recognised under shareholders' equity as "Share capital and reserves attributable to non-controlling interests", whilst the relevant amount of the consolidated profit or loss is shown under "Profit (loss) for the year attributable to non-controlling interests".
The financial statements of the subsidiaries are consolidated on a line-by-line basis with the exception of those that are so small that the equity method is used. Five special-purpose companies are also consolidated on a line-by-line basis. These are the vehicles used by Unipol Banca for securitisations which, whilst not being subsidiaries, are consolidated as laid down in IFRS 10.

Goodwill

If the cost of acquiring investments in subsidiaries and associates exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the excess amount is recognised as goodwill under intangible assets.
This goodwill represents a payment made in the expectation of future economic benefits arising from assets that cannot be identified individually and recognised separately.
In the years following the year of acquisition, goodwill is measured at cost, net of any impairment losses accumulated.
The ancillary costs of acquisition operations have been recognised in the income statement during the year in which they are incurred or the services provided.

Under IFRS 10.23 changes in an investment in a subsidiary that do not lead to loss of control are recognised as equity transactions. Any difference between the proportion of shareholders' equity acquired in the subsidiary and the fair value of the price paid or received is recognised directly in shareholders' equity and allocated to the members of the holding company.

Companies consolidated on a proportionate basis

There were no jointly-controlled interests at 31 December 2014.

Companies measured using the equity method

When this method is used the carrying amounts of the investment is adjusted according to the relevant portion of shareholders' equity, including the profit/loss for the year and all the adjustments made when consolidation is on a line-by-line basis. Any difference between the portion of shareholders' equity acquired and the fair value of the price paid (goodwill) is recognised in the carrying amount of the investment.

Elimination of intercompany transactions

When the consolidated financial statements are drawn up the amounts receivable and payable between companies included in the consolidation scope, the gains and losses relating to transactions carried out between these companies and the profits and losses resulting from transactions carried out between these companies and not yet realised with parties external to the Group are eliminated.

Segment information

The scope of segment reporting is based on the major types of business in which the Group operates:

- Non-Life business;
- Life business;
- Banking business;
- Real estate business;
- Holding and Other Businesses.

Segment reporting is carried out through the separate consolidation of the accounting figures relating to the individual subsidiaries and associates belonging to each of the sectors identified, by eliminating the intragroup balances between companies in the same sector and cancelling, where applicable, the carrying amount of the investments in respect of the corresponding portion of shareholders' equity.
In the column "Intersegment eliminations", the intragroup balances between companies in different sectors are eliminated.

The following are an exception of the above rule:

– investment relations between companies in different sectors given that the elimination of the investment takes place directly in the sector of the company that holds the investment, while any consolidation difference is attributed to the sector of the investee;
– dividends collected, eliminated in the sector of the company that collects the dividend;
– profits and expenses realised given that the elimination takes place directly in the sector of the company that realises the capital gain or loss.

No segment reporting based on geographical areas has been produced since the Group operates mainly on a national level and there appears to be no significant difference in the risks and benefits, according to the type of business activity carried out, that can be correlated with the economic situation in the individual regions.

The layout of segment reporting conforms to the provisions of ISVAP Regulation no. 7/2007.

Unipol GRUPPO

2. MAIN ACCOUNTING STANDARDS

New accounting standards

IFRS 10, 11, 12, amendments to IAS 27 and to IAS 28

On 12 May 2011, the IASB published the standards:
- IFRS 10 "Consolidated Financial Statements", which replaced IAS 27 concerning the part on the consolidated financial statements, and the interpretation SIC12;
- IFRS 11 "Joint Arrangements" which replaced IAS 31;
- IFRS 12 "Disclosure of Interests in Other Entities" which contains accounting disclosure requirements for IFRS 10 and 11;
- IAS 27 "Separate Financial Statements";
- IAS 28 "Investments in Associates and Joint Ventures".

According to IFRS 10, an investor has control over another company when it jointly has:
- decision-making power to direct the "relevant activities" (which affect returns);
- exposure or rights to variable returns from its involvement with the investee;
- the ability to affect those returns through its power over the investee.

IFRS 11 defines a joint arrangement as an arrangement of which two or more parties have joint control.
It distinguishes between a joint operation and a joint venture:
- a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. For accounting purposes, assets and liabilities forming part of the arrangement are reflected in the financial statements using the reference accounting standard;
- a joint venture is a joint arrangement whereby the parties with joint control have rights to the net assets of the arrangement. These parties are defined as joint venturers. For accounting purposes, joint ventures are consolidated using the equity method.

The objective of IFRS 12 is to require entities to disclose information that enables users of financial statements to evaluate:
- the nature of, and risks associated with, its interests in other entities;
- the effects of those interests on its financial position, financial performance and cash flows.

The new IAS 27 "Separate Financial Statements" has the objective of setting standards to be applied in accounting for investments in subsidiaries, associates and interests in joint ventures in separate financial statements.
The new IAS 28 "Investments in Associates and Joint Ventures" defines the accounting for investments in associates and the requirements for application of the equity method when accounting for investments in associates and joint ventures.
IFRS 10, 11, 12, IAS 27 and IAS 28 were endorsed with Regulation (EU) no. 1254 of 11 December 2012 and entered into force on 1 January 2014.

IAS 32 Financial Instruments - Presentation

Regulation 1256/2012 of the European Commission of 13 December 2012, published in the Official Journal of the European Union L 360 of 29 December 2012, made amendments to IAS 32, with reference to the necessary requirements for offsetting financial assets and liabilities. The amendments have been in force since 1 January 2014.

Amendments to IFRS 10 and 12, and to IAS 27 - Investment Entities

On 31 October 2012 the IASB published the document "Investment Entities", containing amendments to IFRS 10 "Consolidated Financial Statements", to IFRS 12 "Disclosure of Interests in Other Entities" and to IAS 27 "Separate Financial Statements"; the aforesaid document amends IFRS 10 to require investment entities to measure their subsidiaries at fair value through profit or loss rather than consolidating them, better to represent their business model. Following this logic, IFRS 12 was amended to impose, if the exception to consolidation is applied, specific disclosure about the significant judgements and assumptions made by the entity in determining whether it is an investment entity. Consequently, IAS 27 was amended to provide an exception from the requirements of consolidation for "investment entities", which instead are required to file their own separate financial statements as the sole financial statements and that, if they must nonetheless prepare the consolidated financial statements, they shall account for their investment in a subsidiary as a net investment measured at fair value through profit or loss in the consolidated financial statements in the same way as in the separate financial statements.
The aforesaid amendments were endorsed with Regulation (EU) no. 1174 of 20 November 2013 and they have been in force since 1 January 2014.

Amendments to IFRS 10, 11 and 12 - Transition Guidance

Commission Regulation (EU) no. 313/2013 published in the Official Journal of the European Union, L 95 of 5 April 2013 endorses the amendments introduced by the document published by the IASB on 28 June 2012, limiting the requirement to provide adjusted comparative information to only the preceding comparative period in case of consolidation, as a result of the first application of IFRS 10, of previously unconsolidated investments (this transition relief is also extended to the transitional provisions of IFRS 11 and 12).
The amendments have been in force since 1 January 2014.

Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets

On 29 May 2013 the IASB published amendments to IAS 36 "Impairment of Assets", to clarify that the disclosures required about the recoverable amount of the assets, when said amount is based on fair value less costs of disposal, pertain only to assets for which the entity has recognised an impairment loss during the reporting period.
These amendments were endorsed with Regulation (EU) no. 1374 of 19 December 2013 and have been in force since 1 January 2014.

Amendment to IAS 39 - Novation of OTC derivatives and continuing designation for hedge accounting

On 27 June 2013 the IASB published several amendments to its international accounting standard IAS 39 that set out to regulate the situations in which a derivative designated as a hedging instrument is novated from one counterparty to a central counterparty where that novation is required by legislation or regulation. In this way hedge accounting can continue regardless of the novation, which otherwise would not have been allowed without the amendment.
The amendments were endorsed with Regulation (EU) no. 1375 of 19 December 2013 and have been in force since 1 January 2014.

Application of the new accounting standards described had no significant impact on the result and financial position of the Group.

IFRIC 21 - Levies

The IFRIC 21 interpretation was published on 20 May 2013. It was issued to identify the method and time of recognition and accounting of levies (other than income tax) imposed by a government entity for which the entity does not receive specific goods or services. The interpretation deals with both tax liabilities falling within the field of application of IAS 37 and tax liabilities whose timing and amounts are certain.
The interpretation, endorsed with Regulation (EU) no. 634/2014 and published in the Official Journal L 175 of 14 June 2014, is applied starting from financial years beginning on 17 June 2014.

The amendments were endorsed with Regulation (EU) no. 1375 of 19 December 2013 and have been in force since 1 January 2014.

New accounting standards which have still not entered into force

The accounting documents published by the International Accounting Standard Board are also outlined below, which could be significant for the Group, but which are still not applicable since they are still not endorsed by the European Union by EFRAG or are still not applicable.

IFRS 9 – Financial instruments

In late July IASB issued the final version of IFRS 9 “Financial instruments”, the standard aimed at replacing the previous versions published in 2009 and 2010. The new standard winds up a process to reform the current IAS 39 in steps. It consists of the revision of the “classification and measurement”, “impairment” and “hedge accounting” rules (rules on macro hedging is still in the definition stage).
Specifically with regard to financial assets, the new standard uses a single approach based on the financial instrument management methods and on the characteristics of the contractual cash flows of the assets themselves in order to determine the measurement criterion; the new impairment model, based on a concept of expected loss, is aimed at guaranteeing a more immediate recognition of losses compared to the current IAS 39 “incurred loss” model, while the rules concerning hedging relations sets out to ensure greater alignment between accounting representation of the hedges and the risk management policies.
As of today the date the standard is scheduled to go into effect is 1 January 2018.

Amendments to IAS 16 and IAS 38 - Clarifications on the acceptable amortisation, depreciation and write-down methods

The amendments introduced to the two accounting standards set out to clarify that methods for calculating amortisation/depreciation based on revenues cannot be used because revenues reflect the methods for generating future economic benefits arising from the asset of the company of which the goods subject to amortisation/depreciation belong and on the other hand do not reflect the methods of consumption of the expected future economic benefits of the goods.
IAS 38 was amended with the introduction of a simple assumption based on which the methods for determining the amortisation of intangible fixed assets, based on revenues, are inappropriate for the same reasons explained with reference to IAS 16.
The amendments to IAS 16 and IAS 38 will come into force starting from 1 January 2016.

Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations

The document provides clarifications on the subject of accounting for acquisitions of interests in joint operations, establishing that the purchaser of an interest in a joint operation formed by a company as defined by IFRS 3 must apply all business combination accounting rules established by IFRS 3 (a query was put to the IFRS Interpretations Committee, in which it was asked whether the purchaser of such an interest has to apply the standards set out by IFRS 3 "Business combinations" upon initial recognition of the purchase or if it should instead account for the purchase as a set of assets).
The amendments introduced to IFRS 11 will come into force starting from 1 January 2016.

Amendments to IAS 27 - Equity method in separate financial statements

The document introduces the option to use the equity method to recognise interests in subsidiaries, joint operations and associates in the separate financial statements of an entity. As a result, an entity can recognise these interests in its separate financial statements alternatively to the cost, or according to the provisions of IFRS 9 (or IFRS 39), or by using the equity method.
The date the amendments are scheduled to go into effect is 1 January 2016.

Amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate or joint venture

IFRS 10 was amended to establish that the gains or losses arising from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture, measured according to the equity method, are recognised only within the limits of the third-party interest.
IAS 28 was amended in order to establish that the gains or losses arising from a sale or contribution of a business by an investor to its associate or joint venture are to be totally recorded.
The date the amendments are scheduled to go into effect is 1 January 2016.

Amendments to IAS 19 - Defined benefit plans: employee contributions

The amendments introduced to IAS 19 allow companies to present the contributions made by employees or third parties to defined benefit plans to reduce the service cost of the year in which the contributions are paid. The right is allowed for contributions that are independent from the number of years of service, so they do not related to the services the employee has rendered in the year the contributions are paid.
The date the amendments are scheduled to go into effect is expected to start from the date the first financial year beginning on or after 1 February 2015 starts.

IFRS 15 - Revenue from contracts with customers

IFRS 15 replaces IAS 18 "Revenue", IAS 11 "Construction contracts", SIC 31 "Revenue - Barter transactions involving advertising services", IFRIC 13 "Customer loyalty programmes", and IFRIC 15 "Agreements for the construction of real estate". The new revenue recognition model applies to all contracts with customers, except for contracts falling within the field of application of IAS 17 "Leasing", insurance contracts and for financial instruments.
IFRS 15 identifies a five-step process for defining the timing and amount of revenues to recognise (1. Identification of the contracts with customers; 2. Identification of the performance obligations set out in the contract; 3. Determination of the transaction price; 4. Allocation of the transaction price; 5. Recognition of the revenue when the performance obligation is met).
The date the standard is scheduled to go into effect is 1 January 2017.

The accounting standards and the most significant criteria used in drawing up the consolidated financial statements are set out below.

The paragraph numbers are the same as those of the corresponding items in the Statement of Financial Position and Income Statement, which are laid out in accordance with ISVAP Regulation no. 7/2007.

Statement of financial position

Assets

1 Intangible assets – IAS 38

In accordance with the provisions of IAS 38 only intangible assets that can be identified and controlled by the company, from which the company will derive financial benefits in future, can be capitalised.

The following assets are recognised as intangible assets with a finite life:

- goodwill paid for the acquisition of Life portfolios: the value of the policies acquired is determined by estimating the present value of the future cash flows of the existing policies. The Group amortises this value throughout the expected average residual life. This valuation is reviewed annually;
- costs incurred for the acquisition of software licences, amortised over three years;
- costs incurred for consultancy on major projects for developing and implementing IT systems, including personalisation of the relative software, amortised over five or ten years according to their estimated useful life.

Projects under development are not amortised until the year in which they are first used.

Goodwill paid when companies are acquired or merged is also included among intangible assets, as already mentioned in the previous paragraph Basis of consolidation (also provisionally, determined on the basis of IFRS 3). As this goodwill has an indefinite useful life it is not amortised but is tested for impairment at least once a year, or each time there is any indication of impairment; durable impairments are recognised in the income statement and cannot be reversed in subsequent years.

2 Property, plant and equipment – IAS 16 and 17

This item includes property used for corporate business, plant, other machinery and equipment.

For recognising and measuring this category of assets the Group has adopted the cost model, which systematically depreciates the asset's depreciable amount over its useful life.
Depreciation, which is carried out each year on a straight-line basis, begins when the asset is available and ready for use and ends when the asset has come to the end of its useful life (which in the case of property is estimated at 33.4 years).
In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

Consolidated real estate companies include in the carrying amount the borrowing costs incurred for loans specifically for acquiring and renovating property, if this can be justified.

The costs of improvements and conversions are capitalised if they result in an increase in the useful life or the carrying amount of the assets.

Assets that suffer durable impairments are written down.
The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the current value on the date of acquisition.

Financial leases relating to movables (company cars, IT equipment and miscellaneous equipment) are recognised in accordance with the provisions of IAS 17 under which, in the case of financial lease agreements, the cost of the items leased is recognised as property, plant and equipment, whereas the principal and end-of-lease purchasing payments are recognised as financial payables.

3 Technical provisions – Reinsurers' share – IFRS 4

This item includes reinsurers' liabilities arising from reinsurance contracts governed by IFRS 4.

4 Investments

4.1 Investment Property – IAS 40

This item includes property held either to earn rental income or for capital appreciation or for both.
Investment property is recognised by applying the cost method, as allowed by IAS 40 (an alternative to the fair value method).
If the final recoverable amount of property is estimated to be less than the carrying amount (or zero) it is depreciated annually on a straight-line basis, based on the recoverable amount and the estimated useful life (33.4 years). This generally relates to instrumental properties by nature, such as hotels, shopping centres, office buildings.
If the recoverable amount of the property is estimated to exceed the carrying amount no depreciation is applied. In the case of the Group this applies to residential property.
In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

The costs of improvements and conversions are capitalised if they result in an increase in the carrying amount, the useful life or the profitability of the assets.

Assets that suffer durable impairments are depreciated. The market value is determined at least once a year by means of expert appraisals conducted by outside companies.

The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the current value on the date of acquisition.

4.2 Investments in subsidiaries, associates and interests in joint ventures – IAS 28

This item includes investments in associates as defined in IAS 28 and investments in subsidiaries that because of their size are considered immaterial, which are measured using the equity method or at cost.

Financial assets – IAS 32 and 39 – IFRS 7 – IFRS 13

IAS 39 provides that debt and equity instruments, receivables, payables and derivatives must be classified according to the purposes for which they are held. The following categories are provided for:
- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets;
- Financial assets at fair value through profit or loss.

There is a specific criterion for recognising and measuring each of these categories.

It should be mentioned that the Group recognises financial transactions on the value date.

4.3 Held-to-maturity investments

Investments in securities held to maturity are recognised at amortised cost, net of any impairment losses.

This category includes bonds that the Group intends and is in a financial position to hold to maturity, for example most of the fixed-yield bonds acquired to match special Life tariffs.

If a substantial number of securities in this category are sold early (or reclassified), all the remaining securities must be reclassified as Available-for-sale financial assets and may not be used for the next two financial years.

4.4 Loans and receivables

Receivables in this category consist of contracts for which the Group holds a right to the cash flows arising from the loan agreement. They are characterised by fixed or determinable payments and are not listed on an active market.
This item consists mainly of loans to customers and banks of the Banking Group.
This category also includes mortgages and loans provided to the insurance companies, reinsurers' deposits, loan repurchase agreements, term deposits exceeding 15 days, receivables for agents' reimbursements, unlisted debt securities not held for sale which the Group intends to hold for the foreseeable future, including bonds reclassified following application of IAS 39 paragraphs 50D and 50E.

In accordance with the provisions of IAS 39, loans and receivables must be initially recognised at their fair value, which corresponds to the amount granted including the transaction costs and the commissions and fees chargeable directly. Following the initial recognition receivables are measured at the amortised cost, which is represented by the initial carrying amount net of repayments, plus or minus any difference between the initial amount and the amount on maturity because of depreciation calculated in accordance with the criterion of effective interest method and less any impairment loss or reduction due to non-recoverability.
Applying the effective interest rate method enables the financial effect of a loan transaction to be spread evenly over its expected life, which makes financial sense. In fact, the effective interest rate is the rate that discounts all the future cash flows of the loan and establishes a present value corresponding to the amount granted including all the transaction costs and income pertaining to it. When the cash flows and the contractual term of the loan are being estimated, all the contractual terms that can affect the amounts and the maturity dates (for instance, early repayments and the various options that may be exercised) are taken into account but not the losses expected on the loan. Following initial recognition, for the whole life of the loan the amortised cost is determined by continuing to apply the effective interest rate fixed at the start of the transaction (original interest rate). This original interest rate does not vary over time and is also used in the case of any contractual amendments to the interest rate or events which have made the loan non-interest bearing (for instance, due to insolvency proceedings).

The amortised cost method is applied only to loan contracts with an original term of at least eighteen months, on the assumption that in the case of shorter contracts applying this method does not involve significant changes to the financial effect. Loans with a term of less than eighteen months and those that have no fixed maturity date or are revocable are therefore measured at their historical cost.

On the reporting date for each set of financial statements or interim financial statements the loans are checked in order to identify those for which there is objective evidence of impairment owing to events that have occurred after they were initially recognised.

In particular, in the case of loans and receivables in the banking sector, which make up a large part of this category, measurement procedures differ depending on whether the loans are impaired or performing.
Loans are considered to be impaired if they are deemed to be bad and doubtful, substandard or restructured loans, or if they are more than 90 days overdue, in accordance with current Bank of Italy instructions. These impaired loans are subjected to a process of analytical valuation consisting in discounting (at the original effective interest rate) the cash flows expected by way of principal and interest, taking account of any guarantees assisting the loan. The negative difference between the present value of the loan and its carrying amount (amortised cost) at the time it is measured constitutes an adjustment, and that is recognised in the income statement.
The original value of the loans is reinstated in subsequent years only in the event that the reasons that led to the impairment in question no longer exist. Impairment losses can be reversed up to an amount not exceeding the carrying amount that it would have had if the amortised cost had been applied without prior impairment.

Receivables for which there is no individual objective evidence of impairment are measured collectively according to standardised category of credit risk based on a matrix breakdown of customers by segment and rating classes assigned by the Credit Rating System (CRS) designed by the IT outsourcer, Cedacri. The value of the intrinsic loss for each standardised category is calculated by applying probability of default (PD) and Loss Given Default (LGD) ascertained through analyses and estimates made available by Cedacri on a consortium basis.

The adjustments made in accordance with the collective method are recognised in the income statement. In subsequent periods any additional adjustments or reversals of impairment losses are determined using the differential method by reference to the entire loan portfolio measured as a whole.
Receivables assigned are eliminated only if the assignment involves the substantial transfer of the risks and rewards pertaining to them. If this is not the case receivables continue to be recognised even though ownership of them has been legally transferred.
The presumption is that all the risks and rewards are substantially transferred if the assignment involves transferring at least 90% of them. On the other hand, the presumption is that all the risks and rewards are substantially retained if the assignment involves transferring no more than 10% of them.
If the assignment does not involve either transferring or retaining a substantial percentage of the risks and rewards (in the event that the Group retains more than 10% but less than 90% of the risks/rewards) the receivables are eliminated provided the Group retains no control over them at all. Otherwise, the fact that some control over the receivables assigned is retained means that they are maintained in the financial statements in proportion to the level of residual involvement.

4.5 Available-for-sale financial assets

Investments classified as available-for-sale financial assets are measured at fair value. The differences compared with the carrying amount must be recognised in the shareholders' equity in a specific reserve for unrealised gains/losses (net of tax). In the event of sale or impairment established as a result of impairment testing, unrealised gains or losses accumulated in the shareholders' equity until that time are transferred to the income statement.

Information on how the fair value is determined is provided in the section "Fair value measurement criteria – IFRS 13".

The amortised cost of the debt securities in this category calculated according to the effective rate of return is recognised in the income statement. The comparison with the fair value is made after the proportion of the amortised cost for the year has been recognised.

This category includes debt securities, equity securities and UCITS units, investments deemed to be of strategic importance (less than 20% of the share capital, of commercial or company strategic importance).

Impairment policy for financial assets adopted by the Unipol Group

IAS 39, paragraph 58, provides that on each reporting date companies must check whether there is any objective evidence that a financial asset or a group of financial assets is impaired.
In order to determine whether a financial asset or a group of financial assets shows signs of impairment it must be periodically tested for impairment.
Indicators of a possible impairment are, for instance, the issuer's significant financial difficulties, failure to pay the full amount of interest or principal, the possibility of the beneficiary becoming bankrupt or entering into another insolvency proceeding and the disappearance of an active market for the asset.
Pursuant to paragraph 61 of IAS 39, a “significant or prolonged” decline in the fair value of an equity instrument below its cost must be considered to be 'objective evidence of impairment’.
IAS 39 does not define the two terms “significant” and 'prolonged' but implies, partly on the basis of an IFRIC guideline, that their meaning should be left to the directors whenever they have to draw up annual or interim financial statements under IAS, provided that the meaning is determined in a reasonable manner and complies with paragraph 61 of IAS 39.

The Group defined as significant a reduction in the market value of equity instruments classified as available-for-sale (AFS) financial assets of 50% compared with the initial recognition and deemed as prolonged a market value remaining below the initially recognised amount for more than 36 months.

Therefore, in the case of equity instruments the impairment test is carried out by selecting all the instruments to which at least one of the following conditions applies:
a) the market price has remained below the initially recognised amount for the last 36 months;
b) the impairment on the reporting date is more than 50% of the initial recognition amount.

The impairment of these instruments is deemed to be confirmed and the total change in fair value is recognised in the income statement, with elimination of gains or losses on the underlying available-for-sale financial assets.

In the case of debt securities, whenever payment of a coupon or repayment of principal is late or missed and this is confirmed by the custodian bank, the Group Finance Department immediately notifies the relevant Risk Management Department of the need to recognise any write-downs on these instruments.

4.6 Financial assets at fair value through profit or loss

Investments in this category are recognised at fair value and the differences (positive or negative) between fair value and carrying amount are recognised through profit or loss.
Information on how the fair value is determined is provided in the section “Fair value measurement criteria – IFRS 13”.

There are two further sub-items:
- held-for-trading financial assets, which includes debt securities and equity instruments, mainly listed, asset items in derivative agreements and structured financial instruments where the embedded derivative would have to be separated if they were classified in a different category;

- financial assets to be recognised at fair value through profit or loss, mainly consisting of assets linked to financial liabilities at fair value such as investments relating to policies issued by insurance companies where the investment risk is borne by the policyholders and those arising from pension fund management.

Derivatives

Derivatives are initially recognised at the purchase cost representing the fair value and subsequently measured at fair value. Information on how the fair value is determined is provided in the section "Fair value measurement criteria – IFRS 13".

Derivatives may be acquired for "trading" or "hedging" purposes. In the case of hedging transactions IAS 39 provides for cumbersome and complex rules for drawing up appropriate documentation to be used to check the effectiveness of the hedge from the time it is activated and throughout its entire term (hedge accounting).

Transactions on both fair value hedges and cash flow hedges were in existence at 31 December 2014.

All financial instruments are classified in the category "Financial assets at fair value through profit or loss".

Reclassifications of financial assets

In the event that an available-for-sale financial asset is transferred to the category of held-to-maturity investments, the fair value recognised on the date of transfer becomes its new cost or amortisable cost. Any previous gain or loss on this asset that has been recognised directly in equity is recognised through profit or loss throughout the remaining useful life of the investment held to maturity using the effective interest method.

If a financial asset is no longer held for sale or repurchase in the short term (although the financial asset may have been acquired or held mainly for sale or repurchase in the short term), it may be transferred from fair value through profit or loss if the following requirements are met:
- the circumstances must be very unusual (IAS 39, paragraph 50B), or
- the asset to be reclassified would have come under "loans and receivables" (if the financial asset had not had to be classified as held for trading when initially recognised) and the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50D).

A financial asset classified as available for sale that would have come under loans and receivables (if it had not been designated as available for sale) may be transferred from "available for sale" to "loans and receivables" if the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50E).

If an entity reclassifies a financial asset from fair value through profit or loss or from "available for sale" it must reclassify the financial asset at its fair value on the date of reclassification and the gain or loss already recognised in the income statement must not be reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost (IAS 39, paragraphs 50C and 50F).

In the case of a financial asset reclassified from "available for sale", the previous gain or loss on the asset recognised directly in the shareholders' equity must be amortised in the income statement throughout the asset's remaining useful life using the effective interest method.

If the entity has reclassified a financial asset from fair value through profit or loss or from "available for sale", the following is some of the information that must be provided (IFRS 7):
- the amount reclassified from and to each category;
- for each year until it is derecognised, the carrying amount and the fair value of all financial assets reclassified during the current and preceding year;
- whether a financial asset was reclassified in accordance with paragraph 50B of IAS 39, however unusual the situation, and the facts and the circumstances of the unusual situation;
- for the financial year in which the financial asset was reclassified, the fair value gain or loss on the financial asset;
- for each year following reclassification (including the year in which the financial asset was reclassified) until the financial asset is derecognised, the fair value gain or loss that would have been recognised if the financial asset had not been reclassified.

Accounting of structured bonds issued by special purpose vehicles (SPVs)

The Group invests in notes issued by SPVs with rather similar purposes and management methods as those that characterise investments in structured and unstructured bonds, made as part of the ordinary financial management of resources derived from normal business. This financial management, in relation to the Group's business sector, is especially complex which makes it necessary, in certain circumstances, for the subscription of financial assets with specific characteristics (e.g. in terms of maturity, creditworthiness and payoff), which are not always easy to find on financial markets. The investment opportunities offered via SPVs also make it possible, owing to their specific nature, to expand the range of financial investments available.

The Unipol Group classifies and accounts for bonds issued by SPVs on the basis of the provisions of IAS 39, deeming the fact they have been issued by an SPV to be irrelevant ([1]), in consideration of the fact that the SPV is considered merely a technical instrument through which to structure complex financial instruments whose risk/return profile is essentially evaluated by jointly taking into consideration the contracts that govern the notes issued by the SPV, the associated derivative contracts (generally swap agreements) and any other contractual clauses such as financial guarantee or similar clauses, or yet other "ancillary" clauses which may, in theory, make provision, when given conditions are satisfied, for the liquidation of the securities. SPVs whose bonds are held by the Unipol Group in fact, consistently replicate, with the arranger, the positions they assume with noteholders, as the risks or returns of the transaction cannot be retained by the SPV.

As regards the above, investments in notes issued by SPVs are accounted for on the basis of IAS 39, with the same criteria applied for the investments in structured and unstructured bonds, with particular regard to the presence of embedded derivatives and valuations regarding any segregation.
In fact, pursuant to IFRS 10, paragraphs 6 and 7, an entity must only consolidate an SPV in the event the entity exercises control over it.

The Unipol Group, in relation to bonds issued by SPVs in the portfolio at 31 December 2014, does not exercise any form of control over the SPVs, in the sense that it is not able to govern the management process of the SPVs (which, in fact, is defined by the arrangers of the investment transaction in which the Group participates by subscribing the notes and other relevant contracts) and does not obtain any benefits from the SPVs other than those strictly dependent on the formally subscribed financial instrument. The Group holds the

[1] Issues from SPVs made as part of securitisation transactions originated by the subsidiary Unipol Banca are an exception, in relation to which Unipol Banca subscribed, wholly or partially, the notes issued by the SPVs of the securitisations originated by them ("securitisation SPV"), which were all consolidated in the Unipol Group's consolidated financial statements, with the full recognition of assets, liabilities, costs and revenues of the securitisation SPVs. The notes issued and subscribed by Unipol Banca were not recorded under assets in the financial statements given they were not eliminated with the corresponding notes issued by the securitisation SPVs.

notes issued by the SPV and can only dispose of them autonomously, given it has no power to dispose of the financial instruments held by the vehicle. It is reasonable to deduce, from these considerations, that the Group holds no form of control of the SPVs in accordance with IFRS 10.

In cases where, through the SPV internal segments, which segregate the risks and benefits of issues, the majority of said risks and benefits are transferred to the Unipol Group, in essence, the consolidation of the segments would lead to the need to replace the debt securities issued by the SPV and subscribed by the Group with a financial asset which, in terms of the associated risks and returns, exactly replicates the financial profile of the notes cancelled due to the consolidation.
In fact, the segments consistently replicate, with the arranger, the positions the latter assume with noteholders, as the risks or benefits of the transaction cannot be retained within it. The result is that the financial asset to be recognised due to the consolidation of the segments would have, substantively speaking and therefore for the purposes of classification and measurement pursuant to IAS 39, identical characteristics to those of the notes cancelled due to the consolidation of said segment; the result being that, in the case of consolidation of segments in which the risks/benefits of the asset pertain fully to the Unipol Group, there would be no substantive effects on the accounting representation of the transaction, essentially confirming the fact that, in effect, the SPVs are technical instruments for realising an investment in financial assets with characteristics which are, for all intents and purposes, equivalent to those of the notes issued by the SPV itself and segregated in the segment.

5 Sundry receivables

Sundry receivables are recognised at their nominal value and subsequently assessed at their estimated realisable value.

The item Sundry receivables includes receivables due within twelve months, in particular Receivables relating to direct insurance business, Receivables relating to reinsurance business and Other receivables, such as trade receivables and tax receivables.

6 Other assets

6.1 Non-current assets or assets of a disposal group held for sale – IFRS 5

This item includes Non-current assets held for sale and any discontinued operations as defined by IFRS 5.

Assets held for sale are recognised at the carrying amount or fair value, whichever is the lower, less costs to sell.
If an investment in a subsidiary consolidated using the line-by-line method is to be sold within the time limit laid down by IFRS 5, all the assets of the company to be sold are reclassified as “Non-current assets or assets of a disposal group held for sale” in the consolidated statement of financial position (item 6.1 of the Assets) and the liabilities are similarly reclassified under the single item “Liabilities associated with disposal groups” (item 6.1 of the Liabilities). Both items appear in the consolidated financial statements net of intercompany transactions with the company to be sold.

If a group continues to operate in the business of the company to be sold, income statement items relating to the assets held for sale or disposal groups are recognised in accordance with the normal rules of consolidation on a line-by-line basis.

6.2 Deferred acquisition costs

This item includes acquisition costs for multiyear insurance contracts, paid in advance and amortised on a straight-line basis over the maximum life of the contracts.

6.3 Deferred tax assets – IAS 12

This item includes Deferred tax assets based on the deductible temporary differences between the carrying amounts and the amounts for tax purposes of the assets and liabilities of the individual consolidated companies and on the consolidation adjustments. If there are any tax losses, deferred tax assets are also recognised provided there is a probability that taxable income for which they can be used will be available in future.
Deferred taxes are based on the tax rates ruling at the end of the year or on the rates that are expected to be applied in future based on information available at the end of the financial year.

If assets are revalued solely for tax purposes and relate neither to a revaluation of the carrying amount for a previous year nor to one that is to be carried out in a subsequent year, the tax effects of the adjustment for tax purposes must be recognised in the income statement.

From 2014 deferred tax assets and liabilities, distinguished by type of tax on the single Group company level or at consolidated level, are offset within the limits set in the two existing tax consolidation agreements, one with UnipolSai and the other with Finsoe as ultimate parents.

6.4 Current tax assets – IAS 12

This item includes assets relating to current taxation.

6.5 Other assets

Among other things, this item includes prepayments and accrued income and deferred commission expense relating to investment contracts with no discretionary participation feature, since they are additional costs incurred to acquire the contract and are amortised on a straight-line basis over the whole life of the contract.

7 Cash and cash equivalents – IAS 7

Cash and cash equivalents include cash on hand, cash in current accounts available on demand and term deposits for periods not exceeding 15 days.

Liabilities

1 Shareholders' Equity – IAS 32

1.1.1 Share capital

The item includes the share capital of the ultimate parent.

1.1.3 Capital reserves

This item includes in particular the Share premium reserve of the company that carries out the consolidation. It includes the direct costs of issuing equity instruments, net of tax, and any commission income, net of tax, received for the sale of option rights not exercised by shareholders.

1.1.4 Income-related and other equity reserves

In particular this item includes gains or losses arising from the first-time application of IAS/IFRS (IFRS 1), gains or losses resulting from changes in accounting standards or accounting estimates (IAS 8), equalisation and catastrophe provisions eliminated under IFRS 4, provisions arising from equity-settled share-based payment transactions (IFRS 2) and the consolidation reserves.

1.1.5 Treasury shares

This item includes the equity instruments of the undertaking that draws up the consolidated financial statements owned by the undertaking itself and the consolidated companies. The item was negative. The gains or losses resulting from their subsequent sale are recognised as changes in shareholders' equity.

1.1.6 Reserve for foreign currency translation differences

The item includes the exchange rate differences to charge to shareholders' equity pursuant to IAS 21, whether they arise from transactions in foreign currency or from conversion into the currency of presentation of the financial statements stated in foreign currency.

1.1.7 Gains or losses on available-for-sale financial assets

This item includes gains or losses on available-for-sale financial assets, net of tax and amounts pertaining to policyholders as a result of the application of shadow accounting.

1.1.8 Other gains or losses recognised directly in equity

This item includes, inter alia, gains or losses on cash flow hedges and the revaluation reserves of property, plant and equipment and intangible assets.

2 Provisions – IAS 37

Provisions are made for risks and charges only when they are deemed necessary to meet an obligation arising from a past event and when it is likely that the amount of resources required can be reliably estimated.

3 Technical provisions – IFRS 4

Classification of insurance contracts

According to IFRS 4 insurance contracts are contracts that transfer significant insurance risks. Such contracts may also transfer financial risks.
An insurance risk is significant if, and only if, there is a reasonable possibility that the occurrence of the insured event will cause a significant change in the current value of the insurer's net cash flows.
Investment contracts are contracts that transfer financial risks but involve no significant insurance risks.
Some insurance and investment contracts may include discretionary participation features.

All the policies in the Non-Life sector at 31 December 2014 were classified as insurance contracts.

As regards the Life sector, the principal criteria used for classifying Life products as insurance policies were:

- the presence of a significant insurance risk, i.e. the reasonable possibility that the occurrence of the insured event would give rise to the payment of significant "additional benefits" compared with those that would have been payable if the insured event had not taken place. The criteria for identifying the presence of significant insurance risk are structured as follows:
  - above 10% the contract is insurance
  - under 5% the contract is financial
  - between 5% and 10% specific product analyses are carried out
- the presence of options or guarantees, such as the coefficient of conversion into a guaranteed rate annuity.

Some contracts provide for discretionary participation features (DPF) i.e. the policyholder's right to receive a benefit in addition to the guaranteed minimum. The benefit must fulfil specific contractual terms and represent a significant part of the total payments. In particular, contracts subject to revaluation and linked to segregated accounts were classified as investment products with DPF and were therefore measured and recognised as insurance contracts.

A contract classified as an insurance contract remains an insurance contract until it is terminated, whereas under certain circumstances an investment contract may be subsequently classified as an insurance contract.

However, the following types of contract were classified as investment contracts with no DPFs. For this reason, according to paragraph 3 of IFRS 4, contracts of this type do not produce premiums but are measured and recognised in accordance with IAS 39:

- index-linked, where the sum insured in the event of death corresponds to the value of the asset plus a small percentage;
- unit-linked, where the sum insured in the event of death corresponds to the NAV plus a small percentage;
- mixed, where funding is specific and the technical rate is zero;
- capital redemption, where funding is specific and the technical rate is zero;
- pension funds with guaranteed benefit when the policy matures or when certain events occur.

In the case of unit-linked products the loading and the acquisition commissions for the asset management service are recognised and amortised separately over the life of the contract. In the case of index-linked policies, which are not managed over time but only administered, these deferments are not necessary.

Non-Life business technical provisions

Premium provision

The direct insurance premium provision is established analytically for each policy using the pro rata temporis method, on the basis of the gross premiums written less acquisition commissions and the other acquisition costs that are chargeable directly. In the case of long-term contracts the amount of amortisation for the year is deducted.
Under certain conditions the premium provision also includes the premium provision for unexpired risks, calculated in accordance with the simplified method laid down in Article 10 of ISVAP Regulation 16 of 4 March 2008, which is based on the expected loss ratio for the year, adjusted on a prospective basis.
In the case of Credit insurance the flat-rate procedure provided for by the Ministerial Decree of 23 May 1981 was applied to premiums received before 1992, whilst the pro rata temporis method has been applied to contracts issued from 1992 onwards.
In the case of Bond insurance the premium provision has been calculated using the pro rata temporis method combined with the criteria laid down by ISVAP Regulation 16.
The total amount allocated to this provision is sufficient to meet costs arising from the portion of risk pertaining to subsequent years.
The reinsurers' share of the premium provisions is calculated by applying to the premiums ceded the same criteria as those used for calculating the premium for direct insurance business provision.

Ageing provision

The ageing provision is calculated at a flat rate of 10% on Health policies in the portfolio that have the features provided for by Art. 46 of ISVAP Regulation no. 16 (multiyear health policies when the premium is not based on increasing age).

Claims provision

The claims provision is ascertained analytically by estimating the presumed cost of all the claims outstanding at the end of the year and on the basis of prudent technical valuations carried out with reference to objective elements, in order to ensure that the total amount set aside is enough to meet the claims to be settled and the relative direct expenses and settlement expenses.
The figures ascertained in this way are analysed and checked by Head Office. Subsequently, in order to take account of all reasonably foreseeable future charges, actuarial-statistical methods are used to determine the final level of the claims provision.
The claims provision also includes the amounts set aside for claims incurred but not reported, based on past experience of IBNR for previous years.
The reinsurers' share of the claims provision reflects the sums recovered from them to meet the provisions, the amounts being laid down in the individual policies or in the contracts.

Provision arising from the adequacy test for Non-Life technical provisions

The Non-Life technical provisions have been subjected to the test provided for by IFRS 4 (Liability Adequacy Test – LAT).

In order to monitor the adequacy of the premium provision the supplementary provision for Unexpired Risks is calculated for each individual company and class of business using the simplified method provided for in ISVAP Regulation no. 16, Art. 11. As claims for the year are measured at final cost and not discounted, future payment flows can be deemed to have implicitly taken place (LAT on the claims provision).

Life business technical provisions

The amount recognised is calculated in accordance with the provisions of Art. 36 of Legislative Decree 209 of 7 September 2005 (Insurance Code) and ISVAP Regulation 21 of 28 March 2008, as amended.

Mathematical provisions

The mathematical provision for direct insurance is calculated analytically for each contract on the basis of pure premiums, with no deductions for policy acquisition costs, and by reference to the actuarial assumptions (technical interest rates, demographic models of death or disability) used to calculate the premiums on existing contracts.

The mathematical provision includes the portion of pure premiums in relation to the premiums accrued during the year. It also includes all the revaluations made under the terms of the policy and is never less than the surrender value.

In accordance with the provisions of Art. 38 of Legislative Decree 173/1997, technical provisions, which are set up to cover liabilities deriving from insurance policies where the yield is based on investments or indices for which the policyholder bears the risk, and provisions arising from pension fund management, are calculated by reference to commitments made under these policies and to the provisions of Art. 41 of Legislative Decree 209 of 7 September 2005. In the case of index-linked policies in particular the mathematical provisions are calculated on the basis of the price of the underlying securities, whilst in the case of unit-linked policies the mathematical provisions are calculated by multiplying the number of units by the price of the funds concerned on the date they are calculated.

In the case of Pension Funds, and particularly, policies that offer a guaranteed minimum return on payments when the policy matures or on retirement, death or disability, the mathematical provision may be increased by a further provision required to cover the risk of including the value of the underlying assets. This supplement is calculated by taking into account any differences between the guaranteed minimum values and the values of the underlying assets during the guarantee period estimated stochastically and by discounting the result on the date the provisions are calculated.

The mathematical provisions are calculated analytically for each individual contract taking into account the policies outstanding at the reporting date, their respective start dates and all the liabilities assumed under the policies.

As laid down in Art. 36, paragraph 3, of Legislative Decree 209 of 7 September 2005, the provision for amounts payable includes the total amount needed to cover payment of benefits that have fallen due but not so far been paid, surrendered policies and claims not yet paid.

The provision for profit participation and reversal was set up to cover the Group's commitment to allocate to certain contracts on a temporary group tariff in the event of death and/or disability sums accrued during the year as technical profits arising from the yield on individual contracts.

Other technical provisions consist almost entirely of amounts set aside for operating expenses and are calculated on the basis of the provisions of Articles 31 and 34 of ISVAP Regulation 21.

In accordance with specific provisions issued by the Supervisory Authority the mathematical provisions are supplemented by the following additional provisions:

Supplementary provisions based on demographics (Art. 50 of ISVAP Regulation no. 21)
An additional provision has been set up to supplement the provision held as a hedge against liabilities to

policyholders whose benefit is in the form of a life annuity or in the form of a lump sum with guaranteed coefficients of conversion into an annuity.
This supplementary provision is calculated by the companies in the Group comparing the demographics used in the tariff with the latest demographic tables such as the RG48, which shows details of both sexes separately, the IPS55 for men and the SIMPS71. Coefficients that reflect each individual company's propensity to choose the annuity offered are applied to the levels of provision obtained in this way.

Additional provisions
Under Art. 38, paragraph 3, of Legislative Decree 173/1997, the mathematical provision includes provisions set up to hedge the risk of mortality in insurance contracts in Class III (as laid down in Art. 2, paragraph 1, of Legislative Decree 209 of 7/9/2005), which provide a benefit should the insured party die during the term of the contract. In the case of insurance contracts in Class III and Class VI the mathematical provision also includes the provisions set up to fund guaranteed benefits on maturity or when certain events occur (as laid down in Art. 2, paragraph 1, of Legislative Decree 209 of 7/9/2005).

Provision for expenses
In the case of policies with a premium payment period shorter than the term of the insurance (single premium, low annual premium, reduced) a provision is set aside for expenses calculated on the basis of the operating loadings held as a hedge against future operating expenses.
In the case of index-linked tariffs the provision for operating expenses has been set up using the difference between the value of the net premium and the initial value of the policy less the initial marketing cost incurred by the company. This amount, which remains valid throughout the life of the contract, has been set aside for the remaining period of each individual contract.

Additional provisions for temporary mismatching (Art. 37 of ISVAP Regulation no. 21)
These provisions are used as a hedge against the financial effects of fluctuations in the returns on segregated accounts and take account of the part of the return to be retroceded to the policies that because of the temporary mismatch is not covered by the return on the investments and that is expected to be obtained during the same period.
This provision is important in the case of segregated accounts that provide for only one annual rate of return, retroceded/paid to policyholders for each subsequent period of twelve months.

Additional provision for financial risks (Articles 47 and 48 of ISVAP Regulation 21)
The mathematical provisions are combined with an item held as a hedge against a possible discrepancy between the expected rates of return on the assets held as a hedge against the technical provisions linked to segregated accounts and commitments by way of levels of financial guarantees and adjustments made to the benefits provided under the policies.

The liability adequacy test was also carried out in accordance with IFRS 4, to verify that the technical provisions were adequate to cover the present value of future cash flows relating to insurance contracts.
The test was performed by projecting the cash flows and taking into account the following elements:
– services guaranteed broken down by guarantee line, projected on the basis of contractual conditions;
– trend in the existing portfolio relating to recurring payment aspects, expiry of contracts, policyholder mortality and propensity to redemption;
– costs and revenues associated with portfolio management and liquidation.

Provision for shadow accounting

The shadow accounting technique set out in IFRS 4 enables the unrealised losses and/or gains on the underlying assets to be recognised as technical provisions for insurance or investment contracts that offer discretionary participation features as if they had been realised. This adjustment is recognised in the

shareholders' equity or in the income statement depending on whether the losses or gains in question are recognised in the shareholders' equity or in the income statement.
Net losses are recognised in the provision for deferred financial liabilities to policyholders only after the guaranteed minimum has been reached, otherwise the company continues to bear them in full. Losses are quantified using a financial prospective method in line with Chapter I of ISVAP Regulation no. 21.
Applying shadow accounting enables the value mismatch between technical provisions and related assets to be mitigated and is therefore deemed to be more representative of the economic substance of the transactions in question.

4 Financial liabilities – IAS 39

This item includes the financial liabilities at fair value through profit or loss and the financial liabilities measured at amortised cost.

4.1 Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subdivided into two further sub-items:
- held-for-trading financial liabilities, which include negative items on derivatives;
- financial liabilities to be measured at fair value through profit or loss, which include the financial liabilities relating to contracts issued by insurance companies where the investment risk is borne by the policyholders, when the insurance risk is not significant, and where there is no discretionary participation feature.

4.2 Financial liabilities at amortised cost

This item includes interbank payables and payables to bank customers, deposits received from reinsurers, debt securities issued, other loans obtained and liabilities on Life policies with a financial content where the insurance risk is not significant and there is no discretionary participation feature (some types of product matched by specific funding).

5 Payables

Payables includes Payables arising from direct insurance business, Payables arising from reinsurance business and Other payables, such as trade payables, payables for policyholders' tax due, payables for post-employment benefits, sundry tax payables and social security charges payable.

Payables are recognised at their nominal value.

Employee benefits – IAS 19

The post-employment benefits accrued by 31 December 2006 that were not transferred to external bodies in accordance with the provisions of Legislative Decree 252/05 relating to supplementary pension schemes comes under the category of employee benefits classified as a defined benefits plan. The amount due to employees is therefore calculated using actuarial techniques and discounted at the reporting date, using the "Projected unit credit method" (a method based on benefits accrued in proportion to length of employment).
The same method is used to determine the effects of other defined benefits for employees post-employment.

Actuarial gains and losses relating to obligations deriving from defined benefit plans are recorded under Other comprehensive income (expense).
Future cash flows are discounted on the basis of the market return curve, recorded at the end of the year, of corporate bonds issued by issuers of high credit standing

The service cost and net interest are recognised in the separate income statement.

Net interest is calculated by applying to the net value of liabilities for defined benefits existing at the start of the year the one-year interest rate taken from the return curve used to discount the liability at the end of the previous year.

6 Other liabilities

6.1 Liabilities associated with disposal groups – IFRS 5

Please see above for the corresponding asset item.

6.2 Deferred tax liabilities – IAS 12

Deferred tax liabilities are recognised whenever there is a taxable temporary difference, except in the cases provided for in paragraph 15 of IAS 12.
Deferred tax liabilities must be measured using the tax rates that are expected to apply during the year in which the tax liability will be paid off, based on the ruling tax rates (and tax legislation) or those in force at the reporting date.
If tax rates change, despite being prior year items, the deferred taxes recalculated in accordance with the new rates are recognised under Income tax in the income statement or under equity reserves to which the temporary variations in question apply.

With regard to the offsetting of deferred tax assets and liabilities, reference should be made to the previous paragraph "6.3 Deferred tax assets - IAS 12" in the chapter on Assets.

6.3 Current tax liabilities

This item includes current Tax payables.

6.4 Other liabilities

This item includes, inter alia, accrued expense and deferred income, accruals for commissions on premiums under collection and deferred commission income relating to investment contracts with no discretionary participation feature required in advance for the contract-administration service or for the investment-management service, amortised on a straight-line basis over the life of the contract or, in the case of whole-Life contracts, over the "expected" life of the contract.

Income Statement

1 Revenue and income

1.1 Net premiums

This item includes the premiums relating to insurance contracts and financial instruments that include discretionary participation features, net of reinsurance.
Premiums are recognised at the time they are due. The total for the year is obtained by adding the premium provision.

1.2 Commission income

This item includes commission income for financial services provided. It includes commission income arising from banking business and loadings pertaining to the year, relating to Life assurance contracts classified as financial liabilities. In the case of unit-linked policies, in particular, the acquisition loadings relating to the asset management service provided have been recognised and deferred throughout the term of the contract.

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

This item includes realised gains and losses, interest, dividends, charges and positive and negative changes in value of financial assets and liabilities at fair value through profit or loss.

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

This item includes investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

1.5 Gains on other financial instruments and investment property

This item includes gains on investments that do not come under the previous two categories. Mainly included are interest income on “Loans and receivables” and on securities classified as available-for-sale financial assets and held to maturity, other investment income, including dividends and rental income from investment property, and realised gains on the sale of financial assets or liabilities and investment property.

1.6 Other revenue

This item includes income arising from the sale of goods, the provision of services other than those of a financial nature and the use by third parties of the company's property, plant and equipment and other assets. It also includes other net technical income on insurance contracts, exchange rate differences allocated to the income statement as per IAS 21, realised gains and reversals of impairment losses on property, plant and equipment and other assets.

2 Expenses and charges

2.1 Net charges relating to claims

This item includes the amounts paid during the year for claims, matured policies and surrendered policies and the amount of changes in the technical provisions relating to contracts that fall within the scope of IFRS 4, net of amounts recovered and of outwards reinsurance.

2.2 Commission expense

This item includes commission expense for financial services received. It includes commission expense arising from banking business and commissions on Life assurance contracts classified as financial liabilities. In particular, acquisition commissions paid for the placement of unit-linked policies are amortised throughout the term of the contract to meet deferred acquisition loadings.

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

This item includes losses on investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

2.4 Losses on other financial instruments and investment property

This item includes losses from investment property and financial instruments other than investments and financial instruments classified as "Assets at fair value through profit or loss". It mainly includes interest expense on financial liabilities, other investment expense, costs relating to investment property such as condominium expenses and maintenance expenses that do not increase the value of the investment property, losses realised as a result of the derecognition of financial assets or liabilities and investment property, depreciation and impairment losses.

2.5 Operating expenses

This item includes commissions and other acquisition costs relating to insurance contracts, investment management expenses, other administrative expenses and depreciation (overheads and personnel expenses that are not allocated to losses relating to claims, insurance contract acquisition expenses or investment management expenses).

2.6 Other costs

This item mainly includes other net technical charges relating to insurance contracts, additional amounts set aside during the year, exchange rate differences to be allocated to the income statement under IAS 21, realised losses and depreciation and amortisation relating to property, plant and equipment and intangible assets, not allocated to other cost items.

3 Income tax for the year

For the 2014 tax period, Unipol and the other direct subsidiaries that fulfil the requirements, pursuant to Art. 117 et seq. of Presidential Decree 917/86 and Ministerial Decree 9 June 2004, have opted for the Group tax consolidation system (for the purposes of IRES) in their capacity as consolidated companies, whilst the direct holding Finsoe acts as ultimate holding company for tax purposes.
A similar Group tax consolidation system exists which makes provision for UnipolSai and its direct subsidiaries as consolidated companies, when the legislative requirements are met.

The parents of the two tax consolidated entities signed an agreement with the respective consolidated companies regulating the financial and procedural aspects governing the option in question.

Charges/income linked to the transfer to the ultimate parent of the IRES tax result/tax loss are calculated in accordance with legislation, taking into account the relevant exemptions and the tax credits due, and the terms of the respective agreements with the ultimate parent and are recognised under Income tax in the income statement. IRAP for the year is also recognised under Income tax.

The item also includes deferred tax assets and liabilities, based on the temporary differences (that have arisen or been deducted during the year) between the profit (loss) for the year and the taxable income and on the consolidation adjustments. In respect of tax losses prior to the applicable period of tax consolidation, deferred tax assets are recognised to the extent in which said losses can be reasonably used against future IRES income.

Foreign currency transactions – IAS 21

Items expressed in foreign currencies are dealt with in accordance with the principles of multicurrency accounting.

Monetary elements in foreign currency (units of currency owned and assets or liabilities that must be received or paid in a fixed or ascertainable number of units of currency) are translated using the exchange rate applicable at the end of the year.
Non-monetary elements measured at historical cost in foreign currency are translated using the exchange rate applicable on the date of the transaction.
Non-monetary elements measured at fair value in a foreign currency are translated using the exchange rates applicable on the date on which the fair value is determined.
Exchange rate differences arising from the settlement of monetary elements are recognised in the income statement. Exchange rate differences arising when non-monetary elements are measured are allocated to the profit (or loss) for the year or to other comprehensive income (expense) depending on whether the profit (or loss) to which they relate is recognised in the profit (loss) for the year or in other comprehensive income (expense), respectively.

Share-based payments – IFRS 2

The Group pays additional benefits to senior executives under a closed share-based compensation plan under which Unipol Ordinary shares are granted if specific targets are achieved (performance shares). As laid down by IFRS 2 – Share-based payments, these plans form part of the beneficiaries' remuneration. The charge must be recognised through profit or loss, with a balancing recognised directly in equity (Reserve arising from equity-settled share-based payment), on the basis of the fair value of the instruments allocated on the grant date, the charge being spread over the period provided for in the scheme.

Earnings per share – IAS 33

Basic earnings per share are calculated by dividing the profit allocated to holders who of ordinary shares in the Parent Unipol by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in the Parent Unipol by the weighted average number of any additional ordinary shares that would be outstanding if all the potential ordinary shares with dilutive effect were converted. If the result is negative, the loss (basic and diluted) per share is calculated.

Use of estimates

The application of certain accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.
As regards the 2014 financial statements, it is believed that the assumptions made are appropriate and, subsequently, that the financial statements have been drafted with clarity and give a true and fair view of the equity-financial position and economic result.

In order to formulate reliable estimates and assumptions, reference has been made to past experience, and to other factors considered reasonable for the case in question, based on all information available. However, we cannot exclude the fact that changes in these estimates and assumptions may have significant effects on the equity and economic position and on the assets and liabilities reported in the financial statements for disclosure purposes, if different judgment elements emerge with respect to those expressed in due course.

The estimates mainly concern:
- technical Life and Non-Life provisions;
- the assets and liabilities designated at fair value (particularly for level 2 and 3 financial instruments);
- the analyses targeted at identifying any impairment of intangible assets (e.g. goodwill) booked to the financial statements (impairment test);
- the quantification of provisions for risks and charges and provisions for employee benefits.

For information on the methods used to determine the items in question and the main risk factors, please refer to the sections containing a description of the measurement criteria.

Fair value measurement criteria - IFRS 13

IFRS 13 provides a guide on how to measure the fair value of financial instruments and non-financial assets and liabilities already required or permitted by other accounting standards (IFRS) This standard:

a) defines the fair value;
b) groups into a single accounting standard the rules for measuring fair value;
c) enriches financial statement information.

The standard defines fair value as the sale price of an asset based on an ordinary transaction or the transfer price of a liability in an ordinary transaction on the main reference market at terms applicable at the measurement date (exit price).
Fair value measurement assumes that the transaction relating to the sale of assets or transfer of liabilities can take place:

- on the main listing market;
- if there is no listing market, on the market most advantageous for the assets and liabilities to be measured.

When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 also defines a fair value hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure fair value.

IFRS 13 governs the fair value measurement and the associated disclosure also for assets and liabilities not measured at fair value on a recurring basis in the statement of financial position. For these assets and liabilities, fair value is calculated for financial statement disclosure purposes. It should also be noted that since said assets and liabilities are not generally exchanged, the determination of their fair value is based primarily on the use of internal parameters not directly observable on the market, with the sole exception of listed securities classified in the category “Held-to-maturity investments”.

Fair value measurement criteria

The table below summarises the methods for determining fair value for the different macro categories of financial instruments, receivables and property.

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

In compliance with IFRS 13, in order to determine the fair value of financial instruments, in the presence of instruments handled in liquid and active markets, the market price is used (Mark to Market).

"Liquid and active market" means:
a. the regulated market in which the instrument subject to measurement is traded and regularly listed;
b. the multilateral trading system (MTF) in which the instrument subject to measurement is traded and regularly listed;
c. listings and transactions performed on a regular basis, i.e. high-frequency transactions with a low bid/offer spread, by an authorised intermediary (hereinafter "contributor").

In the absence of available prices on a liquid active market, valuation methods are used which maximise the use of observable parameters and minimise the use of non-observable parameters. These methods can be summarised in Mark to Model valuations, counterparty valuations or carrying amount valuations in connection with certain non-financial asset categories.

Mark to Market valuations

With reference to shares, listed investments, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the market.

In relation to bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:
a. the primary source is represented by the CBBT price provided by data provider Bloomberg;
b. where the price referred to the previous point is unavailable, an internal scoring model is used, which makes it possible to select liquid and active contributors on the basis of certain defined parameters.

For UCITS the Net Asset Value is used as source.

Mark to Model valuations

The Group uses valuation methods (Mark to Model) in line with the methods generally used by the market.

The objective of the models for calculating the fair value is to obtain a value for the financial instrument consistent with the assumptions that market participants would use to formulate a price, assumptions that also concern the risk inherent in a particular valuation technique and/or in the inputs used. For the proper Mark to Model valuation of each category of instrument, adequate and consistent valuation models must be defined beforehand as well as the market parameters.

The list of the main models used within the Unipol Group for Mark to Model pricing of financial instruments is shown below:

Securities and interest rate derivatives;
- Discounted cash flows;
- Black;
- Black-Derman-Toy;
- Hull & White 1,2 factors;
- Libor Market Model;
- Longstaff & Schwartz;
- Kirk.

Securities and inflation derivatives
- Discounted cash flows;
- Jarrow-Yildirim.

Securities and share, index and exchange rate derivatives
- Discounted cash flows;
- Black-Scholes.

Securities and credit derivatives
- Discounted cash flows;
- Hazard rate models.

The main observable market parameters used to perform the Mark to Model valuations are as follows:
- interest rate curves for reference currency;
- interest rate volatility surface for reference currency;
- CDS spread or Asset Swap spread curves of the issuer;
- inflation curves for reference currency;
- reference exchange rates;
- exchange rate volatility surface;
- share or index volatility surface;
- share reference prices;
- reference inflation curves.

The main non-observable market parameters used to perform the Mark to Model valuations are as follows:
- correlation matrices between exchange rates and risk factors;
- historical volatility;
- benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or CDS curves are unavailable;
- credit risk parameters such as the recovery rate;
- delinquency or default rates and prepayment curves for ABS type financial instruments.

With reference to bonds in cases in which, also on the basis of the results of the Scoring Model, it is not possible to measure an instrument using the Mark to Market method, the fair value is attributed on the basis of Mark to Model type valuations. The different valuation models referred to above are used based on the instrument characteristics.

For OTC derivative contracts the models used are consistent with the risk factor underlying the contract. The fair value of OTC interest rate derivatives and OTC inflation-linked derivatives is determined on the basis of Mark to Model type valuations, acknowledging the rules set forth in IFRS 13.
As regards derivatives on which a collateralisation agreement is provided (Credit Support Annex) between the companies of the Unipol Group and the authorised market counterparties, provision is made for use of the EONIA discount curve (Euro OverNight Index Average).
In the event of uncollateralised derivatives, provision is made for the use of CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments. It should be noted that, at 31 December 2014, almost all derivative positions related to collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

With reference to unlisted shares and investments for which a market price or appraisal drafted by an independent expert is not available, the valuations are performed primarily on the basis of (i) equity methods, (ii) methods which consider the discounting of future profit or cash flows, i.e. Discounted Cash Flow (DCF) or Dividend Discount Model (DDM), (the so-called “excess capital” version) (iii) applicable methods based on market multiples.

In relation to unlisted UCITS, Private Equity Funds and Hedge Funds, the fair value is expressed as the Net Asset Value at the financial statement date provided directly by the fund administrators.

With reference to the portfolio of loans to bank customers, the fair value is attributed on the basis of Mark to Model valuations, by using a Discounted Cash Flow method with the proper discount rate for counterparty or transaction risk. The carrying amount is used for other loans.

With reference to properties, the fair value is measured on the basis of the appraisal value determined by independent experts consistent with the provisions of the applicable legislation.

Counterparty valuations

For financial assets and liabilities which do not fall within the scope of instruments valued on a Mark to Market basis and for which there are no consistent and validated valuation models available for the purposes of measuring fair value, valuations provided by the counterparties that can be potentially contacted for liquidation of the position are used.

Unique characteristics of the fair value measurement for structured bonds and structured SPV type bonds

Bond issues that incorporate a derivative contract which modifies the cash flows generated by the host contract are considered structured bonds. The measurement of structured bonds requires the representation and separate valuation of the host contract and of embedded derivative contracts.
The measurement of structured bonds makes provision for the use of models consistent with the breakdown into elementary components (host contract and embedded derivatives) and the risk factor underlying said contract.

For structured bonds the valuation of elementary components adheres to the criteria defined previously for the determination of the fair value, which makes provision for use of the Mark to Market valuation if available, or the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.
Bonds issued by a Special Purpose Vehicle secured by collateral and whose flows paid are generated by an interest rate swap contract in place between the vehicle and the swap counterparty (usually the transaction arranger) are considered structured SPV bonds. The measurement of structured SPV type bonds requires the representation and separate valuation of the following elements:

- collateral issue of the vehicle;
- interest rate swap agreement between the vehicle and arranger;
- any other optional components or CDS agreements included in the vehicle.

For SPV structured bonds the valuation of collateral adheres to the criteria defined previously for the determination of the fair value, which makes provision for use of the Mark to Market approach if available, or the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.
The valuation of the interest rate swap agreement provides for the discounting of future cash flows on the basis of the different discount curves, based on the existence or not of a collateralisation agreement (Credit Support Annex) between the vehicle and swap counterparty. In particular, if the derivative contract is collateralised using available securities included in the SPV's assets, the future cash flows of the interest rate swap agreement are discounted using the EONIA discount curve; while in the event there is no

collateralisation agreement, appropriate use is made of CVA (Credit Valuation Adjustment), DVA (Debit Valuation Adjustment) and FVA (Funding Valuation Adjustment).

Criteria for determining the fair value hierarchies

Assets and liabilities valued at fair value are classified on the basis of the hierarchy defined by IFRS 13. This classification aims to establish a fair value hierarchy based on the degree of discretionary power used, giving priority to the use of observable market parameters given capable of reproducing the assumptions that market participants would use in the pricing of assets and liabilities.

Assets and liabilities are classified on the basis of the criterion used to determine fair value (Mark to Market, Mark to Model, Counterparty) and on the basis of the observability of the parameters used, in the case of the Mark to Model valuation.

- Level 1: this category includes assets and liabilities valued on a Mark to Market basis, with CBBT price source and with contributor prices that meet the minimum requirements able to ensure that these prices can be applied to active markets;
- Level 2: this category includes assets and liabilities valued on a Mark to Market basis, but which cannot be classified in the previous category and assets whose fair value is determined by a consistent pricing model with observable market parameter inputs;
- Level 3: this category includes assets and liabilities for which the variability of the estimate of the pricing model may be significant due to the complexity of the pay-off or, in the event a consistent and validated model is available, the parameters needed for the valuation are not observable. This category also includes bonds which do not meet the requirements defined in the scoring test (see the paragraph “Mark to Market valuations”) and for which a Mark to Model valuation is not possible. Lastly, this category also includes loans and investment property.

Fair value measurement on a recurring basis

<u>Process for fair value measurement on a recurring basis</u>

The valuation of financial instruments is a preliminary activity for risk monitoring, integrated asset and liability management and the drafting of the financial statements for the year.
The fair value measurement of financial instruments on a recurring basis is structured into different phases and is carried out, in compliance with the principles of separateness, independence and responsibility of the departments, at the same time, and independently, by the Finance Department and Risk Management Department of Unipol Gruppo Finanziario, based on the measurement criteria defined in the previous paragraph.
When the independent valuations of financial assets and liabilities have been carried out by the two Departments involved in the pricing process, a check is performed for significant deviations, which refer to deviations of more than 3% in terms of absolute value. In the event of deviations of more than 3% the reasons for the differences identified are analysed and, when the outcomes of the comparison are known, the price to be used for financial statement valuation purposes is determined.

<u>Fair value measurement on a recurring basis through non-observable parameters (Level 3)</u>

The classification of financial assets and liabilities at Level 3 adheres to a prudential approach; this category mainly includes the following types of financial instruments:

- unlisted equity instruments or investments for which a market price or an appraisal drafted by an independent expert is not available; valuations are performed on the basis of the methods indicated previously;

- shares in private equity funds, hedge funds and unlisted UCITS units for which information on the financial instruments held in the relative portfolios is not available and which could, as such, include financial instruments valued on a Mark to Model basis using non-observable parameters;
- bonds valued on a Mark to Model basis using non-observable parameters (correlations, benchmark spread curves, recovery rate);
- bonds valued with a counterparty price on a Mark to Model basis using non-observable parameters;
- ABS type bonds for which a Mark to Market valuation is not available;
- derivative instruments valued on a Mark to Model basis using non-observable parameters (correlations, volatility, dividend estimates);
- bonds which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible.

Fair value measurement on a non-recurring basis in compliance with the disclosure requirements of other standards

Consistent with the provisions of IFRS 13, fair value is measured also for assets and liabilities not measured at fair value on a recurring basis in the statement of financial position and when the disclosure on fair value has to be provided in the notes to the financial statements in compliance with other international accounting standards. Since these assets and liabilities are not generally exchanged, the determination of their fair value is based primarily on the use of internal parameters not directly observable on the market. This category mainly includes the following types of financial instruments:

- bond issues valued on a Mark to Market basis (level 1);
- bond issues and loans valued on a Mark to Model basis using non-observable parameters (benchmark spread curves) (level 3);
- short-term payables with a duration of less than 18 months and Certificates of Deposit at amortised cost (level 3);
- loans to bank customers valued according to the following principles (level 3):
  - loans with a duration of more than 18 months (medium/long-term loans) valued on a Mark to Model basis with a cash flow discounting method for the principal component and interest. For medium/long-term loans, the discount rate used is based on the risk-free rate plus a risk premium determined on the transaction through the Probability of Default (PD) and Loss Given Default (LGD) parameters. These parameters were taken from the Cedacri Credit Rating System (CRS) application and were estimated on a consortium basis. The Cumulative Probability of Default is calculated through the application of a Markov process to the one-year transition matrixes, while the LGD is considered constant for the entire time period;
  - impaired loans measured at amortised cost net of analytical valuations;
  - short-term loans with a duration of less than 18 months valued at amortised cost;
- other receivables valued at carrying amount (level 3);
- investment property valued on the basis of the appraisal value determined by independent experts consistent with the provisions of the applicable legislation. The approach to assigning appraisal mandates makes provision for the non-exclusive assignment of assets and normally a three-year rotation in the assignment of experts.

3. NOTES TO THE STATEMENT OF FINANCIAL POSITION

Comments and further information on the items in the statement of financial position and the changes that took place compared to balances at 31 December of the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the statement of financial position).

ASSETS

1. Intangible assets

Amounts in €m	31/12/2014	31/12/2013	*variation in amount*
Goodwill	1,581.9	1,583.2	-1.3
resulting from business combinations	1,581.6	1,582.8	-1.3
from acquisition of bank branches	0.0	0.0	0.0
other	0.3	0.3	0.0
Other intangible assets	551.2	653.8	-102.5
portfolios acquired as a result of business combinations	402.4	514.5	-112.1
software and user licences	125.5	92.3	33.2
other intangible assets	23.3	47.0	-23.7
Total intangible assets	2,133.2	2,237.0	-103.8

Details of the **goodwill** resulting from business combinations are as follows:

Amounts in €m	31/12/2014	31/12/2013	*variation in amount*
Unisalute Spa	3.9	3.9	0.0
Compagnia Assicuratrice Linear Spa	17.1	17.1	0.0
Unipol Assicurazioni Spa	0.0	1,238.6	-1,238.6
UnipolSai Assicurazioni Spa	1,423.9	0.0	1,423.9
Arca Vita Spa	136.6	136.6	0.0
Premafin Spa	0.0	185.8	-185.8
Unipol Banca Spa	0.0	0.8	-0.7
Total goodwill resulting from business combinations	1,581.6	1,582.8	-1.3

As regards UnipolSai Assicurazioni, €1,176.9m relates to the Non-Life CGU and €247m to the Life CGU.

Goodwill with an indefinite useful life recorded in the financial statements was tested for impairment in accordance with the procedure specifically approved by the Parent Unipol's Board of Directors and no impairment was found. For information on the criteria used for the tests, please refer to paragraph 5.11 of chapter 5 of this document, Other information.

1.2 Other intangible assets

The item, totalling €551.2m (€653.8m in 2013), is composed primarily of the value of the Life and Non-Life portfolios acquired for €402.4m (€514.5m in 2013), and costs incurred for purchasing software, licences,

consultancy and the customisation of software programs for €125.5m (€92.3m in 2013).
In relation to the item "Portfolios acquired as a result of business combinations", the decrease with respect to 31 December 2013, amounting to €112.1m, is due for €74m to amortisation for the year of values of the Non-Life portfolios acquired (€108.2m at 31/12/2013) and €47.1m on the Life portfolios (€50m at 31/12/2013). The disposal of former Milano Assicurazioni insurance assets to Allianz led to partial derecognition of the value of Non-Life portfolios acquired for €53.8m, an amount lower than that estimated at the end of 2013 and allocated in the previous year under Assets held for disposal. The €9m surplus was reclassified as an increase in Intangible assets on 30 June 2014.

2. Property, plant and equipment

At 31 December 2014 property, plant and equipment, net of accumulated depreciation, amounted to €1,521.6m (€1,383.3m in 2013), €1,364.2m of which was property for own use (€1,259m in 2013) and €157.4m was other tangible assets (€124.3m in 2013).

Properties for own use

Amounts in €m	*Gross carrying amount*	*Accumulated depreciation*	*Net carrying amount*
Balance at 31/12/2013	1,397.6	-138.6	1,259.0
Increases	188.6		188.6
Decreases	-36.1		-36.1
Depreciation for the year		-34.3	-34.3
Other changes in provisions		-13.1	-13.1
Balance at 31/12/2014	1,550.1	-185.9	1,364.2

The increases included €154.8m in properties transferred to Investment property and €29.8m in incremental costs. Purchases amounted to €4.1m and sales totalled €5.6m.
Write-downs were applied for €30.5m.

The current value of properties for own use, €1,469.8m, was based on independent expert appraisals.

Other tangible assets

Amounts in €m	*Office furniture and machines*	*Movable assets entered in public*	*Plant and equipment*	Total
Balance at 31/12/2013	296.0	5.9	190.3	492.2
Increases	47.4	0.2	29.3	76.8
Decreases	-1.9	-0.4	-0.3	-2.6
Balance at 31/12/2014	341.4	5.7	219.2	566.4
Accumulated depreciation at 31/12/2013	214.5	4.9	148.5	367.9
Increases	26.6	0.1	16.8	43.5
Decreases	-1.9	-0.5	0.0	-2.4
Accumulated depreciation at 31/12/2014	239.2	4.5	165.3	409.0
Net amount at 31/12/2013	81.4	1.0	41.8	124.3
Net amount at 31/12/2014	102.2	1.3	53.9	157.4

3. Technical provisions – Reinsurers' share

The balance of this item was €988.4m, a decrease of €57.1m compared with 2013. Details are set out in the appropriate appendix, in respect of which note that the breakdown between direct and indirect business of previous year's figures was recalculated based on a different allocation of intra-group items.

4. Investments

At 31 December 2014, total investments (investment property, equity investments and financial assets) amounted to €77,946m (€72,012.3m in 2013).

Investments

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Investment property	2,645.6	3.4	2,869.8	4.0	-7.8
Investments in subsidiaries, associates and interests in joint ventures	177.8	0.2	188.8	0.3	-5.8
Financial assets (excl. those at fair value through profit or loss)	65,665.6	84.2	59,736.4	83.0	9.9
Held-to-maturity investments	2,238.0	2.9	2,932.9	4.1	-23.7
Loans and receivables	14,657.7	18.8	16,299.7	22.6	-10.1
Available-for-sale financial assets	48,378.1	62.1	39,933.9	55.5	21.1
Held-for-trading financial assets	391.9	0.5	569.8	0.8	-31.2
Financial assets at fair value through profit or loss	9,456.9	12.1	9,217.3	12.8	2.6
Total Investments	77,946.0	100.0	72,012.3	100.0	8.2

4.1 Investment property

Amounts in €m	*Gross carrying amount*	*Accumulated depreciation*	*Net carrying amount*
Balance at 31/12/2013	3,014.9	-145.1	2,869.8
Increases	131.7		131.7
Decreases	-355.5		-355.5
Depreciation for the year		-40.9	-40.9
Other changes in provisions		40.4	40.4
Balance at 31/12/2014	2,791.1	-145.5	2,645.6

The increases included €100.7m in property acquired following the Court of Milan's endorsement on 17 November 2014 of the Im.Co bankruptcy agreement. The main effects of the relevant decree included transfer of the real estate complex in Milan at Via De Castillia to UnipolSai, and the real estate complex in Parma, Località San Pancrazio Parmense, to UnipolSai Real Estate, for the purchase of which advances were paid for a total of €100.7m on a date prior to the bankruptcy. In relation to these advances, the creditor claim for payment under the bankruptcy agreement was requested and accepted. Receivables relating to the property acquired were recognised in the financial statements at 31 December 2013 for a total of €33.3m, net of the related write-down. The value of the property was recognised in the amount corresponding to the advances paid, prior to the reversal of receivables for €67.4m, and was then aligned to the current appraisal values, recognising write-downs in the income statement for a total of €44.7m. For further information, reference should be made to comments under Liabilities, paragraph 2. Provisions, ongoing disputes and contingent liabilities.

The incremental expenses recognised on investment property in 2014 amounted to €31m.
Properties amounting to €154.8m have been transferred to Properties for own use, sales totalled €40.8m and write-downs were recognised for €113.5m.

The current value of investment property, €2,724.8m, was based on independent expert appraisals.

4.2 Investments in subsidiaries, associates and interests in joint ventures

At 31 December 2014, investments in subsidiaries, associates and interests in joint ventures amounted to €177.8m (€188.8m in 2013).

Financial assets - items 4.3, 4.4, 4.5 and 4.6 (excluding Financial assets at fair value through profit or loss).

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Held-to-maturity investments	2,238.0	*3.4*	2,932.9	*4.9*	*-23.7*
Listed debt securities	1,925.5		2,428.2		*-20.7*
Unlisted debt securities	312.4		504.7		*-38.1*
Loans and receivables	14,657.7	*22.3*	16,299.7	*27.3*	*-10.1*
Unlisted debt securities	4,414.3		5,294.8		*-16.6*
Loans and receivables from bank customers	9,005.6		9,752.3		*-7.7*
Interbank loans and receivables	338.5		353.5		*-4.2*
Deposits with ceding companies	30.9		35.4		*-12.8*
Other loans and receivables	868.5		834.6		*4.1*
Other financial investments	0.0		29.2		
Available-for-sale financial assets	48,378.1	*73.7*	39,933.9	*66.9*	*21.1*
Equity instruments at cost	73.7		111.3		*-33.8*
Listed equity instruments at fair value	827.5		1,034.8		*-20.0*
Unlisted equity instruments at fair value	286.5		300.0		*-4.5*
Listed debt securities	44,650.9		36,460.3		*22.5*
Unlisted debt securities	1,321.6		1,279.3		*3.3*
UCITS units	1,218.0		748.1		*62.8*
Held-for-trading financial assets	391.9	*0.6*	569.8	*1.0*	*-31.2*
Listed equity instruments at fair value	0.0		0.2		*-73.9*
Unlisted equity instruments at fair value	0.0		13.7		*-100.0*
Listed debt securities	125.2		239.9		*-47.8*
Unlisted debt securities	105.7		173.8		*-39.2*
UCITS units	45.6		60.5		*-24.5*
Derivatives	115.4		81.8		*41.1*
Total financial assets	65,665.6	*100.0*	59,736.4	*100.0*	*9.9*

Details of Financial assets at fair value through profit or loss by investment type:

Amounts in €m	31/12/2014	% comp.	31/12/2013	% comp.	% var.
Financial assets at fair value through profit or loss	9,456.9	100.0	9,217.3	100.0	2.6
Listed equity instruments at fair value	158.3	1.7	108.6	1.2	45.7
Listed debt securities	3,636.5	38.5	3,315.3	36.0	9.7
Unlisted debt securities	1,640.5	17.3	2,858.6	31.0	-42.6
UCITS units	3,859.5	40.8	2,779.4	30.2	38.9
Derivatives	18.3	0.2	53.5	0.6	-65.9
Other financial assets	143.8	1.5	101.8	1.1	41.2

The information required by paragraphs 12 and 12A of IFRS 7 is contained in the appendix “Details of reclassified financial assets and their effects on the income statement and comprehensive income statement”.
For information on fair value, reference should be made to paragraph 5.7 of these notes to the financial statements.

5. Sundry receivables

Amounts in €m	31/12/2014	% comp.	31/12/2013	% comp.	% var.
Receivables relating to direct insurance business	1,691.9	47.1	1,851.5	54.2	-8.6
Receivables relating to reinsurance business	95.0	2.6	135.4	4.0	-29.9
Other receivables	1,807.1	50.3	1,428.6	41.8	26.5
Total sundry receivables	3,594.0	100.0	3,415.5	100.0	5.2

Other receivables included:

- tax receivables amounting to €573m (€515.3m at 31/12/2013);
- payments made by UnipolSai as cash collateral to safeguard derivatives totalling €384.6m (€144.2m at 31/12/2013);
- receivables due from Allianz deriving from the business unit transfer financial situation for €174.4m;
- trade receivables amounting to €156.5m (€66.5m at 31/12/2013);
- substitute tax receivables on the mathematical provisions totalling €166.7m (€122.4m at 31/12/2013).

6. Other assets

Amounts in €m	31/12/2014	% comp.	31/12/2013	% comp.	% var.
Non-current assets or assets of a disposal group held for sale	9.4	0.5	174.5	5.2	
Deferred acquisition costs	75.6	4.3	77.4	2.3	-2.3
Deferred tax assets	1,043.5	59.0	2,338.2	69.3	-55.4
Current tax assets	119.9	6.8	273.3	8.1	-56.1
Other assets	521.4	29.5	509.9	15.1	2.3
Total other assets	1,769.8	100.0	3,373.3	100.0	-47.5

Non-current assets or assets of a disposal group held for sale include €8.5m in properties held for sale (€21.4m at 31/12/2013). At 31 December 2013, €149.7m related to assets involved in the disposal agreement to Allianz.
For details of these assets please refer to paragraph 5.5 of these notes to the financial statements.

Deferred tax assets is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax liabilities.
From 2014 deferred tax assets and liabilities are offset, as illustrated in Chapter 2, Main accounting standards.

The item “Other assets” includes, inter alia, deferred commission expense, prepayments and accrued income and miscellaneous items to be settled relating to banking business.

7. Cash and cash equivalents

At 31 December 2014, Cash and cash equivalents amounted to €674.4m (€837.3 at 31/12/2013).

LIABILITIES

1. Shareholders' equity

1.1. Shareholders' Equity attributable to the owners of the Parent

Shareholders' Equity, excluding non-controlling interests, is composed as follows:

Amounts in €m	31/12/2014	31/12/2013	*variation in amount*
Share capital	3,365.3	3,365.3	*0.0*
Other equity instruments	0.0	0.0	*0.0*
Capital reserves	1,724.6	1,724.6	*0.0*
Income-related and other equity reserves	-355.6	327.1	*-682.7*
(Treasury shares)	-35.7	-23.3	*-12.4*
Reserve for foreign currency translation differences	2.5	2.1	*0.4*
Gains/losses on available-for-sale financial assets	777.4	121.4	*656.0*
Other gains and losses recognised directly in equity	20.3	-24.6	*44.9*
Profit (loss) for the year	192.3	-78.6	*270.9*
Total shareholders' equity attributable to the owners of the Parent	5,691.2	5,414.1	*277.1*

At 31 December 2014 the Parent Unipol's share capital was €3,365.3m fully paid-up and was made up of 717,473,508 shares, 443,993,991 of which were ordinary shares and 273,479,517 preference shares.

Movements in shareholders' equity recognised during the year with respect to 31 December 2014 are set out in the attached statement of changes in shareholders' equity. The main changes in the year were as follows:

- a decrease of €120.3m due to dividend distribution;
- a decrease of €487.6m due to the change in the share of participating interests in the UnipolSai Group after the merger into the former Fondiaria-SAI of Unipol Assicurazioni, Milano Assicurazioni and Premafin;
- an increase of €656m as a result of the increase in the provision for gains and losses on available-for-sale financial assets, from €121.4m at 31 December 2013 to €777.4m at 31 December 2014;
- an increase of €44.9m as a result of the increase in the provision for Other gains or losses recognised directly in equity;
- an increase of €192.3m as a result of the Group profit at 31 December 2014.

Shareholders' Equity attributable to non-controlling interests amounted to €2,748.6m (€2,066.9m at 31/12/2013). The increase was due in particular to the change in the share of participating interests in the UnipolSai Group after the merger and to UnipolSai's issue of the Convertible Loan recognised for €110m among shareholders' equity items in accordance with IAS 32.15.
The profit for the period attributable to non-controlling interests amounted to €312.9m; additionally, dividends of €292.5m were paid to non-controlling interests.

Treasury shares or quotas

At 31 December 2014, Unipol held a total of 9,874,831 ordinary treasury shares, of which 6,529,907 directly and 3,344,924 indirectly through subsidiaries:

- UnipolSai 3,175,902;
- Unisalute 53,122;
- Linear 14,743;
- Arca Vita 82,074;
- Arca Assicurazioni 19,083.

At 31 December 2013, Unipol held a total of 6,955,000 ordinary treasury shares, of which 6,740,000 directly and 215,000 indirectly through its subsidiaries, former Unipol Assicurazioni (175,000), former Fondiaria-SAI (24,000) and former Milano Assicurazioni (16,000).

In 2014, 3,029,024 ordinary Unipol shares were purchased by Unipol, Unisalute, Linear Assicurazioni, Arca Vita, Arca Assicurazioni and UnipolSai) to implement the programme for the purchase of ordinary treasury shares, in the service of compensation plans based on financial instruments (performance shares), intended for the managers of the Companies, approved by the respective Shareholders' Meetings in accordance with Art. 114-*bis* of the Consolidated Law on Finance.
On 1 July 2014, shares were assigned to the Managers of the Unipol Group in accordance with the compensation plans based on financial instruments for the period 2010-2012.

2. Provisions

The item "Provisions" totalled €643.2m at 31 December 2014 (€534.2m at 31/12/2013) and mainly consisted of provisions for litigation, various disputes, charges relating to the sales network, provisions for salary policies and employee leaving incentives.

Ongoing disputes and contingent liabilities

Unipol Banca execution of orders on financial transactions

In November 2007 and July 2009 some Unipol Banca customers instituted civil and criminal proceedings relating to alleged irregularities and illicit activities carried out by Unipol Banca while executing orders pertaining to OTC financial derivatives. The claimants submitted compensation requests for a total of €67m. The preliminary investigations of the criminal proceedings concluded in April 2009 with the Public Prosecutor applying for the case to be dismissed, which the claimants opposed. Deeming the opponents to have no case, Unipol Banca also applied for the civil case to be dismissed and made a counterclaim for payment of the amounts due by the claimants to Unipol Banca. In November 2009, the counterparties made further compensation requests totalling €145m. In court Unipol Banca disputed the lateness and inadmissibility of the new claims, stating that they were totally unfounded. In July 2011, the judge at the preliminary hearing at the Bologna Court ordered that the criminal proceedings instigated as a result of the claim brought by these customers, be dismissed.
The judge in the civil court arranged for official technical advice to be provided in order to ascertain, inter alia, the amounts and results of the transactions in derivatives over the years. In April 2012, official technical advice was filed relating to disputes involving a minor amount: in all cases the expert appointed by the judge confirmed that the amounts recognised and submitted as a pleading in the case by the Bank correctly represented the result of the transactions performed, also with reference to the amount of revenues realised by the customers over the years. A similar conclusion was reached by the expert's document filed in September 2012 in relation to cases involving larger amounts: also in this case, the court-appointed expert witness quantified the amount of

the earnings realised over by time by the customers for a huge amount and essentially equal to the amount submitted as a pleading in the case by the Bank. By means of rulings dated 31 December 2013, the Court upheld the additional preliminary applications formulated by the Bank and therefore again summoned the court-appointed expert witness to provide additional clarification and admitted the testimonies requested by the Bank. In the hearing held in April 2014, the court-appointed expert witness therefore provided the required clarification. With regard to the case involving the largest amount, the oral testimony was acquired at the hearing of 19 June, confirming the circumstances stated in the evidence set out by the Bank's defence. After year end, at the hearing of 5 February 2015, the additional witnesses indicated by the Bank and by the counterparties were heard, after which the Presiding Judge set the date of the final hearing as 10 March 2015.
In the meantime, one of the counterparties involved has stated its willingness to reach a settlement agreement to end the dispute, with waiver by the parties of all further claim and/or demand. In relation to this counterparty, the Court therefore postponed the hearing to 19 November 2015 to give time for the settlement agreement to be finalised.

Relations with the Tax Authorities

Unipol
In March 2014, an appeal was filed with the Court of Cassation against the decision of the Regional Tax Commission of Milan with respect to the IRES and IRAP dispute for the 2005 and 2006 tax periods of the former Aurora Assicurazioni, merged by incorporation into Unipol in 2007, pertaining mostly to findings relating to specific insurance provisions. As a result of the adverse decision, the amounts due were paid by way of provisional collection; they had been fully allocated in the preceding years. There is a similar dispute for the year 2007, with favourable decision filed in 2013 by the Provincial Tax Commission of Bologna, against which the offices of the financial administration appealed in 2014. Provisions have been recognised for amounts considered fair to cover risks arising from developments in the dispute.

UnipolSai (former Unipol Assicurazioni)
As a result of the transfer of the former Aurora business unit to the former Unipol Assicurazioni, in 2014 the former Unipol Assicurazioni was served an assessment notice for the 2009 tax period similar to the one that arrived in 2013 for the 2008 tax period (and those Unipol received for the 2005-2007 periods). In January and September 2014 the IPEC requests for the years 2008 and 2009 were presented through the ultimate parent Finsoe, deducting the irregularities from the previous tax losses available, and at the same the assessment notice was contested by appealing to the provincial tax commission of Bologna. Provisions have been recognised for amounts considered fair to cover risks arising from developments in the dispute.

UnipolSai (former Fondiaria-SAI)
The competent Regional Tax Authority of Piedmont started an investigation on the years 2009 to 2012 with regard to fees paid to Mr. Salvatore Ligresti for consultancy assignments, to fees paid to several directors, including the chairman Jonella Ligresti and the Chief Executive Officer Fausto Marchionni, and to some sponsorship costs. The in-depth investigations originated from the report of the Regional Tax Authority of Tuscany that had already carried out similar research for the previous years, of the report that the ad acta Commissioner prepared as part of his assigned responsibility from IVASS, and from the Board of Statutory Auditors Reports pursuant to Art. 2408 of the Civil Code. Specifically, bearing in mind similar cases already settled by the company for the tax periods from 2004 to 2008, there is a special allocation to a reserve set aside in previous years sufficient to meet the risks pertaining to the years still potentially subject to criticism.
Furthermore, in connection with an assessment notice regarding IRPEG and ILOR for the year 1991 concerning the merged Fondiaria Assicurazioni, the Tuscan Regional Tax Commission upheld the appeal to reinstate presented by the Tax Authorities with its ruling filed in July 2014, which follows a ruling of the Court of Cassation based on abuse of right against two judgements as to the merits that had upheld and confirmed the

appeal of the merged company. UnipolSai has submitted another appeal to the Court of Cassation. Potential liabilities in the event the case is lost are fully covered by a special fund.

Arca Assicurazioni
The IRES tax for 2008 was paid through a settlement proposal in the first few months of 2014. Then in 2015 a further settlement proposal finalised the IRES tax for 2009. Both definitions followed the report on findings issued by the Veneto Regional Tax Authority after the general audit involving the years 2008 to 2011. Proceedings began, however, regarding dispute relating to IRAP and VAT. A provision was allocated in the financial statements to cover all possible charges.

For all the above companies and for the other companies in the Group, starting from 2003, assessment notices were served regarding VAT on active and passive co-insurance contracts entered into with other companies in the insurance sector. All the aforesaid assessments have been duly challenged before the competent tax commissions. Taking into account the prevalent favourable jurisprudence on these matters, no provisions have been allocated.

Atahotels
In May 2014 the Company was served a report on findings bearing objections on the amount of some lease instalments considered excessive and on the failure to charge back certain advertising costs. The objections were raised for IRES, IRAP and VAT reasons, and cover a time span ranging from 2009 to 2013. In face of these objections and following a thorough discussion with the offices of the Regional Tax Authority of Lombardy, the company has already settled the year 2009. The company and the consolidating entity UnipolSai allocated risk provisions deemed sufficient to meet the additional costs that may arise from these disputes in their financial statements.

Auto Presto & Bene
The Company was notified a report on findings claiming insufficiency of charges made to the group company for services rendered in 2009 relating to IRES, IRAP and VAT. After presenting briefs and on the basis of comparisons with the competent Provincial Tax Authority of Turin, the company settled the dispute with renouncement of the IRES and IRAP objections and containing the area of the VAT charge. The case in point contested was repeated in the years 2010, 2011 and 2012 as well, and for this reason the company and the consolidating entity UnipolSai allocated risk provisions deemed sufficient to meet any potential costs.

Proceedings in progress with the Antitrust Authority

By means of Ruling dated 14 November 2012, the Italian Antitrust Authority started preliminary proceedings no. I/744 against Unipol Assicurazioni and Fondiaria-SAI (now UnipolSai), Assicurazioni Generali and INA Assitalia, to ascertain the existence of alleged violations of Art. 2 of Law 287/1990 and/or Art. 101 of the Treaty on the Functioning of the European Union, in the assumption of coordination between said insurance companies aimed at limiting the competition between said parties in participation in tenders called by certain Local Public Transport Companies regarding MV TPL insurance coverage services for vehicles that are used to provide said transportation service. UnipolSai, deeming that it acted in full compliance with legality and correctness, retained its lawyers for the protection of its rights. The preliminary investigation stage ended on 28 January 2015 with the final hearing of the parties. The deadline for closing the proceedings was then extended to 31 March 2015. If the Antitrust Authority should establish the charged infringement, it will set the deadline for eliminating the infringement and, considering its gravity and duration, may also order application of a pecuniary administrative penalty.

Writs of summons by shareholders of La Fondiaria Assicurazioni (Tender Offer legal cases)

From 2003 onwards, a number of La Fondiaria Assicurazioni ("Fondiaria") shareholders have initiated a series of legal proceedings claiming, albeit on different legal grounds and justifications, compensation for damages allegedly suffered due to failure to launch the takeover bid on Fondiaria shares by SAI Società Assicuratrice Industriale SpA ("SAI") in 2002.
On the whole, 16 proceedings were brought against the Company, and 12 were pending at 31 December 2014, with UnipolSai and Mediobanca Banca di Credito Finanziario ("Mediobanca") the co-respondents.

With regard to the pending proceedings, the breakdown is as follows:
- three proceedings are pending in first instance before the Court of Milan;
- four proceedings are pending before the Milan Court of Appeal, three of which adjourned;
- five proceedings are pending before the Supreme Court.

With regard to the contents of the judgments, it should be emphasised that:
- all the judgments (except those pronounced by the Court of Florence in favour of the defendant companies, and the one pronounced in August 2013 by the Court of Milan which confirmed legal time-barring of the proceedings) have, with different reasons as to why, accepted the plaintiff claims and ordered the defendants to pay significant amounts by way of compensation for damages. All decisions issued by the Milan Court of Appeal accepted the appeals proposed by the defendant companies;
- in the three judgments filed in August 2012, and in the one filed in September 2013, the Court of Cassation upheld the appeals, reversed the second instance ruling and adjourned the cases to the Milan Court of Appeal in order for it to re-examine the merits of them and also provide for the costs of the legitimacy judgment.

The four Supreme Court judgments pronounced in 2012 and 2013 indicate a different legal stance adopted by the Supreme Court with respect to the positions of the defendant companies, which even now are constantly agreed by Appeals Court case law. In fact, the four Supreme Court judgments confirmed the legal principle that, in the event of violation of mandatory takeover bid regulations by those who - after acquisitions - become holders of more than 30% of the share capital, it is the responsibility of the shareholders which should be the target of the takeover bid to claim the right to compensation for damages if they can demonstrate potential loss of earnings. Therefore, as confirmation of the complexity of the issue in question, it should be noted that in 2013, after the aforementioned Supreme Court judgments of 2012, the Florence Court of Appeal rejected the appeals brought by a number of Fondiaria-SAI shareholders against the first instance judgment in favour of the defendants and the Milan Court of Appeal accepted the appeal brought by Premafin, rejecting the opposing party claims.

Bankruptcy of Im.Co. SpA in liquidazione and Sinergia Holding di Partecipazioni SpA in liquidazione

By means of judgment issued on 14 June 2012, the companies belonging to the Sinergia Holding di Partecipazioni SpA Group in liquidazione ("Sinergia"), including the subsidiary Immobiliare Costruzioni Im.Co. SpA in liquidazione ("Im.Co."), were declared bankrupt by the second civil section of the Court of Milan. Europrogetti Srl was also declared bankrupt on 14 December 2012.
Note that the receivables due to the Unipol Group from Sinergia or Im.Co., or from entities associated with them, for the most part consist of payments on account paid by Fondiaria-SAI and Milano Assicurazioni to Im.Co. or Sinergia, or their subsidiaries, pursuant to purchase contracts for future real estate asset purchases for the following amounts:

- €101.7m for advances paid by Milano Assicurazioni to Avvenimenti e Sviluppo Alberghiero Srl ("ASA"), a wholly-owned subsidiary of Im.Co., relating to the purchase of a property complex in Rome, Via Fiorentini. The carrying amount of this receivable at 31 December 2014 came to €52.9m net of write-down;
- €77.4m for advances paid by Milano Assicurazioni to Im.Co., relating to the purchase of a property complex in Milan, Via De Castillia. The receivable, recognised in the financial statements at 31 December 2013 for the net amount of €25.5m, was settled in 2014 with the transfer of the real estate complex purchased, as explained below;
- €23.3m due to Immobiliare Fondiaria-SAI (now UnipolSai Real Estate) from Im.Co., relating to the purchase of a property complex in Parma, Località San Pancrazio Parmense. The receivable, recognised in the financial statements at 31 December 2013 of Immobiliare Fondiaria-SAI for the net amount of €7.8m, was settled in 2014 with the transfer of the real estate complex purchased.

Also worthy of note is an exposure of €5.3m, net of the reinsurance effect, to surety policies to guarantee the commitments assumed by companies in the Im.Co. – Sinergia Group.

Lastly, the following receivables due from other Group subsidiaries, entirely written down in previous years, are reported:

- advances on design works for €7.2m, due to Nuove Iniziative Toscane from Europrogetti Srl;
- receivables due to BancaSai (now merged into Unipol Banca) from the Im.Co. – Sinergia Group amounting to €21.4m, €10.7m of which represented by unsecured credit positions.

On 14 June 2012, in disclosing the Sinergia and Im.Co. credit positions to the market after they were declared insolvent, Fondiaria-SAI and Milano Assicurazioni declared (i) their acknowledgment of the judgment of insolvency pronounced against Im.Co. and Sinergia and that creditor claims for payment from liquidation assets would be filed, and (ii) they reserved the right to take further action, including liability action, as necessary or appropriate, also in reference to inquiries made by the Board of Statutory Auditors of Fondiaria-SAI following the claim pursuant to Art. 2408 of the Civil Code filed by the shareholder Amber Capital Investment Management.
In relation to the above receivables (with the exception of the receivable of €101.7m due from ASA, since that company is presently in a performing position), applications were presented for the proof of debts of the Im.Co. and Sinergia bankruptcies for a total of €151m, €111.4m of which was recognised as debts, in the form of unsecured loans, at 31 December 2013. In relation to the liability actions subsequently launched by the acting Commissioner of Fondiaria-SAI, late applications were filed for proof of debts of the Im.Co. and Sinergia bankruptcies totalling €392.7m. These claims were rejected by the bankruptcy court and the companies involved have challenged the related rejections.

According to the information disclosed to the market, based on an initiative of the main bank creditors of the bankrupt companies, Unicredit and Banca Popolare di Milano incorporated the company Visconti Srl, with the objective of proposing a bankruptcy agreement to settle the insolvency of the companies Im.Co. and Sinergia.

On 3 October 2013, the Unipol Group signed an agreement with Visconti Srl regarding the settlement, also as a compromise, of the receivables due to Unipol Group companies from Im.Co. and Sinergia and their subsidiary ASA, as part of the bankruptcy agreement applications of said parties Im.Co. and Sinergia. The effectiveness of this agreement is subject to certain conditions, including the approval by final order of the arrangements with creditors of Im.Co. and Sinergia.
Visconti Srl filed appeals against the bankruptcy agreement applications of Im.Co. and Sinergia, on 7 and 31 October 2013 respectively.

Following the above-mentioned filing, Visconti had to acknowledge the note of the Municipality of Milan dated 5 February 2014, with which the deadline of the Integrated Intervention Programme concerning the construction and localisation of Centro Europeo di Ricerca Biomedica Avanzata was declared "past due to all intents and purposes", and therefore, it had to acknowledge that "the premises and guidelines of the composition plan had significantly diverged, and to such an extent as to render it impracticable as it had originally been presented". In view of the above, Visconti has discussed with the creditor banks and with the Companies of the Unipol Group the possibility of implementing a new composition plan.

On 16 May 2014, Visconti and the Companies of the Unipol Group executed a new agreement, replacing the first agreement signed on 3 October 2013, which provides, inter alia: (i) that all the assets and liabilities of the bankrupt companies (with the sole exception of the properties, which shall be transferred directly from the IM.CO. Bankruptcy to UnipolSai and to UnipolSai Real Estate) shall be transferred to Visconti; (ii) a new division of the creditor classes; (iii) the need for participating banks to remove a portion of their own receivables from the bankrupt companies before the receivables are taken over by Visconti.

On the basis of the new composition plan, Visconti filed the deeds amending the composition proposals of Im.Co. and Sinergia.

On 17 November 2014 the Court of Milan approved the bankruptcy agreement regarding Im.Co that had been put forward by Visconti. The main effects of the relevant decree included transfer of the real estate complex mentioned above in Milan at Via De Castillia to UnipolSai, and the mentioned real estate complex in Parma, Località San Pancrazio Parmense, to UnipolSai Real Estate.

The transfer entailed closing the receivables due to the companies UnipolSai and UnipolSai Real Estate and the total recognition on the income statement of the relevant allowance for bad debt (amounting to €51.9m and €15.5m, respectively).
The properties were initially recognised for a value corresponding to the advances paid (€77.4m for UnipolSai and €23.3m for UnipolSai Real Estate, respectively), then were written down for adjustment to the appraisal values, therefore at the same time recognising a value adjustment of €29m for UnipolSai and €15.7m for UnipolSai Real Estate.
On 5 December 2014 the bankruptcy agreement regarding Sinergia was also approved.
The Court of Milan declared the Im.Co bankruptcy proceedings to be closed by decree dated 5 February 2015.
Full implementation of the agreement with Visconti will be completed 2015.

With regard to the former Premafin, please be reminded that the only significant relations between this company and those declared insolvent is that relating to statements guaranteeing non-liability released by Im.Co. and its subsidiaries in relation to potential charges/liability arising from the commitment to sell sites located in the Municipality of Milan to third parties. Reference should be made to the next paragraph for further information.

Dispute with the Municipality of Milan

UnipolSai is involved in a dispute with the Municipality of Milan relating to a commitment for the transfer of areas at pre-established prices, entered into by the absorbed company Premafin. In May 2008, the Court of Appeal partially reversed the first instance judgment which had sentenced Premafin to compensate the damages caused by the failure to acquire the areas, recognising, in only two of the executed deeds, the nature of a genuine preliminary sales agreement for the respective areas at the centre of the dispute and confirming the criterion for the quantification of the damages, to be settled in separate proceedings. In this regard, in 2008, Premafin had therefore proceeded, within the prescribed terms, to lodge an appeal before the Court of Cassation. On 29 September 2014 the Court of Cassation definitively confirmed the appeal ruling that considered the agreement for two of the three areas at the centre of the dispute finalised.
Having said that - considering that the judgement of the Court of Appeal is provisionally enforceable - in October 2012, the Municipality of Milan summoned Premafin to the Court of Milan for the quantification and settlement of the damages incurred. During said proceedings, a court-appointed expert witness was arranged and the case was adjourned to the hearing on 4 February 2016 for the statement of final pleas.
In respect of a claim for around €37m, Protos SpA (company appointed by Premafin in 2012) performed an estimate of the potential damages incurred by the Municipality of Milan, quantifying the amount at approximately €13.2m.

Following the bankruptcy of the company Im.Co., which had issued declarations of indemnity in favour of Premafin, the company lodged an appeal for the proof of debt and, subsequently, owing to the dismissal of the application, filed an opposition appeal to the bankruptcy claim condition pursuant to Art. 98 of Bankruptcy Law. The first hearing set for the appearance of the parties was held on 9 May 2013 and conciliation was attempted; it was not possible to reach an agreement and the judge set the hearing for final pleas on 6 May 2014 (subsequently postponed to 20 May), with terms for the filing of briefs and replies. At the hearing of 20 May 2014, the Receivers told the judge that the arrangement with creditors, which comprises the waiver by UnipolSai (taking over from Premafin) of the guarantee for which the proceedings are brought, was about to be defined. The Court postponed the hearing of 17 March 2015, the date on which closure was filed in the Im.Co. bankruptcy proceedings (see previous paragraph “Bankruptcy of Im.Co. and Sinergia”, with subsequent declaration of suspension of the claim for proof of debt brought by the Company.

Following endorsement of the Im.Co. bankruptcy, it will be possible to free up the disputed real estate areas in order to reach an amicable settlement of the dispute still pending with the Municipality of Milan.

Consob sanction proceedings

By means of communications dated 19 April 2013, CONSOB commenced two separate penalty proceedings against Fondiaria-SAI and Milano Assicurazioni for charges relating to their respective 2010 Consolidated financial statements.
Pursuant to Art. 187-*septies*, paragraph 1 of the Consolidated Law on Finance, Consob notified Ms. Jonella Ligresti and Mr. Emanuele Erbetta, for the offices held in Fondiaria-SAI at the time of the events, of the violation set forth in Art. 187-*ter*, paragraph 1, of the Consolidated Law on Finance. Fondiaria-SAI is also charged with this violation as a party bearing joint and several liability; Fondiaria-SAI is also charged with the offence set forth in Art. 187-*quinquies*, paragraph 1, letter a), of the Consolidated Law on Finance for the aforementioned violation of Art. 187-*ter*, paragraph 1 of the Consolidated Law on Finance by Ms. Jonella Ligresti and Mr. Emanuele Erbetta, acting in the abovementioned capacities.

CONSOB also made the same charge against Milano Assicurazioni. In this regard, pursuant to art. 187-*septies*, paragraph 1 of the Consolidated Law on Finance, the Commission charged Mr. Emanuele Erbetta, for the role he held in the subsidiary at the time of the events, with the violation established in art. 187-*ter*, paragraph 1, of the Consolidated Law on Finance. Milano Assicurazioni is also charged with this violation as a party bearing joint and several liability; Milano Assicurazioni is also charged with the offence set forth in art. 187-*quinquies*, paragraph 1, letter a), of the Consolidated Law on Finance for the aforementioned violation of art. 187-*ter*, paragraph 1 of the Consolidated Law on Finance by Mr. Emanuele Erbetta, acting in the abovementioned capacity.

Fondiaria-SAI and Milano Assicurazioni (now UnipolSai), assisted by their lawyers, presented their conclusions, asking that the administrative penalties set out in Articles 187-*ter*, 187-*quinquies* and 187-*septies* of the Consolidated Law on Finance not be imposed on the companies. On 20 March 2014 the CONSOB issued a resolution whereby, not deeming that the parties' defences deserved to be accepted, it ordered:

- Jonella Ligresti to pay €250,000 and to be disqualified from office for four months;
- Emanuele Erbetta to pay €400,000 and to be disqualified from office for eight months;
- UnipolSai to pay €650,000.

UnipolSai duly challenged the decision before the Court of Appeal of Bologna, which rejected the appeal on 6 March 2015. The Company will decide with its lawyers whether or not to contest the measure when the grounds, still not filed, are read.

IVASS assessments

On 2 July 2014, IVASS sent to UnipolSai the order of sanctions at the end of the proceeding started in 2012 against Unipol Assicurazioni on the matter of the measurement of the claims provisions of the MV TPL and Boats classes. The imposed penalty amounted to €27,500. Since UnipolSai does not deem the conclusions of the Institute to be acceptable in any way, it appealed against this decision before the Regional Administrative Court (TAR).

Corporate liability action against certain former directors and statutory auditors decided by the Shareholders' Meetings of Fondiaria-SAI and Milano Assicurazioni

On 17 October 2011, Amber Capital LP, fund manager of Amber Global Opportunities Master Fund Ltd, a Fondiaria-SAI shareholder, in accordance with Art. 2408 of the Civil Code, informed the Board of Statutory Auditors of Fondiaria-SAI of various transactions carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family, criticising the "non-market" conditions and "anomalies" of said transactions.

On 16 March 2012 the Board of Statutory Auditors of Fondiaria-SAI issued an initial response in its "Report pursuant to Art. 2408, paragraph 2 of the Civil Code", after which by letter dated 26 March 2012 the shareholder Amber Capital requested further investigation.

The Board of Statutory Auditors therefore performed further controls and investigations. On 15 June 2012 IVASS served Provision no. 2985 upon Fondiaria-SAI by which the Authority defined the proceedings launched pursuant to Art. 238 of the Private Insurance Code, and through IVASS Communication prot. no. 32-12-000057 of the same date charged Fondiaria-SAI with significant irregularities pursuant to Art. 229 of the Private Insurance Code, with particular reference to a number of transactions implemented by Fondiaria-SAI and its subsidiaries with counterparties qualifying as related parties of Fondiaria-SAI, and assigning a fifteen-day deadline for the effects of these transactions to be permanently removed.
IVASS considered that the actions proposed or implemented by the Company were not suitable to correct the situation which led to the charges cited in the notice of 15 June 2012, prolonging – according to the Institute – the inability of Fondiaria-SAI to remedy the violations and the relative effects.

Therefore by Provision no. 3001 of 12 September 2012 (the "IVASS Provision"), IVASS appointed Prof. Matteo Caratozzolo as ad acta commissioner of Fondiaria-SAI (the "Commissioner") also as parent, considering the requirements of Art. 229, Legislative Decree no. 209 of 7 September 2005 to be met.
In particular, with regard to the disputed transactions considered not only on an individual basis but as a whole, IVASS tasked the Commissioner with (i) specifically identifying the individuals responsible for the transactions carried out to the detriment of Fondiaria-SAI SpA and its subsidiaries; (ii) determining the damage suffered by the same; (iii) promoting or encouraging the promotion of all necessary initiatives, including judicial, at Fondiaria-SAI SpA and its subsidiaries, suitable, in relation to the disputed transactions, to safeguard and reintegrate the assets of Fondiaria-SAI SpA and its subsidiaries; (iv) exercising the powers held by Fondiaria-SAI SpA as parent and as a shareholder in the Shareholders' Meetings of the subsidiaries.

Following the in-depth examinations conducted regarding the above-mentioned transactions, entered into by the Fondiaria-SAI Group primarily in the real estate segment in the 2003-2011 period, which directly involved members of the Ligresti family and certain SPVs attributable to said family, the Commissioner asked the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni to call the respective Shareholders' Meetings, placing on the agenda the proposed corporate liability action, pursuant to Articles 2392 and 2393 of the Civil Code, against some directors and statutory auditors of the companies (jointly with other parties).

On 5 February 2013, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni, having examined the respective reports drafted by the Commissioner in accordance with Art. 125-ter of the Consolidated Law on Finance, resolved, following the aforementioned request, to call the Shareholders' Meetings of the two companies for 13 and 14 March 2013, on first and second call respectively.
The Shareholders' Meetings, held on second call on 14 March 2013, resolved to promote corporate liability action against the persons indicated in the reports prepared for the Meetings by the Commissioner and made these resolutions public in accordance with law.
As a result of the aforementioned resolutions, the ad acta Commissioner appointed his own lawyers who arranged for civil proceedings to be brought before the Court of Milan against the parties identified as responsible for the transactions described above. The proceedings are currently at preliminary investigation stage.

In relation to the aforementioned transactions, the companies requested and, on 20 December 2013, obtained a seizure order from the Court of Milan against some of the defendants in the above proceedings. The Company made arrangements to enforce the attachment through the parties concerned and through third parties, and the related enforcement proceedings are still in progress.
The attachment was challenged by the counterparties and on 24 March 2014 the court of Milan, sitting en banc, confirmed the precautionary provision, rejecting all complaints filed by the counterparties.
Furthermore, with reference to the other transactions involved in the complaint from Amber Capital LP, not included in the Commissioner's mandate ("Minor Transactions"), on the invitation of the Board of Statutory Auditors of Fondiaria-SAI pursuant to Art. 2408 of the Civil Code, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni conducted investigations and checks, which showed that Minor Transactions were also carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family with various breaches of directors' and statutory auditors' duties. In particular, the investigations and checks highlighted both breaches of directors' and statutory auditors' duties and damages to the company assets of the Fondiaria-SAI Group.
The persons who, as a result of the checks performed by the Boards of Directors, were deemed responsible for the Minor Transactions are (i) members of the Ligresti family, who exercised control over the Fondiaria-SAI Group companies involved, and who would have pursued their own personal interests to the detriment of said companies in violation of Articles 2391 and 2391-bis of the Civil Code and the procedure governing "related party" transactions; (ii) the former "executive" directors, who would have proposed and implemented the transactions in question, and the administrators on the internal control committees of Fondiaria-SAI and Milano

Assicurazioni, who would also have been responsible for the violation of said regulations and procedures; (iii) the statutory auditors who would have also been responsible for the damages suffered by the companies in the Fondiaria-SAI Group due to the violation of Articles 2403 and 2407 of the Civil Code and Art. 149 of the Consolidated Law on Finance.
The liability of members of the Ligresti family in relation to the transaction in question (as with the transactions already involved in the liability actions of the Commissioner) would derive not only from the violation of their duties of the offices of director formally held in Fondiaria-SAI and Milano Assicurazioni but also (aa) from the "unitary management" they would have illegitimately exercised over companies in the Fondiaria-SAI Group by helping to approve and implement the transactions constituting a "conflict of interests" and "in violation of the principles of correct corporate and business management" (pursuant to Art. 2497 of the Civil Code); (bb) the de facto interference (in particular from Mr. Salvatore Ligresti) in the administration of the companies in the Fondiaria-SAI Group (in accordance with Art. 2392 of the Civil Code).

Consequently, on 30 July 2013 the ordinary Shareholders' Meetings of Fondiaria-SAI and Milano Assicurazioni resolved to promote corporate liability action pursuant to Articles 2392 and 2393 of the Civil Code and, to the extent they may apply, Articles 2043 and 2497 of the Civil Code, against certain former de facto and official directors of Fondiaria-SAI and Milano Assicurazioni, regardless of their particular offices held and even if no formal office was held; certain former directors of Fondiaria-SAI and Milano Assicurazioni and, pursuant to Art. 2407 of the Civil Code, against certain members of the Board of Statutory Auditors of Fondiaria-SAI and Milano Assicurazioni.
In connection with the resolutions mentioned above, UnipolSai (formerly Fondiaria-SAI, which on 6 January 2014 merged Milano Assicurazioni, among others) served the writ of summons and the first hearing before the Court of Milan is set for 6 October 2015.

Castello Area

On 6 March 2013, the Court of Florence acquitted Fondiaria-SAI on all counts (because the fact does not exist) in the criminal proceedings concerning the urbanisation of the Castello area (Florence).
In this regard, it should be noted that the company was accused, in the criminal proceedings launched in 2008 by the Public Prosecutor's Office of Florence, of the crime of corruption, which involved other defendants that included some representatives of Fondiaria-SAI, certain professionals and some public administrators.
Fondiaria-SAI was accused of unlawful administration set forth in Articles 5 and 25 of Legislative Decree 231/2001 in relation to the offence set out in Articles 319 and 321 of the criminal code, which punishes the crime of corruption by a public official.
The Court also arranged for the release from seizure and return of the Castello area which had been subject to a precautionary seizure order in November 2008. The Public Prosecutor's Office filed an appeal against the ruling before the Florence Court of Appeal. The next hearing is set for 16 April 2015.

Other ongoing criminal proceedings

With reference to facts attributable to the previous management of Fondiaria-SAI and Milano Assicurazioni, on the reporting date of these consolidated financial statements, compensation applications have been submitted to the civil court by two parties (the "Civil Cases") and the criminal court in proceedings Gen. Criminal Records Reg. 21713/13 and Gen. Criminal Records Reg. 24630/2013 (the "Criminal Cases") by various investors who had acquired shares of Fondiaria-SAI, Milano Assicurazioni and Premafin as well as by various "entities representing widespread interests", numbering approximately 2,788 parties.

In the Civil Proceedings, the plaintiffs summarily stated that they had purchased and subscribed Fondiaria-SAI shares as they were prompted by the information in the information prospectuses published by Fondiaria-SAI on 24 June 2011 and 12 July 2012 in relation to the increases in share capital under option resolved by the company on 14 May 2011, 22 June 2011 and 19 March 2012 respectively. UnipolSai (former Fondiaria-SAI) appeared at both Civil Proceedings and disputed the plaintiffs' claims. The Civil Proceedings are at the preliminary phase.

The following Criminal Cases are currently pending:

(a) Criminal Case (Gen. Criminal Records Reg. 21713/13) pending before the Court of Turin against defendants Salvatore Ligresti, Jonella Ligresti, Antonio Talarico, Fausto Marchionni, Emanuele Erbetta, Ambrogio Virgilio and Riccardo Ottaviani, accused of the offences of false corporate communications (Art. 2622 of the Civil Code) and market manipulation (Art. 185 of the Consolidated Law on Finance) owing to the alleged falsification of the "claims provision" item recorded in the 2010 financial statements of Fondiaria-SAI.
About 2,788 parties brought civil action in these proceedings in order to demand compensation for damages caused by the offences. After being admitted by the Court, around 2,780 civil claimants filed summons requests of the civilly liable party UnipolSai (formerly Fondiaria-SAI).
With its decree of 26 May 2014 the Court of Turin upheld the requests put forward by the civil claimants and ordered the summons of UnipolSai for the hearing of 18 July 2014.
UnipolSai received approximately 2,766 summons and appeared before the court as civilly liable at the hearing of 18 July 2014.
A preliminary and summary analysis of the records shows that the parties appearing as civil claimants lodged compensation applications, in many cases without quantifying the alleged damages, whereby they affirmed, in brief: (i) in some cases that they were "investors in securities of Fondiaria -SAI" and "Milano Assicurazioni" and "injured parties" in the Criminal Cases; (ii) in other cases, that they had acquired Fondiaria-SAI and Milano Assicurazioni shares because they were "induced" by the allegedly "misleading" Fondiaria-SAI 2010 financial statements; (iii) that they were entitled to compensation for damages.

(b) Criminal Case (Gen. Criminal Records Reg. 24630/2013) with ordinary trial, originally with the defendants Gioacchino Paolo Ligresti, Pier Giorgio Bedogni, Fulvio Gismondi, Benito Giovanni Marino, Marco Spadacini, Antonino D'Ambrosio, Riccardo Ottaviani and Ambrogio Virgilio accused of false corporate communications (Art. 2622 of the Civil Code) and, with regard to Gioacchino Paolo Ligresti, Pier Giorgio Bedogni and Fulvio Gismondi, also accused of market manipulation (Art. 185 of the Consolidated Law on Finance) and, for Fulvio Gismondi only, false official statement in certificates (Art. 481 of the Criminal Code) and UnipolSai as allegedly liable pursuant to Legislative Decree no. 231/2001 in relation to the offence of market manipulation offence against the former Company senior managers.
The positions of Gioacchino Paolo Ligresti, Pier Giorgio Bedogni and Fulvio Gismondi, and of UnipolSai, were removed from these proceedings after the Judge of Preliminary Hearings, with

judgement of 18 March 2014, declared his lack of territorial jurisdiction in favour of the Court of Milan, deeming that the more serious offence, market manipulation, was committed in Milan.

It ensues that the proceedings (Gen. Criminal Records Reg. no. 14442/14) before the Public Prosecutor's Office at the Court of Milan against the above-listed defendants and UnipolSai is presently pending in the investigations stage.

With regard to the positions of Riccardo Ottaviani and Ambrogio Virgilio, the proceedings are following standard procedure. After committal for trial, their positions were pooled together with the main proceedings (Gen. Criminal Records Reg. no. 21713/13).

As for the positions of Benito Giovanni Marino, Marco Spadacini and Antonio D'Ambrosio, statutory auditors of Fondiaria-SAI, their request to proceed with summary procedure was sustained. With judgement dated 10 November 2014, the Judge of Preliminary Hearings acquitted the three defendants with the wording "for not having committed the offence".

It is also reminded that in the criminal proceedings in question, during the investigation phase, by means of Decree dated 10 August 2013, the Preliminary Investigations Judge ordered a preventive seizure, targeted at the confiscation of assets of up to a value of €251,600,000, against Salvatore, Jonella, Gioacchino Paolo and Giulia Maria Ligresti, Antonio Talarico, Emanuele Erbetta, Fausto Marchionni, and against the Company in relation to the accusation set out in Art. 25-*sexies* of Legislative Decree. 231/2001 pursuant to Articles 19 and 53 of Legislative Decree 231/2001. On 12 September 2013, the Company filed a review request against said provision at the Court of Turin, deeming the precautionary initiative to be groundless and unjust, in particular charging that a Company profit could be identified equal to the change in the value of the security as a result of the stock market manipulation contested. The Court of review of Turin issued an order on 1 October 2013 accepting the request for review because of the very aspect claimed by the Company's defence team. The Public Prosecutor's Office lodged an appeal before the Supreme Court against that measure on 10 October 2013. The Supreme Court, Fifth Criminal Division rejected the appeal on 3 April 2014.

(c) The Criminal Case (Gen. Criminal Records Reg. 48356/2013) pending while preparing the writs for trial before the Court of Milan, First Criminal Section, against Salvatore Ligresti, Giancarlo De Filippo and Niccolò Lucchini, charged with the offences set forth in Articles 110 of the Criminal Code and Art. 185 of the Consolidated Law on Finance, as part of which UnipolSai was summoned and appeared before the court as civilly liable for the actions of the defendants.

Taking into account the status of the proceedings described above and the knowledge acquired by the Company thus far, also on the basis of legal opinions and information obtained, it is not currently necessary to recognise provisions for risks and charges in relation to any requirement to pay compensation that could arise for UnipolSai in the hypothetical case that it were found guilty in the Civil and Criminal Cases.

In fact, on the basis of international accounting standards (IAS 37), a provision should be recognised for an obligation if "it is probable (i.e. the event is more likely than not to occur) that an outflow of resources embodying economic benefits will be required to settle the obligation" and, furthermore, if "a reliable estimate can be made of the amount of the obligation".

In the case in question, these conditions are not met, in that, because of multiple reasons and assessments, including legal ones, currently:

(i) the risk that UnipolSai will be ordered to pay the damages claimed by the counterparties, both in the Civil and Criminal Cases, is not deemed "probable";

(ii) it is not possible to estimate with "sufficient reliability" the extent of the damage that UnipolSai may be ordered to pay to investors in case of adverse outcome of the Civil and Criminal Cases.

3. Technical provisions

Amounts in €m	31/12/2014	% comp.	31/12/2013	% comp.	% var.
Non-Life premium provisions	3,028.8	17.2	3,649.2	19.6	
Non-Life claims provisions	14,585.6	82.7	14,913.9	80.3	
Other Non-Life technical provisions	21.7	0.1	20.2	0.1	
Total Non-Life provisions	17,636.0	100.0	18,583.3	100.0	-5.1
Life mathematical provisions	32,776.5	74.1	29,637.7	77.4	
Provisions for amounts payable (Life business)	432.9	1.0	450.6	1.2	
Technical provisions where the investment risk is borne by policyholders and arising from pension fund management	7,854.4	17.7	7,642.8	20.0	
Other Life technical provisions	3,195.0	7.2	560.9	1.5	
Total Life provisions	44,258.7	100.0	38,292.0	100.0	15.6
Total technical provisions	61,894.8		56,875.3		8.8

4. Financial liabilities

Financial liabilities amounted to €15,459.4m (€16,041.4m at 31/12/2013).

4.1 Financial liabilities at fair value through profit or loss

The item, which amounted to €2,277.1m (€2,056.8m at 31/12/2013), is broken down as follows:

- Financial liabilities held for trading totalled €669.6m (€472m at 31/12/2013).
- Financial liabilities designated at fair value through profit or loss totalled €1,607.6m (€1,584.8m at 31/12/2013). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders and the insurance risk borne by the Group did not exceed 10% (some types of Class III, Class V and Class VI contracts).

4.2 Other financial liabilities

Amounts in €m	31/12/2014	% comp.	31/12/2013	% comp.	% var.
Subordinated liabilities	2,622.9	19.9	2,575.3	18.4	1.8
Liabilities from financial contracts issued by insurance companies	7.5	0.1	26.1	0.2	-71.4
Deposits received from reinsurers	296.5	2.2	277.8	2.0	6.7
Debt securities issued	3,609.8	27.4	2,930.6	21.0	23.2
Payables to bank customers	5,717.0	43.4	6,095.8	43.6	-6.2
Interbank payables	795.9	6.0	1,257.6	9.0	-36.7
Other loans obtained	121.5	0.9	122.8	0.9	-1.0
Sundry financial liabilities	11.2	0.1	698.5	5.0	-98.4
Total other financial liabilities	13,182.2	100.0	13,984.6	100.0	-5.7

Details of Subordinated liabilities are shown in the table below:

Issuer	Nominal amount outstanding	Subord. level	Year of maturity	call	Rate	L/NL
UnipolSai	€300.0m	tier II	2021	every 3 months	3M Euribor + 250 b.p.	L
UnipolSai	€261.7m	tier II	2023	every 3 months	3M Euribor + 250 b.p.	L
UnipolSai	€400.0m	tier I	2023	every 6 months	6M Euribor + 251.5 b.p. (****)	NL
UnipolSai	€100.0m	tier II	2025	every 6 months from 30/12/2015	6M Euribor + 251.5 b.p. (*) (****)	NL
UnipolSai	€150.0m	tier II	2026	every 6 months from 14/07/2016	6M Euribor + 251.5 b.p. (*) (****)	NL
UnipolSai	€50.0m	tier II	2026	every 6 months from 14/07/2016	6M Euribor + 251.5 b.p. (*) (****)	NL
UnipolSai	€750.0m	tier I	in perpetuity	every 3 months from 18/06/2024	fixed rate 5.75% (**)	L
UnipolSai	€134.0m	tier I	2015 (***)		fixed rate 6.971%	NL
Unipol Banca	€49.6m	tier II	2015		fixed rate 3.6%	NL
Unipol Banca	€15.0m	tier II	2017		fixed rate 4.4%	NL
Unipol Banca	€83.1m	tier II	2017		3M Euribor + 20 b.p.	NL
Unipol Banca	€7.0m	tier II	2017		fixed rate 4.8%	NL
Unipol Banca	€61.4m	tier II	2017		3M Euribor + 30 b.p.	NL
Unipol Banca	€24.9m	tier II	2019		fixed rate 4.5%	NL
Unipol Banca	€49.7m	tier II	2019		fixed rate 4.5%	NL
Unipol Banca	€300.0m	tier II	2019		quarterly average 3M Euribor + 640 b.p.	NL

(*) loans hedged by IRS with maturity equal to the call date (these instruments transform the rate from floating to fixed).
(**) from June 2024 floating rate of 3M Euribor + 518 b.p.
(***) bondholders have the option of converting the bonds at any time in the period from 24 April 2014 to 22 December 2015
(****) including additional Mediobanca spreads

The subordinated liabilities of the UnipolSai Group amounted to €2,033.7m at 31 December 2014 (€1,984.5m at 31/12/2013), whilst Unipol Banca outstanding subordinated liabilities totalled €589.2m (€590.9m at 31/12/2013).

UnipolSai - Issue of subordinated bond securities with an indefinite maturity and early repayment of subordinated loans with indefinite maturity

On 18 June 2014, UnipolSai issues a subordinated bond with indefinite maturity for a total nominal amount of €750m, with the simultaneous early repayment of subordinated loans with indefinite maturity disbursed in the past from Mediobanca to Fondiaria-SAI (now UnipolSai) and to merged entities Milano Assicurazioni and Unipol Assicurazioni for a total amount of €750m. In addition, the derivatives hedging the interest rate risk (IRS), which transformed the rate from variable to fixed, activated on the aforesaid loans, were interrupted.

These securities meet the requirements for being included in the elements of the available Solvency margin of the company up to a maximum limit of 50%, given UnipolSai has obtained the necessary regulatory authorisations in this regard.

In application of the contractual clauses, on 11 September 2014 UnipolSai and Mediobanca signed an agreement to amend some Loan Agreements covering medium-term subordinated loans amounting to €700m. This agreement provides for the amendment of several economic terms, including payment by way of compromise, of an annual indemnity equal to 71.5 basis points, in addition to the previous spread (thereby raising the total spread from 1.80 to 2.515 basis points) provided for in the Loan Agreements. Please note that this additional cost for 2014 amounted to €5m.

The issues and the subsequent repayment not only diversify the sources of financing and lengthen the average duration of UnipolSai's subordinated debt, make it possible to comply with the relevant measures prescribed by the Antitrust Authority at the time of authorisation of the transaction involving the acquisition of control of the former Premafin/Fondiaria-SAI Group, which made provision for the reduction of existing debt with Mediobanca for a total amount of €350m by 2015.

Following the transaction, the incidence of subordinated loans granted by Mediobanca on total subordinated debt fell from 72% to 35%.

UnipolSai - Issue of a Convertible Loan

On 24 April 2014 UnipolSai issued a Convertible Loan, represented by 2,018 bonds with a unit nominal value of €100,000, for a total of €201.8m. The bond loan was subscribed as follows:
(i) €134.3m by the lending banks that had approved the debt restructuring agreement of the former Premafin, excluding GE Capital Interbanca SpA, which - due to the merger by incorporation of Premafin, Unipol Assicurazioni and Milano Assicurazioni into UnipolSai - became lenders of UnipolSai, and
(ii) €67.5m by the parent Unipol.

The bonds issued are bearer bonds, which cannot be split up, and are freely transferable as well as included in the Monte Titoli SpA centralised management system for dematerialised securities. They constitute direct - not guaranteed or subordinated - obligations, accrue gross annual interest (which cannot be capitalised) of 6.971%, calculated on the unit nominal value, with deferred payment every six months, with the first coupon scheduled for 31 May 2014.
The conversion ratio, equal to 36,630.037 newly issued ordinary UnipolSai shares for each bond held, is calculated as the ratio of *(a)* the unit nominal value of the bonds to *(b)* the initial conversion price (€2.730 per share). Therefore, the maximum number of shares to be issued to serve the Convertible Loan is 73,919,409.

Bondholders have the option to convert the bonds at any time during the period from 24 April 2014 to 22 December 2015 and, in any event, shall be automatically converted into shares on 31 December 2015 (expiry date of the Convertible Loan).
On 22 May 2014 all 675 bonds held by the parent Unipol had been converted. Therefore, at 31 December 2014, the UnipolSai Convertible Loan amounted to €134m, of which, in accordance with IAS 32.15, the item "Other financial liabilities" includes only the component classifiable as financial liability. The component attributable to equity instruments was recognised as an increase in Shareholders' Equity.

The item Interbank payables included €765m in subsidised loans obtained by Unipol Banca through participation in the ECB's LTRO auctions (€850m at 31/12/2013).

Debt securities issued - Other loans obtained - Sundry financial liabilities

Debt securities issued by Unipol, net of intragroup subscriptions, for €896.2m (€776.2m at 31/12/2013) relate to two senior unsecured bonds listed on the Luxembourg Stock Exchange, with a total nominal value of €898m (nominal value of €750m at 31/12/2013). The increase compared to 31 December 2013 is attributable to the Partial Exchange Offer of the senior unsecured notes due in January 2017 carried out on 5 March 2014, described in the Management report section.
Therefore, at 31 December 2014 Unipol had 2 bonds outstanding, respectively for a nominal value of €500m, at the rate of 4.375%, due in 2021, and a nominal value of €398m, at the rate of 5%, due in 2017.

The outstanding debt securities issued by Unipol Banca amounted to €2,713.6m (€2,135.9m at 31/12/2013). This increase is the result of certain transactions with institutional investors carried out by the bank with a view to extending the average duration of liabilities.

With regard to Other loans obtained and Sundry financial liabilities, totalling €132.7m (€821.3m at 31/12/2013), €111.6m refer to the loan stipulated by the Closed-End Real Estate Fund Tikal R.E. with Mediobanca acting as Agent Bank (amount unchanged compared to 31/12/2013). The loan, originally for €119m, was granted for the purchase of property and improvements. The cost of the loan is at the 6M Euribor rate plus a credit spread of 90 basis points. Since 2008, the Fund has made use of interest rate derivatives in implementation of a policy hedging the risk of an increase in interest rates on the loan taken out.

The reduction is mainly due to the following transactions:

- extinction for €379.3m of the former Premafin loan concerning the "Amended Post-Integration Loan Agreement" (€340.2m), the "GE Capital Agreement" (€39.2m), transactions planned from the start as part of the Merger and included in the rescheduling plan for Premafin debt entered into with the lending banks, subject to the effectiveness of the Merger. Specifically:
  - on 24 April 2014 €201.8m were repaid, with the concomitant issue of a convertible loan of the same amount;
  - on 7 August 2014 the other €177.6m were extinguished in advance (of which €138.4m were to fall due in 2018 and €39.2m in 2020);
- expiry of the loan repurchase agreement of the former Unipol Assicurazioni for approximately €103.6m;
- repayment by Marina di Loano of the loan agreement entered into with Intesa Sanpaolo as Agent Bank for about €48m;
- repayment by the former Finadin, today incorporated in UnipolSai Finance (formerly Smallpart) of the two loan agreements entered into with Banca Popolare di Milano and Banco Popolare for a total carrying amount of about €12.4m.

5. Payables

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Payables arising from direct insurance business	153.7	*16.5*	177.5	*15.0*	*-13.4*
Payables arising from reinsurance business	44.1	*4.7*	85.3	*7.2*	*-48.2*
Other payables	735.2	*78.8*	919.9	*77.8*	*-20.1*
Policyholders' tax due	175.9	*18.9*	158.6	*13.4*	*10.9*
Sundry tax payables	120.1	*12.9*	130.1	*11.0*	*-7.7*
Trade payables	208.8	*22.4*	313.0	*26.5*	*-33.3*
Post-employment benefits	97.7	*10.5*	102.6	*8.7*	*-4.7*
Social security charges payable	43.0	*4.6*	39.3	*3.3*	*9.5*
Sundry payables	89.6	*9.6*	176.3	*14.9*	*-49.2*
Total payables	933.0	*100.0*	1,182.6	*100.0*	*-21.1*

6. Other liabilities

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Current tax liabilities	28.2	*2.2*	141.7	*6.5*	*-80.1*
Deferred tax liabilities	101.7	*8.1*	1,014.5	*46.3*	*-90.0*
Liabilities associated with disposal groups	0.1	*0.0*	74.2	*3.4*	*-99.9*
Commissions on premiums under collection	112.7	*9.0*	138.2	*6.3*	*-18.5*
Deferred commission income	2.0	*0.2*	2.8	*0.1*	*-26.6*
Accrued expense and deferred income	2.4	*0.2*	2.5	*0.1*	*-2.0*
Other liabilities	1,010.1	*80.3*	816.0	*37.3*	*23.8*
Total other liabilities	1,257.2	*100.0*	2,189.8	*100.0*	*-42.6*

Deferred tax liabilities is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax assets.
From 2014 deferred tax assets and liabilities are offset, as illustrated in Chapter 2, Main accounting standards.

At 31 December 2013, Liabilities associated with disposal groups amounting to €74.2m mainly related to liabilities involved in the disposal agreement to Allianz.

4. NOTES TO THE INCOME STATEMENT

Comments and further information on the items in the income statement and the *variations* that took place compared with the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the income statement).

REVENUE

1.1 Net premiums

Amounts in €m	31/12/2014	31/12/2013	*% var.*
Non-Life earned premiums	9,439.6	10,209.0	*-7.5*
Non-Life written premiums	8,994.9	9,857.3	*-8.7*
Changes in Non-Life premium provision	444.7	351.7	*26.4*
Life written premiums	8,774.8	6,816.0	*28.7*
Non-Life and Life gross earned premiums	18,214.3	17,025.0	*7.0*
Non-Life earned premiums ceded to reinsurers	-427.7	-421.7	*1.4*
Non-Life premiums ceded to reinsurers	-412.2	-421.3	*-2.2*
changes in Non-Life premium provision - reinsurers' share	-15.5	-0.4	
Life premiums ceded to reinsurers	-20.6	-22.0	*-6.1*
Non-Life and Life earned premiums ceded to reinsurers	-448.3	-443.7	*1.0*
Total net premiums	17,766.0	16,581.3	*7.1*

1.2 Commission income

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Commission income from banking business	97.2	*83.2*	107.6	*83.9*	*-9.6*
Commission income from investment contracts	15.8	*13.5*	16.1	*12.5*	*-1.7*
Other commission income	3.8	*3.3*	4.6	*3.6*	*-17.8*
Total commission income	116.8	*100.0*	128.3	*100.0*	*-8.9*

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

Amounts in €m	31/12/2014	31/12/2013	*% var.*
from held-for trading financial assets	-338.2	37.4	
from held-for trading financial liabilities	1.7	17.1	
from financial assets/liabilities at fair value through profit or loss	420.7	292.7	
Total net income/expenses	84.3	347.3	*-75.7*

Included among the gains and losses on held-for-trading financial assets were capital losses for €267.6m from the measurement of derivatives, part-settled, to hedge positive changes in fair value of bonds classified under Available-for-sale assets, for which hedge efficiency testing was carried out with positive results.
The positive €270.3m change in the fair value of the underlying bonds was classified under item 1.5 Gains on other financial instruments and investment property (Unrealised gains on available-for-sale financial assets).

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

These totalled €7.7m (€11.3m at 31/12/2013).

1.5 Gains on other financial instruments and investment property

Amounts in €m	31/12/2014	31/12/2013	*% var.*
Interest	2,109.2	2,120.1	*-0.5*
on held-to-maturity investments	103.7	107.5	
on loans and receivables	509.1	595.4	
on available-for-sale financial assets	1,485.9	1,396.4	
on sundry receivables	5.5	10.2	
on cash and cash equivalents	5.2	10.7	
Other income	179.7	169.1	*6.3*
from investment property	97.5	92.9	
from available-for-sale financial assets	82.2	76.2	
Realised gains	833.9	687.4	*21.3*
on investment property	4.7	6.8	
on held-to-maturity investments	2.7	0.5	
on loans and receivables	54.5	31.4	
on available-for-sale financial assets	769.2	646.6	
on other financial liabilities	2.7	2.1	
Unrealised gains and reversals of impairment losses	298.2	0.5	
on available-for-sale financial assets	270.4	0.0	
on other financial assets and liabilities	27.9	0.5	
Total item 1.5	3,421.1	2,977.0	*14.9*

The unrealised gains on available-for-sale financial assets for €270.3m related to positive changes in fair value of the bonds subject to fair value hedging derivatives, part-settled, for which hedge efficiency testing was carried out with positive results. The negative change of €267.6m in the fair value of derivatives was recognised under item 1.3 Gains and losses on financial instruments at fair value through profit or loss (Gains and losses on held-for-trading financial assets).

1.6 Other revenue

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Income from non-current assets held for sale	296.8	*34.6*	0.0	*0.0*	*15.8*
Sundry technical income	99.6	*11.6*	96.4	*17.3*	*3.4*
Exchange rate differences	28.1	*3.3*	5.6	*1.0*	*406.8*
Extraordinary gains	46.4	*5.4*	42.7	*7.7*	*8.6*
Other income	386.9	*45.1*	411.2	*74.0*	*-5.9*
Total other revenue	857.8	*100.0*	555.8	*100.0*	*54.3*

Income from non-current assets held for sale referred to €289m in realised gains on the disposal of former Milano Assicurazioni insurance assets to Allianz and €7.8m to property sales.

COSTS

2.1 Net charges relating to claims

Amounts in €m	31/12/2014	31/12/2013	*% var.*
Net charges relating to claims - direct and indirect business	16,272.8	14,488.9	*12.3*
Non-Life business	6,324.9	6,820.7	*-7.3*
Non-Life amounts paid	6,819.5	7,853.4	
changes in Non-Life claims provision	-352.9	-866.2	
changes in Non-Life recoveries	-141.8	-166.3	
changes in other Non-Life technical provisions	0.1	-0.2	
Life business	9,947.8	7,668.2	*29.7*
Life amounts paid	6,461.7	6,600.4	
changes in Life amounts payable	-16.2	9.5	
changes in mathematical provisions	3,130.0	1,893.3	
changes in other Life technical provisions	130.5	14.5	
changes in provisions where the investment risk is borne by policyholders and arising from pension fund management	241.8	-849.4	
Charges relating to claims - reinsurers' share	-248.0	-180.5	*37.4*
Non-Life business	-233.4	-166.1	*40.5*
Non-Life amounts paid	-271.7	-313.2	
changes in Non-Life claims provision	31.9	142.5	
changes in Non-Life recoveries	6.5	4.6	
changes in other Non-Life technical provisions	0.0	0.0	
Life business	-14.6	-14.4	*1.9*
Life amounts paid	-37.6	-35.9	
changes in Life amounts payable	1.1	-1.8	
changes in mathematical provisions	21.8	23.3	
changes in other Life technical provisions	0.0	0.0	
Total net charges relating to claims	16,024.8	14,308.5	*12.0*

2.2 Commission expense

Amounts in €m	31/12/2014	% comp.	31/12/2013	% comp.	% var.
Commission expense from banking business	20.6	53.5	22.4	57.2	-8.2
Commission expense from investment contracts	8.2	21.4	8.3	21.1	-0.4
Other commission expense	9.6	25.1	8.5	21.6	13.8
Total commission expense	38.4	100.0	39.1	100.0	-1.8

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

These totalled €13.1m (€6.4m at 31/12/2013).

2.4 Losses on other financial instruments and investment property

Amounts in €m	31/12/2014	31/12/2013	% var.
Interest:	304.8	346.1	-11.9
on other financial liabilities	301.4	340.1	
on payables	3.4	5.9	
Other charges:	101.0	78.1	29.4
from investment property	48.6	65.7	
from loans and receivables	0.0	0.1	
from available-for-sale financial assets	4.7	10.1	
from cash and cash equivalents	0.4	0.4	
from other financial liabilities	47.1	1.8	
from sundry payables	0.1	0.0	
Realised losses:	336.3	177.4	89.5
on investment property	2.9	0.3	
on held-to-maturity investments	0.7	0.0	
on loans and receivables	123.7	40.4	
on available-for-sale financial assets	207.6	136.0	
on other financial liabilities	1.4	0.6	
Unrealised losses and impairment losses:	640.0	773.8	-17.3
on investment property	154.4	113.3	
on loans and receivables	427.5	514.3	
on available-for-sale financial assets	58.0	146.2	
Total item 2.4	1,382.1	1,375.4	0.5

Interest on other financial liabilities amounting to €301.4m relates in particular to interest expenses accrued on bonds issued by Group companies (subordinated and non-subordinated), €173.7m of which relating to the banking sector. At 31 December 2013 they totalled €340.1m, of which €210.3m relating to the banking sector.

At 31 December 2014 the unrealised losses and impairment losses totalled €640m (€773.8m in 2013), due to write-downs of loans and receivables attributable to banking activities for €427.5m (€514.3m at 31/12/2013), write-downs due to impairment of financial instruments recognised as available-for-sale assets (shares and

UCITs) for €58m (€73.1 million at 31/12/2013), write-downs on investment property for €113.5m (€60.5m at 31/12/2013), carried out on the basis of updated valuations performed by independent experts, and to property depreciation for €40.9m (€52.8m in 2013).

2.5 Operating expenses

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Insurance sector	2,733.0	*90.4*	2,681.3	*87.0*	*1.9*
Banking sector	304.1	*10.1*	309.2	*10.0*	*-1.7*
Holding and Other Businesses Sector	121.1	*4.0*	391.8	*12.7*	*-69.1*
Real Estate Sector	9.9	*0.3*	7.9	*0.3*	*25.8*
Intersegment eliminations	-143.4	*-4.7*	-306.9	*-10.0*	*-53.3*
Total operating expenses	3,024.7	*100.0*	3,083.2	*100.0*	*-1.9*

Below are details of **Operating expenses** in the **Insurance sector**:

	NON-LIFE			LIFE			TOTAL		
Amounts in €m	dic-14	dic-13	*% var.*	dic-14	dic-13	*% var.*	dic-14	dic-13	*% var.*
Acquisition commissions	1,346.1	1,423.2	*-5.4*	159.1	120.2	*32.3*	1,505.2	1,543.5	*-2.5*
Other acquisition costs	452.5	409.1	*10.6*	49.3	56.3	*-12.4*	501.8	465.4	*7.8*
Changes in deferred acquisition costs	0.7	-7.4		0.9	-3.4		1.6	-10.9	
Collection commissions	178.1	196.2	*-9.2*	11.3	12.4	*-8.7*	189.4	208.6	*-9.2*
reinsurers	-120.1	-110.2	*9.0*	-4.7	-5.3	*-10.5*	-124.8	-115.4	*8.1*
Investment management expenses	61.5	29.8	*106.6*	41.3	33.3	*24.3*	102.8	63.0	*63.1*
Other administrative expenses	429.6	421.2	*2.0*	127.4	105.9	*20.3*	557.0	527.1	*5.7*
Total operating expenses	2,348.4	2,362.0	*-0.6*	384.6	319.4	*20.4*	2,733.0	2,681.3	*1.9*

2.6 Other costs

Amounts in €m	31/12/2014	*% comp.*	31/12/2013	*% comp.*	*% var.*
Other technical charges	218.7	*22.6*	263.7	*20.8*	*-17.1*
Impairment losses on receivables	17.6	*1.8*	54.2	*4.3*	*-67.4*
Other charges	733.1	*75.6*	950.2	*74.9*	*-22.8*
Total other costs	969.5	*100.0*	1,268.1	*100.0*	*-23.6*

3. Income tax

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

	31/12/2014			31/12/2013		
Amounts in €m	IRES	IRAP	Total	IRES	IRAP	Total
Current taxes	-408.5	-121.9	-530.4	-383.8	-139.7	-523.6
Deferred tax assets and liabilities:	194.0	42.7	236.7	145.8	46.6	192.4
Use of deferred tax assets	-142.3	-6.3	-148.6	-299.3	-12.2	-311.5
Use of deferred tax liabilities	26.4	12.8	39.1	100.6	23.3	123.8
Provisions for deferred tax assets	419.3	58.9	478.2	476.2	64.5	540.8
Provisions for deferred tax liabilities	-109.4	-22.7	-132.1	-131.6	-29.1	-160.7
Total	-214.5	-79.3	-293.8	-238.0	-93.2	-331.2

Against pre-tax income of €801.2m, taxes pertaining to the year of €293.8m were recorded, corresponding to a tax rate of 36.7% (63.7% at 31/12/2013).

Of particular note among the factors leading to the reduced tax rate were:

- removal of the additional IRES, due at 8.5% on the 2013 income of financial/insurance companies, that resulted in an impact of 14% on consolidated pre-tax profit in 2013;
- the lower impact of IRAP, the total charge for which fell from €93.2m in 2013 (17.9% on consolidated pre-tax profit) to €79.3m in 2014, with a 9.9% impact on consolidated pre-tax profit.

2014 saw the recognition of €21m in tax charges (with a 2.6% impact on pre-tax profit) relating to the higher substitute tax due on the measurement of Bank of Italy shares held, compared to €18m in 2013 (with a 3.5% impact on pre-tax profit).

The following table shows the breakdown of deferred tax assets and liabilities, showing the major differences for taxation purposes:

Amounts in €m	31/12/2014
DEFERRED TAX ASSETS	
Intangible assets and property, plant and equipment	140.4
Investment property	80.7
Financial instruments	-259.2
Sundry receivables and other assets	137.6
Provisions	331.4
Technical provisions	321.0
Financial liabilities	-1.5
Payables and other liabilities	6.3
Other deferred tax assets	286.9
Total deferred tax assets	1,043.5
DEFERRED TAX LIABILITIES	
Intangible assets and property, plant and equipment	-53.7
Investment property	35.3
Financial instruments	980.4
Sundry receivables and other assets	-4.4
Provisions	-14.0
Technical provisions	-693.6
Financial liabilities	2.7
Payables and other liabilities	-9.9
Other deferred tax liabilities	-131.8
Total deferred tax liabilities	101.7

From 2014 deferred tax assets and liabilities are offset, as illustrated in Chapter 2, Main accounting standards.

Net tax assets are deemed to be recoverable on the basis of the provisional plans of Group companies.

5. OTHER INFORMATION

5.1 Hedge Accounting

Fair value hedging concerns fixed-rate bonds, transformed to a floating rate via Interest Rate Swaps. At year end there were also outstanding forward sales of Italian government maturing in January 2015.

Fair value hedges

UnipolSai Assicurazioni: with regard to hedging by means of Interest Rate Swaps, note that two contracts were part-settled in 2014, whilst the hedging of positions still open continued.
The total change in fair value (both open and closed positions) of the underlying bonds recognised among Available-for-sale assets was positive for €142.4m, whilst the total change in fair value of the IRSs, including realised losses on part-settlement of the hedging instrument, was €139.7m.
At 31 December 2014 hedging was effective since the ratios between the respective changes in fair value were still within the range 80%-125%, with a positive net economic effect of €2.7m.

UnipolSai Assicurazioni: Bond Forwards, whose fair value at 31 December 2014 was negative for €127.9m, recorded a change in fair value since the start date of the current hedges of €127.9m. The change in the fair value of the bonds hedged classified under Available-for-sale assets, recognised in the hedge validity period, was a positive €127.9m.
At 31 December 2014 hedging was effective since the ratios between the respective variations in fair value were still within the range 80%-125%.
The economic effects pertaining to 2014 amounted to a positive €127.9m as regards the change in fair value of the underlying assets and a negative €127.9m as regards the change in the fair value of the Bond Forwards, and hence with an immaterial net economic effect.

Unipol Banca: the financial instruments designated as hedging instruments were Interest Rate Swaps, whose fair value at 31 December 2014 was a positive €1.6m. The change in the fair value of the bonds issued by Unipol Banca subject to hedging, classified under Other financial liabilities, recognised in the hedge validity period, was a positive €1.5m.
At 31 December 2014 hedging was effective since the ratios between the respective variations in fair value were still within the range 80%-125%.
The economic effects pertaining to 2014 amounted to a negative €3.2m as regards the change in the fair value of the IRSs and a positive €3.4m as regards the change in the fair value of the underlying assets, with a positive net economic effect of €0.2m.

Cash flow hedges

The objective of the existing hedges is to transform the interest rate on financial liabilities from a floating rate to a fixed rate, stabilising the cash flows.

Cash flow hedge at 31/12/2014 (amounts in €m)

Company	Hedged financial instruments	Notional amount hedged	Derivative	Gross effect recognised in shareholders' equity	Net tax effect
UnipolSai	Hybrid bonds in perpetuity issued	300.0	IRS	11.0	7.2
UnipolSai	AFS bonds	839.3	IRS	31.6	20.7
Arca Vita	AFS bonds	3.0	IRS	0.04	0.03
Unipol Banca	Bond loans issued	132.0	IRS	-10.8	-7.2
Unipol Banca	AFS bonds	250.0	IRS	0.3	0.2
Tikal	Bank loans	55.0	IRS	1.5	1.5
Total				33.6	22.4

At 31 December 2014, the gross effect on Shareholders' Equity, in Gains or losses on cash flow hedges, was a positive €33.6m (€22.4m net of tax). At 31 December 2013, it was a negative €48.9m (-€31.7m net of tax).

During 2014 subordinated loans were repaid and the related IRSs closed for a notional €1,050m relating to the former Unipol Assicurazioni, Fondiaria-SAI and Milano Assicurazioni (now UnipolSai). The loan disbursed by Intesa Sanpaolo to the subsidiary Marina di Loano was also repaid and the related IRS closed for a notional €20m.

5.2 Information relating to the actual or potential effects of netting agreements

In order to allow an evaluation of the actual or potential effects of netting agreements on the Unipol Group, the information relating to the financial instruments involved in master netting arrangements are reported below. The transactions shown in the tables below concern:

- derivatives;
- repurchase agreements.

With reference to derivatives, the agreements contained in the ISDA Master agreements which regulate transactions in said instruments, make provision, in the cases of the insolvency of one of the contractual parties, for the offsetting between receivables and payables including any cash deposits or financial instruments pledged as guarantee.

In relation to repurchase agreements, the set-off clause, applicable in the case of the insolvency of the forward purchaser, is intrinsically constituted by the collateral pledged on the financial securities forming the object of the forward purchase.

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Financial assets *(Amounts in €m)*

Type	Gross amount (A)	Total financial liabilities offset in the financial statements (B)	Net total financial assets recognised in the financial statements (C)= (A) - (B)	offsetting in the financial statements		Net total (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits received as guarantees (E)	
Derivative transactions (1)	574.0		574.0	537.2	7.9	28.8
Repurchase agreements (2)	16.5		16.5	16.5		0.0
Securities lending						
Other						
Total	590.4		590.4	553.7	7.9	28.8

Financial liabilities *(Amounts in €m)*

Type	Gross amount (A)	Total financial assets offset in the financial statements (B)	Net total financial liabilities recognised in the financial statements	offsetting in the financial statements		Net total (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits given as guarantees (E)	
Derivative transactions (1)	665.2		665.2	167.8	453.9	43.5
Repurchase agreements (2)	300.4		300.4	300.4		0.0
Securities lending						
Other						
Total	965.6		965.6	468.2	453.9	43.5

(1) The amounts indicated include the fair value in the financial statements of the derivatives involved in the offsetting agreements and any cash deposits given or received as guarantee.
(2) The amounts indicated include the financial receivable/payable relating to the repurchase agreement and the value of the financial asset involved in the forward purchase.

5.3 Earnings (loss) per share

Ordinary shares - Basic and diluted

	31/12/2014	31/12/2013
Profit/loss allocated to ordinary shares (€m)	114.9	-48.5
Weighted average of ordinary shares outstanding during the year (no./m)	437.0	441.8
Basic earnings (loss) per share (€ per share)	0.26	-0.11

Preference shares - Basic and diluted

	31/12/2014	31/12/2013
Profit/loss allocated to preference shares (€m)	77.4	-30.0
Weighted average of preference shares outstanding during the year (no./m)	273.5	273.5
Diluted earnings (loss) per share (€ per share)	0.28	-0.11

5.4 Dividends

In view of the profit for the year made by the Parent Unipol SpA at 31 December 2013 (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of Unipol SpA held on 30 April 2014, resolved the distribution of dividends totalling €120.3m, €49.6m of which to Preference Shares and €70.6m to Ordinary Shares, corresponding to €0.1815 per Preference Share and €0.1615 per Ordinary Share.

The Shareholders' Meeting also set the dividend payment date for 22 May 2014 (ex-dividend date 19/5/2014 and record date 21/5/2014).

The financial statements of the Parent Unipol at 31 December 2014, drawn up in accordance with Italian GAAP, posted a profit for the year of €167.4.
Unipol's Board of Directors proposes that the Ordinary Shareholders' Meeting allocate as dividends €0.17 per Ordinary Share and €0.19 per Preference Share.

The total amount set aside for dividends, including treasury shares, came to €126.3m.

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

Disposals in compliance with the former Antitrust Measure

The disposal to Allianz of insurance assets of the former Milano Assicurazioni, with the transfer effective from 31 December 2014 of the Non-life insurance portfolio managed by the agencies transferred on 30 June 2014, was finalised on 19 December 2014.

Other IFRS 5 reclassifications

The other reclassifications made in application of IFRS 5 regard the assets (€0.9m) and liabilities (€0.1m) of Saint George Capital Management in liquidation (indirect 100% subsidiary of UnipolSai through the subsidiary UnipolSai Finance) and certain properties (€8.5m) for which the relative preliminary sales contracts have already been signed.

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

Amounts in €m

		disposals ex Ruling AGCM		*other reclassifications IFRS 5*		Total reclassifications	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
1	INTANGIBLE ASSETS	-	98.4	-	0.0	-	98.5
1.1	Goodwill	-	35.6	-	-	-	35.6
1.2	Other intangible assets	-	62.8	-	0.0	-	62.9
2	PROPERTY, PLANT AND EQUIPMENT	-	0.1	-	0.2	-	0.2
2.1	Property	-	-	-	-	-	-
2.2	Other tangible assets	-	0.1	-	0.2	-	0.2
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	-	-	-	-	-	-
4	INVESTMENTS	-	0.9	8.5	21.5	8.5	22.4
4.1	Investment property	-	-	8.5	21.4	8.5	21.4
4.2	Investments in subsidiaries, associates and interests in joint ventures	-	-	-	-	-	-
4.3	Held-to-maturity investments	-	-	-	-	-	-
4.4	Loans and receivables	-	0.9	-	-	-	0.9
4.5	Available-for-sale financial assets	-	-	-	0.1	-	0.1
4.6	Financial assets at fair value through profit or loss	-	-	-	-	-	-
5	SUNDRY RECEIVABLES	-	26.5	-	0.0	-	26.5
5.1	Receivables relating to direct insurance business	-	26.5	-	-	-	26.5
5.2	Receivables relating to reinsurance business	-	-	-	-	-	-
5.3	Other receivables	-	0,0	-	0.0	-	0,0
6	OTHER ASSETS	-	3.1	0.0	0.4	0.0	3.5
6.2	Deferred acquisition costs	-	0.5	-	-	-	0.5
6.3	Deferred tax assets	-	-	-	-	-	-
6.4	Current tax assets	-	-	0.0	-	0.0	-
6.5	Other assets	-	2.6	0.0	0.4	0.0	3.0
7	CASH AND CASH EQUIVALENTS	-	20.7	0.9	2.7	0.9	23.4
TOTAL	NON-CURRENT ASSETS OR ASSETS OF A DISPOSAL GROUP	-	149.7	9.4	24.8	9.4	174.5

Liabilities associated with disposal groups

Amounts in €m		*disposals ex Ruling AGCM*		*other reclassifications IFRS 5*		Total reclassifications	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
2	PROVISIONS	-	15.1	-	-	-	15.1
3	TECHNICAL PROVISIONS	-	18.7	-	-	-	18.7
4	FINANCIAL LIABILITIES	-	-	-	-	-	-
4.1	Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
4.2	Other financial liabilities	-	-	-	-	-	-
5	PAYABLES	-	5.2	0.1	1.2	0.1	6.4
5.1	Payables arising from direct insurance business	-	0.6	-	-	-	0.6
5.2	Payables arising from reinsurance business	-	-	-	-	-	-
5.3	Other payables	-	4.6	0.1	1.2	0.1	5.8
6	OTHER LIABILITIES	-	33.8	-	0.1	-	33.9
6.2	Deferred tax liabilities	-	21.6	-	-	-	21.6
6.3	Current tax liabilities	-	-	-	0.0	-	0.0
6.4	Other liabilities	-	12.3	-	0.1	-	12.4
TOTAL LIABILITIES OF A DISPOSAL GROUP		-	72.8	0.1	1.3	0.1	74.2

5.6 Transactions with related parties

Since the start of 2014, most service contracts have been centralised into UnipolSai.

Since 6 January 2014, the service contracts previously entered into by the parent Unipol were transferred to UnipolSai.

UnipolSai Assicurazioni provided services relating to the following areas:

- Governance (services supporting internal control, risk management and compliance);
- Anti-money laundering and Anti-terrorism;
- Finance;
- Communications;
- Assessment of Investments;
- Human Resources and Organisation (external selection, training, development, remuneration policies and systems, personnel management, industrial relations and disputes, safety, organisation, personnel administration);
- Claims Settlement;
- Insurance (distribution regulations and insurance processes, tariffs and auto portfolio management, reinsurance, marketing, economic contractual management of the network);
- Life (procedures, applications and regulatory, products, settlements and bancassurance);
- Legal (corporate affairs, group legal, anti-fraud, legal insurance advice, privacy, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of equity investments, institutional relations);
- IT services;
- Administrative (accounting, tax, administrative and financial statements services, insurance and economic management control, purchases and general services);
- Real estate (logistics, asset and investment management and banking portfolio).

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

The services provided by Unisalute and its subsidiary Centri Medici Unisalute mainly concerned the following areas:
- Administration and budget;
- Planning and management control;
- Marketing;
- Commercial;
- IT services.

SIAT performs the following services in favour of UnipolSai:
- Technical assistance in the negotiation and stipulation of agreements in the transport sector;
- Portfolio management for agreements in the transport sector;
- Claims investigation, management and settlement;
- Administrative management in the transport sector.

Europa Tutela Giudiziaria performs the following services in favour of a number of Group companies:
- Investigation, management and settlement of claims relating to the Legal Expenses portfolio;
- Technical and commercial support for Legal Expenses business contracts.

Systema provides Incontra with services of an administrative nature associated with bancassurance activities (monitoring of processes, customer services and claims support).

In 2014 the Gruppo Fondiaria-SAI Servizi consortium continued to manage only certain supply and service agreements:
- Information Technology;
- Procurement;
- Logistic and organisational services;
- Claims BPO (Business Process Outsourcing);
- Assistance to agency networks;
- General services.

Arca Vita provides the following services:
- Services related to human resource management and development, training, organisation, corporate affairs, purchasing, legal services and complaints, secretariat and general services, security and privacy, administration, management control in favour of Arca Inlinea, Arca Sistemi and Arca Direct Assicurazioni;
- Services related to internal audit, risk management and compliance in favour of Arca Assicurazioni;
- Services related to internal audit in favour of Arca Vita International Ltd;
- Services related to anti-terrorism in favour of Arca Assicurazioni.

Arca Inlinea provides sales support services in favour of Arca Assicurazioni, Arca Vita, Arca Direct Assicurazioni and Arca Vita International.

Arca Sistemi provides the following services:

- Services related to the design, development and management of IT systems in favour of Arca Vita, Arca Assicurazioni, Arca Inlinea and Arca Direct Assicurazioni;
- Services related to the design, development and management of alternative storage in favour of Arca Vita and Arca Assicurazioni;
- Services as IT architecture provider in favour of Arca Vita International.

Unipol Banca provided the following services to the companies in the Group of which it is the holding company:

- Organisation (up to 3 November 2014);
- Administration and budget (up to 3 November 2014);
- Human Resources;
- Anti-money laundering;
- Legal Affairs (up to 3 November 2014);
- Risk Management (up to 3 November 2014);
- Compliance;
- Internal auditing;
- Planning and management control (up to 3 November 2014);
- General Business.

None of the above transactions are atypical or unusual.

Fees are based mainly on external costs incurred, for example for products and services acquired from suppliers, and on the costs arising from the activities of the companies themselves, i.e. generated by their own staff, and taking account of:

- the performance objectives that provision of the service to the Company must achieve;
- the strategic investments to be implemented in order to ensure the agreed levels of service.

The following elements are specifically taken into consideration:

- personnel costs;
- operating costs (logistics, etc.);
- general costs (IT, consultancy, etc.).

The amounts for financing activities are calculated by applying a fee on managed volumes. The services provided by Unisalute and SIAT involve fixed prices.

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

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

It should be noted that in accordance with Art. 2497 et seq. of the Civil Code none of the shareholders of the Parent Unipol carries out management and coordination activities.

Finsoe SpA, which holds a controlling investment in Unipol as defined in Art. 2359, paragraph 1.1 of the Civil

Code or 50.75% of the ordinary share capital, does not carry out management or coordination activities, either in technical or financial terms, in relation to Unipol.

Subscription by Unipol of the Convertible Loan issued by UnipolSai and subsequent conversion

On 24 April 2014 UnipolSai issued a Convertible Loan, represented by 2,018 bonds with a unit nominal value of €100,000, for a total of €201.8m, of which €67.5m subscribed by the Parent Unipol.
On 5 May 2014 Unipol requested the conversion of all 675 bonds subscribed on issue of the Loan. Following the conversion, Unipol took ownership of 24,725,274 newly issued ordinary UnipolSai shares. As a result, at the conversion date Unipol's interest in the ordinary capital of UnipolSai increased from 63.00% to 63.41%, i.e. 54.38% of the total capital.

For additional details about the aforesaid transaction, please refer to the thorough discussion provided in the Management Report.

Credit indemnity agreement between Unipol and the subsidiary Unipol Banca

In relation to the credit indemnity agreement between Unipol and the subsidiary Unipol Banca, at 31 December 2014 Unipol allocated an additional amount of €196m to the provision for risks, which therefore amounted in total to €492.7m. Use of the provision in 2014 totalled €3.4m.
Changes were made to the Indemnity Agreement effective from 30 June 2014 and 31 December 2014 which involved extending the coverage to new positions for a total amount of €392.4m. The economic terms were also changed as regards the cost to be recognised to Unipol on the entire portfolio covered, which at 31 December 2014 amounted to €18.5m.

Merger of Banca Sai into Unipol Banca

As part of the Merger, on 31 December 2013 Unipol granted Fondiaria-SAI a put option on the interest formerly held by the merging company Unipol Assicurazioni in Unipol Banca, equal on that date to 32.25% of its share capital, to be exercised on expiry of the fifth year after the statutory effective date of the Merger (6/1/2014), at a price no lower than the present carrying amount of said interest, i.e. approximately €332m (thus increased from the previous year as a result of the pro-rata subscription on 25/6/2014 of the capital increase resolved by the investee on 23/4/2014). In view of the above, Fondiaria-SAI granted Unipol a corresponding call option on said interest, at the same price, but providing Unipol with the possibility of exercising the option for the entire period running between the statutory effective date of the Merger and the expiry of the fifth year after said date.
The merger of Banca Sai into Unipol Banca became effective on 3 November 2014. The put and call option rights were not extended to shares issued to serve the merger with Banca Sai and assigned to UnipolSai. Therefore at 31 December 2014 the put and call options referred to 246,726,761 Unipol Banca shares, corresponding to 27.49% of the investee's share capital.

The following table shows transactions with related parties (holding company, associates, affiliates and others) carried out during 2014, as laid down in IAS 24 and in CONSOB Communication DEM/6064293/2006.

Transactions with subsidiaries have not been recognised since in drawing up the consolidated financial statements transactions among Group companies consolidated using the line-by-line method have been eliminated as part of the normal consolidation process.

Information on transactions with related parties

Amounts in €m	Holding company	Associates	Total	*% inc. (1)*	*% inc. (2)*
Loans and receivables	0.0	119.5	119.5	*0.1*	*7.0*
Sundry receivables	31.3	38.1	69.3	*0.1*	*4.1*
Total Assets	31.3	157.8	189.1	*0.2*	*11.1*
Other financial liabilities	1.1	24.6	25.7	*0.0*	*1.5*
Sundry payables	18.5	1.1	19.6	*0.0*	*1.1*
Total liabilities	19.6	25.7	45.3	*0.1*	*2.7*
Gains on other financial instruments and investment property	0.0	4.6	4.6	*0.9*	*0.3*
Other revenue	0.1	0.3	0.5	*0.1*	*0.0*
Total revenue and income	0.1	5.3	5.4	*1.1*	*0.3*
Commission expense	0.1	0.0	0.1	*0.0*	*0.0*
Losses on other financial instruments and investment property	0.2	0.1	0.3	*0.1*	*0.0*
Operating expenses	1.0	88.0	89.0	*17.6*	*5.2*
Other costs	0.1	1.1	1.3	*0.3*	*0.1*
Total costs and expenses	1.4	89.2	90.6	*17.9*	*5.3*

(1) Percentage based on total assets in the consolidated statement of financial position recognised under Shareholders' Equity, and based on the net consolidated profit/(loss) for the year for income statement items.
(2) The percentage on total net cash flow from operating activities mentioned in the statement of cash flows.

The holding company Finsoe operates as consolidating entity for tax purposes of Unipol, Linear, Linear Life, Unisalute, Centri Medici Unisalute and Ambra Property, which, in accordance with Art. 117 et seq. of Presidential Decree 917/86 and Ministerial Decree of 9 June 2004, have, as consolidated companies, opted for the Group consolidated taxation system (for the purposes of IRES).
At 31 December 2014, IRES receivables of Group companies due from the tax consolidating entity Finsoe amounted to €31.3m and IRES payables totalled €18.2m.

Loans and receivables from associates referred to loans granted by Unipol Banca to associates (€109.4m) and to interest-free loans amounting to €9.9m provided by UnipolSai Real Estate to the associates Borsetto (€8.1m) and Pentadomus (€1.8m).
The item Sundry receivables from associates included €38.1m in receivables due from insurance brokerage agencies for commissions.
The item Other financial liabilities due to associates referred to bank deposits at Unipol Banca totalling €24.6m.
Operating expenses due to associates included €87m in costs on commissions paid to insurance brokerage agencies.

Remuneration payable for 2014 to the Directors, Statutory Auditors and Key Managers for carrying out their duties in the Parent Unipol and in other consolidated companies amounted to €14.6m, details of which are as follows (in €m):

- Directors and General Manager	7.5
- Statutory auditors	0.4
- Other key managers	6.7 *(*)*

(*) amount mainly includes income from employment.

The remuneration of the General Manager and the other Key Managers relating to benefits granted under the share-based plans (performance shares) are appropriately illustrated in the Remuneration Report prepared pursuant to Art. 123-*ter* of the Consolidated Law on Finance and published on the Unipol website in accordance with current regulations.

During 2014 the companies in the Group paid Unipol the sum of €2.4m as remuneration for the posts held in them by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers.

5.7 Fair value measurements – IFRS 13

IFRS 13 has not extended the scope of application to fair value measurement, but provides a guide on how to measure the fair value of financial instruments and non-financial assets and liabilities already required or permitted by other accounting standards (IFRS).

In 2013, the Unipol Group adjusted itself into line with the requirements of the new accounting standard IFRS 13 relating to fair value measurement. This standard:

a) defines the fair value;
b) groups into a single accounting standard the rules for measuring fair value;
c) enriches financial statement information.

The standard defines fair value as the sale price of an asset based on an ordinary transaction or the transfer price of a liability in an ordinary transaction on the main reference market at terms applicable at the measurement date (exit price).
Fair value measurement assumes that the transaction relating to the sale of assets or transfer of liabilities can take place:

- on the main listing market;
- if there is no listing market, on the market most advantageous for the assets and liabilities to be measured.

When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 also defines a fair value hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure fair value.

Chapter 2, Main accounting standards, outlines the fair value measurement policies and criteria adopted by the Unipol Group.

Fair value measurement on a recurring basis

The table below shows a comparison between the assets and liabilities measured at fair value at 31 December 2014 and 31 December 2013, broken down based on fair value hierarchy level.

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level	Level 1		Level 2		Level 3		Total	
Amounts in €m	2014	2013	2014	2013	2014	2013	2014	2013
Assets and liabilities at fair value on a recurring basis								
Available-for-sale financial assets	46,202.0	37,708.0	710.0	733.4	1,466.2	1,492.5	48,378.1	39,933.9
Financial assets at fair value through profit or loss:								
- held for trading	127.9	264.4	141.3	196.7	122.6	108.7	391.9	569.8
- at fair value through profit or loss	7,741.9	6,172.5	158.7	1,152.6	1,556.3	1,892.2	9,456.9	9,217.3
Investment property								
Property, plant and equipment								
Intangible assets								
Total assets at fair value on a recurring basis	*54,071.8*	*44,144.9*	*1,010.0*	*2,082.7*	*3,145.1*	*3,493.4*	*58,226.9*	*49,721.0*
Financial liabilities at fair value through profit or loss:								
- held for trading	55.3	9.0	609.5	458.5	4.7	4.5	669.6	472.0
- at fair value through profit or loss				505.8	1,607.6	1,079.0	1,607.6	1,584.8
Total liabilities at fair value on a recurring basis	*55.3*	*9.0*	*609.5*	*964.3*	*1,612.3*	*1,083.5*	*2,277.1*	*2,056.8*
Assets and liabilities at fair value on a non-recurring basis								
Non-current assets or assets of a disposal group held for sale								
Liabilities associated with disposal groups								

The amount of financial instruments classified in Level 3 at 31 December 2014 stood at €3,145.1m.

Details of changes in Level 3 financial assets and liabilities in the same period are shown below.

Details of changes in level 3 financial assets and liabilities at fair value on a recurring basis	Available-for-sale financial assets	Financial assets at fair		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair	
Amounts in €m		held for trading	at fair value through profit or loss				held for trading	at fair value through profit or loss
Opening balance	1,492.5	108.7	1,892.2				4.5	1,079.0
Acquisitions/Issues	56.1	3.1					2.8	
Sales/Repurchases	-90.5	-7.5	-280.5				-2.9	
Repayments	-0.1	-4.4	-66.3					
Gains or losses recognised through profit or loss	-47.4	9.8	0.6				0.3	
- of which unrealised gains/losses	-47.4	9.8	0.6				0.3	
Gains or losses recognised in the comprehensive income statement	74.9	0.0	0.0					
Transfers to level 3	15.6	12.0	121.4					
Transfers to other levels	-7.5							
Other changes	-27.4	0.8	-111.1					528.6
Closing balance	1,466.2	122.6	1,556.3				4.7	1,607.6

The transfers from Level 1 to Level 2 which occurred during the reference period were insignificant.

Analysis and stress testing of non-observable parameters (Level 3)

The table below shows, for level 3 financial assets and liabilities measured at fair value, the effects of the change in the non-observable parameters used in the fair value measurement.

With reference to “assets measured at fair value on a recurring basis” and belonging to Level 3, the stress test of non-observable parameters is performed with reference to financial instruments valued on a Mark to Model basis and on which the measurement is carried out through one or more non-observable parameters.

The portion of securities subject to analysis has a market value of €447.5m at 31 December 2014.

The non-observable parameters subject to a shock are as follows:
– benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or CDS curves are unavailable;
– credit risk parameters such as the recovery rate and probability of default.

The following table shows the results of the shocks:

€m	Curve Spread				Recovery Rate			
Fair value								
Shock	+10 bps	-10 bps	+50 bps	-50 bps	+10 bps	-10 bps	+50 bps	-50 bps
Fair Value delta	-0.09	0.09	-0.42	0.44	3.38	-3.21	18.74	-14.62
Fair Value delta %	-0.44%	0.44%	-2.17%	2.26%	0.79%	-0.75%	4.38%	-3.41%

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

IFRS 13 also governs the fair value measurement of assets and liabilities not measured at fair value in the statement of financial position, but for which a fair value disclosure is required in the notes to the financial statements in compliance with other international accounting standards.
Furthermore, since these assets and liabilities are not typically traded, their fair value is largely based on the use of internal parameters that cannot be directly observed in the market, with the sole exception of listed securities classified as Held-to-maturity investments.

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

	Carrying amount		Fair value							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Assets										
Held-to-maturity investments	2,238.0	2,932.9	2,128.2	2,524.9	324.1	477.8		42.1	2,452.2	3,044.7
Loans and receivables	14,657.7	16,299.7	9.3	10.7	3,996.0	4,314.5	12,161.1	12,427.5	16,166.4	16,752.7
Investments in subsidiaries, associates and interests in joint ventures	177.8	188.8					177.8	188.8	177.8	188.8
Investment property	2,645.6	2,869.8					2,724.8	2,968.8	2,724.8	2,968.8
Property, plant and equipment	1,521.6	1,383.3					1,627.2	1,426.0	1,627.2	1,426.0
Total assets	21,240.6	23,674.6	2,137.4	2,535.6	4,320.1	4,792.3	16,691.0	17,053.2	23,148.5	24,381.1
Liabilities										
Other financial liabilities	13,182.2	13,984.6	2,262.5	1,282.0			11,019.5	12,697.1	13,282.0	13,979.2

5.8 Information on personnel

Share-based compensation plans

The Unipol Group pays additional benefits to the Chief Executive Officer and senior executives under closed share-based compensation plans by which Unipol Ordinary shares are granted if specific targets are achieved (performance shares).

On 30 April 2013, Unipol's Shareholders' Meeting approved the compensation plan based on financial instruments (performance share type), intended for the Chief Executive Officer and Company executives.
Similar resolutions were adopted in 2013 by the Company Bodies of the main Group companies.

The plan is for three years, ending in 2015, and provides for benefits to be paid if the following targets are met:
- overall growth in consolidated gross profit for the three-year period 2013-2015;
- increase in the value of Unipol Ordinary securities over the three years;
- an indicator of financial stability.

It is also dependent on individual short-term targets being met.

The compensation plan based on financial instruments for the period 2010-2012 terminated on 31 December 2012 and the first tranches of 282,793 shares were paid to those entitled on 1 July 2014. A further two tranches are due on 1 July 2015 and 1 July 2016.

The cost recorded with a contra-item in shareholders' equity for 2014 came to €10.5m (€7.1m at 31/12/2013).

Access to the Solidarity Fund for the insurance sector - Trade union agreement of 29 December 2014

After lengthy negotiations, on 29 December 2014 UnipolSai and the trade unions FISAC/CGIL, FIBA/CISL and UILCA/UIL signed an agreement to supplement the trade union agreement of 18 December 2013 regarding the merger, in which the parties had identified suitable rules, methods, timing and tools for achieving the objective of workforce downsizing and resulting labour cost containment associated with the post-merger surplus, in particular through access to the Solidarity Fund for the insurance sector.

In fact, in the agreement of 18 December 2013, it was specifically agreed that the objectives of the Business Plan could also be pursued through voluntary access to the extraordinary part of the Solidarity Fund for personnel (amount equal to roughly 900 staff) who were less than 5 years from meeting the pension requirements, to ensure that - at the end of membership of the aforementioned Fund managed by INPS (National Social Security Institute) - personnel could immediately receive their pensions.
Membership of the Solidarity Fund involves the termination of the employment relationship, but allows the worker to obtain the annual equivalent treatment as his/her future pension, until this is effectively accrued, plus the payment of the related INPS contribution correlated with the period of membership of the Fund. In order to offset the difference between the current salary and solidarity allowance, the agreement made provision for a series of economic supplements (to be paid on termination of the employment contract together with the post-employment benefits) in relation to the period of membership of the Fund.
For the aforementioned period of membership of the Solidarity Fund it was also established that the personnel concerned would retain the same healthcare assistance and supplementary pension allowances provided for personnel in service.
The agreement of 18 December 2013 also envisaged that the parties would hold special meetings to verify the number of applications for termination of employment and subsequently assess the degree to which labour cost containment objectives had been achieved. For this purpose, on 8 October 2014 UnipolSai reported - on

completion of the initial phase (voluntary) of access to the Solidarity Fund and also in the light of final figures for the other contractual measures referred to in Art. 8 of the merger agreement of 18 December 2013 (exit incentives for personnel meeting the pension requirements envisaged by the AGO (compulsory general insurance)) - that 321 employees meeting the requirements had not applied and consequently the objectives indicated in the aforementioned merger agreement had not been reached.
Therefore under the terms of the agreement of 29 December 2014 the parties again confirmed the use of access to the insurance sector Solidarity Fund and the call for retirement on the basis of the following criteria for identification of the surplus 321 employees:

- ✓ personnel already meeting the pension requirements at 31 December 2014 or due to meet them by 30 June 2015;
- ✓ 90% of personnel due to meet the pension requirements between 1 July 2015 and 31 December 2019.

The following exclusions are also envisaged:

- personnel registered for mandatory placement;
- personnel reaching pension age with less than 35 years' contributions at 30 June 2015;
- personnel due a pension of less than €1,500 net per month for 13 months.

As part of the agreements, specific accompanying payments to the Solidarity Fund or pension were defined for personnel submitting applications by 15 February 2015 for voluntary termination of their employment contracts, similar to that already envisaged in the agreement of 18 December 2013. In this respect, note that the treatment envisaged for persons accessing the Solidarity Fund remains essentially the same, except as regards the non-recognition of the 4-month "prompt application" bonus, whilst incentives planned for those already meeting pension requirements are slightly lower than those defined in the agreement of 18 December 2013.

At 31 December 2014, applications to the Solidarity Fund totalled 526 (added to which were 104 responses to the call for retirement).

For 2015, access to the Solidarity Fund should involve 184 employees meeting the requirements, plus 132 meeting AGO pension requirements.

Lastly, it should be noted that UnipolSai is the first company in the insurance market to make use of the Solidarity Fund. This instrument, in respect of the need to manage the surplus staff deriving from restructuring operations, presents undoubted advantages in terms of having a low social impact and represents a solution for dealing with the repercussions of the Fornero reform on pensions, which extended the possibility for employees to keep working until the age of 70.

Training

At 31 December 2014 training targeting all Group companies recorded a total of 26,695 man-days (equal to 213,548 man-hours), of which 15,851 (or 126,800 man-hours) in the insurance business (insurance and bancassurance companies) and in the Holding, 10,667 man-days (equal to 85,334 man-hours) in the banking business and 177 man-days (equal to 1,414 man-hours) in real estate and other companies.

<u>Insurance business</u>

In 2014, training activities targeting insurance companies and the Holding included classroom courses for a total of 13,317 man-days (equal to 106,529 man-hours) and distance learning courses, provided via the Group's e-learning platform Unipol Web Academy, for a total of 2,534 man-days (equal to 20,271 man-hours).

The training activities with most involvement in the insurance business were those of a technical and specialist nature, mainly in support of the integration of systems and processes within the new consolidation scope. Of note among the key projects were the training to disseminate awareness of the functions of the new claims system, "Liquido", targeted training to expand awareness of the Essig, SAP, SAS and AHD management systems, basic IT training and sales training.
Training projects were also implemented to strengthen conduct and relational skills, such as "*Cultura del Servizio, Orientamento al Cliente e Comunicazione Trasparente*" dedicated to Pronto Assistance Servizi operators, "*Tecniche di vendita, ascolto e negoziazione*" for the Linear call centres and "*Condividere Conoscenze (trainer training)*" for new in-house trainers on classroom management techniques.
Note also the training associated with the entry into force of the "Foreign Account Tax Compliance Act" Directive (FATCA), courses reserved for Safety officers and again the modules dedicated to Legislative Decree 231/2001, Privacy regulations and the prevention of insurance fraud.

Banking business

In 2014, training activities targeting banking business companies were characterised by classroom courses for a total of 6,784 man-days (equal to 54,270 man-hours) and distance learning courses, provided via the Unipol Web Academy, for a total of 3,883 man-days (equal to 31,064 man-hours).
There were numerous 1-day training courses held during the year of a conduct-relational nature, particularly dedicated to Developers and Retail Sales Managers. Similar courses were provided to Sales Coordinators.
2014 also saw the launch of the "*Esperienze di valore - Starter pack*" course designed to enhance synergies at local level between Branch Owners and Insurance Agents, and the "*La Direzione al centro della Rete*" course dedicated to Head Office employees and designed to increase awareness of the strategic importance of communication and cooperation between Head Offices and in Head Office-Network relations.
As in previous years, the training courses for new recruits were developed, aiming to transmit awareness of basic banking techniques, and the course offering the 850+ branch employees affected by activities associated with proposing and placing insurance products and services, skills necessary to upholding the requirements imposed by IVASS regulations.
The integration of BancaSai into Unipol Banca was accompanied by training offering new colleagues an overview of the Group's banking business.
In regulatory terms, it is worth mentioning the project dedicated to the Network, "*MiFID il nuovo modello di consulenza di portafoglio*", created in partnership with the Finance Department, and the training module on anti-money laundering. Ample room is also given to training courses designed for the various roles envisaged in Safety regulations.
With regard to the 220 financial advisors, once again in 2014 - as in previous years - training made available courses of a regulatory and sales nature for a total of 405 days of distance learning and 417 days of classroom training.

Other businesses

In 2014 the Group managed classroom courses for the real estate companies and a number of other companies for a total of 150 man-days (equal to 1,200 man-hours) and distance learning courses for a total of 27 man-days (equal to 214 man-hours).
The real estate companies were mainly involved in regulatory and technical training, in addition to alignment courses on the new procedures adopted by the Group. Among these, for example, was the launch of an introductory course to the new real estate cost accounting process and the course on extension of the SAP management system.

A number of other Group companies received support in 2014 from the design and provision of certain regulatory and conduct-related courses, for example that dedicated to Tenute del Cerro employees with the aim of enhancing specific relational skills.

5.9 Non-recurring significant transactions and events

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

On 6 January 2014, following the recognition of the associated deed at the competent offices of the Register of Companies, on 2 January 2014, the merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI took effect, with accounting and tax effects backdated to 1 January 2014. The resulting company simultaneously took the name of UnipolSai Assicurazioni SpA or UnipolSai SpA.

On 5 March 2014, Unipol launched a Partial Exchange Offer on the senior unsecured bond loan, maturing January 2017, against the issue of a new 4.375% senior loan, maturing 2021, for a total nominal value of €500m, of which €381m issued to directly serve the Exchange Offer and the remaining €119m placed with qualified Italian and foreign investors.

On 24 April 2014 UnipolSai issued a Convertible Bond Loan, represented by 2,018 bonds with a unit nominal value of €100,000, for a total of €201.8m, of which 675 bonds subscribed by Unipol, converted on 5 May 2014. Bondholders have the option to convert the bonds at any time during the period from 24 April 2014 to 22 December 2015 and, in any event, shall be automatically converted into shares on 31 December 2015.

On 11 June 2014, UnipolSai, within the scope of the Medium Term Issue Programme (EMTN) for a total nominal amount of €3bn, successfully placed subordinated bond securities with indefinite maturity for a total nominal amount of €750m. The proceeds of the issue were used for the early repayment of subordinated loans with indefinite maturity disbursed in the past from Mediobanca to Fondiaria-SAI (now UnipolSai) and to merged entities Milano Assicurazioni and Unipol Assicurazioni for a total amount of €750m.

On 19 December 2014 UnipolSai completed the disposal to Allianz of the insurance assets of the former Milano Assicurazioni, performed as part of the Disposals planned in compliance with the Antitrust Measure dated 19 June 2012. The total amount collected by UnipolSai was €379m, against which a realised capital gain of €289m and costs incurred for €34m were recorded.

5.10 Atypical and/or unusual positions or transactions

In 2014 there were no atypical and/or unusual transactions that, because of their significance, importance, nature of the counterparties involved in the transaction, transfer pricing procedures, or occurrence close to the end of the year, could give rise to doubts relating to: the accuracy and completeness of the information in these consolidated financial statements, a conflict of interest, the safeguarding of the company's assets or the protection of non-controlling shareholders.

5.11 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test)

As in previous years, in accordance with IAS 36.10, which provides for the Impairment of Intangible Assets that have an indefinite useful life, the impairment test was carried out on the goodwill recognised in the consolidated financial statements with reference to insurance subsidiaries.

The weakness of the overall economic scenario and uncertainty that will characterise the growth prospects for the economy over the coming years, determined the need to continue to use conservative criteria in determining the measurement parameters used.
Appropriate Sensitivity Analyses were also developed to test the stability of the recoverable amounts of goodwill if there was a variation in the main parameters used in the tests.

The Non-life and Life CGUs to which goodwill was attributed were not subject to change compared to the previous year, as their ownership was already amended in 2013 following the merger of Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI (now UnipolSai), which became effective on 6 January 2014.

As the goodwill attributed to the Banking Business CGU was fully written down in 2013, for the year under review this CGU was no longer considered.

At 31 December 2014, therefore, the CGUs consisted of the following:

- Non-Life CGU — UnipolSai Assicurazioni - Non-Life, Unisalute, Linear;
- Life CGU — UnipolSai Assicurazioni - Life, Arca Group.

In relation to the measurement methods and benchmarks adopted to estimate the recoverable value of goodwill, note that, as specified below, the same measurement criteria were adopted as for the previous year, with benchmark updating arranged at the end of 2014.

The impairment testing of the Non-Life CGU was performed as follows:

- The recoverable value of UnipolSai Assicurazioni - Non-Life goodwill was measured using the "excess capital" version of a DDM (Dividend Discount Model). Taking into account the final 2014 figures, the data relating to the 2015 Budget were used for 2015, and for 2016-2019 a net result deriving from the average 2013-2015 results were considered;
- in relation to the other companies operating in Non-Life business (Unisalute and Linear) the prospective plans approved by the Boards of Directors of the individual companies were considered.

The results obtained from application of the impairment procedure show that there is no need to make any adjustments to the goodwill of the Non-Life CGU recorded in the consolidated financial statements at 31 December 2014.

The impairment testing of the Life CGU was performed as follows:

- in relation to UnipolSai Assicurazioni - Life, the recoverable amount of goodwill was calculated by considering the value of the existing portfolio (Value of in Force) and the value of the portfolio of new products (Value of New Business), based on the discounting of future cash flows relating to the same, as derived from the in-house actuarial model;

- in the case of the Arca Group, Arca Vita and Arca Vita International were measured using the "Appraisal Value" method and the DDM defined above was used for the subsidiary Arca Assicurazioni. The Arca Group was considered as a whole since both companies use the same sales channel (banking).

The results obtained from application of the impairment procedure show that there is no need to make any adjustments to the goodwill of the Life CGU recorded in the consolidated financial statements at 31 December 2014.

Non-Life CGU	
Valuation method used	The method used, similar to that carried out last year, was an "excess capital" type of DDM (Dividend Discount Model) and focused on the future cash flows theoretically available for shareholders, without drawing on the assets needed to support the expected growth and in accordance with the capital requirements imposed by the Supervisory Authority. According to this method the value of the economic capital is the sum of the current value of potential future cash flows and the current terminal value.
Net profits used	The above net profits were considered.
Projection period	Five prospective flows were considered.
Rate of discounting	When the rates of discounting were determined account was taken of the country risk implied in the risk-free rate. A rate of discounting of 7.39% was used, broken down as follows: – risk-free rate: 2.92% – beta coefficient: 0.90 – risk premium: 5% The average figure for the 10-year Long-Term Treasury Bond for the period January-December2014 was used for the risk-free rate. A 5-year adjusted Beta coefficient for a sample of companies listed on the European market and deemed to be comparable was used. The Premium at risk was deemed to be 5%, in accordance with common practice among Financial Analysts and the Professional Practices.
Long term growth rate (g factor)	Several significant growth indicators relating to the reference market and to the macroeconomic situation were taken into account. In particular, the annual average rate of growth of the insurance market for 2015-2019 was expected to be 2.4%. The average variation in GDP was expected to be 2.6% in nominal terms. The average consumer price index was expected to be approximately 0.9%. In view of this it was deemed appropriate to use a g factor of 2%, in line with the Professional Practices used.
Life CGU	
Goodwill recoverable amount	In relation to UnipolSai Assicurazioni - Life, the recoverable amount of goodwill was calculated by considering the value of the existing portfolio (Value of in Force) and the value of the portfolio of new products (Value of New Business), based on the discounting of future cash flows relating to the same, as derived from the in-house actuarial model. In the case of the Arca Group, Arca Vita was measured using the Appraisal Value method and the DDM mentioned above was used for the subsidiary Arca Assicurazioni. The Arca Group was considered as a whole since both companies use the same sales channel (banking).

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

Amounts in €m	Allocation of goodwill	Recoverable amount	Excess
Non-Life CGU	1,198.0	2,827.2	1,629.2
Life CGU	383.6	840.3	456.7
Total	1,581.6	3,667.4	2,085.9

Parameters used - Non-Life	
Risk Free	2.92%
Beta	0.90
Risk premium	5%
Short-term discounting rate	7.39%
Range	*6.39% -8.39%*
Pass	*0.5%*
g factor	2%
Range	*1% -3%*
Pass	*0.5%*

Amounts in €m		Sensitivity (Value range)					
		Min			Max		
CGU	Recoverable Amount - Goodwill Delta	Value	g	Discounting rate	Value	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	1,164	380	1%	8.39%	2,824	3%	6.39%
Unisalute	434	305	1%	8.39%	714	3%	6.39%
Linear	31	5	1%	8.39%	87	3%	6.39%

Amounts in €m		Recoverable Amount - Goodwill Delta = 0			
		Hp. 1 (g rate = that used for impairment)		Hp. 2 (g rate assumed to be 0)	
CGU	Recoverable Amount - Goodwill Delta	g	Discounting rate	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	1,164	2%	9.8%	0%	9.1%
Unisalute	434	2%	27.1%	0%	26.7%
Linear	31	2%	9.2%	0%	8.3%

	Amounts in €m	Sensitivity - Recoverable Amount - Goodwill Delta			
Company	Recoverable Amount - Goodwill Delta	RET - 50 bps	RET + 50 bps	RDR - 50 bps	RDR + 50 bps
UnipolSai Assicurazioni - Life	373	299	405	436	288

	Amounts in €m	Sensitivity - Arca Vita			
Company	Value	RET - 50 bps	RET + 50 bps	RDR - 50 bps	RDR + 50 bps
Arca Vita and Arca Vita International	355	341	361	370	335
Arca Assicurazioni (share held by Arca Vita)	393	393	393	393	393
Arca Vita Group	748	734	753	762	728

Company	Recoverable Amount - Goodwill Delta	RET - 50 bps	RET + 50 bps	RDR - 50 bps	RDR + 50 bps
Arca Vita Group	84	75	88	93	71

	Amounts in €m	Sensitivity - Arca Assicurazioni	
Company	Value	Min	Max
Arca Vita and Arca Vita International	355	355	355
Arca Assicurazioni (share held by Arca Vita)	393	310	570
Arca Vita Group	748	666	926

Company	Recoverable Amount - Goodwill Delta	Min	Max
Arca Vita Group	84	32	197

5.12 Notes on Non-Life business

Procedural note on fixing the level of provisions and assumptions made

The process that leads to making the assumptions is carried out in such a way as to make a neutral valuation (i.e. neither optimistic nor prudent) of the liabilities with the intention of coming up with an estimate that is as realistic as possible.
The source of the figures is internal and the trends are based on annual statistics and monitored monthly throughout the year.
As far as possible assumptions are checked against market statistics.
If any information is missing, incomplete or unreliable the estimate of the final cost is based on prudent assumptions.
The very nature of insurance business makes it very difficult to estimate the cost of settling a claim with any certainty. The provision for each claim reported is set by an adjuster and is based on the information in his possession and on experience gained in similar cases. The forecasts fed into the system are periodically updated on the basis of new information about the claim. The final cost may vary as the claim proceeds (for example deterioration in the condition in the event of injury) or in the event of natural disasters. Estimating the final cost appears to be very difficult and the various elements that make it so complex vary depending on the class in question.
As the Group's work is concentrated in Italy the major exposure to catastrophe risks is represented by natural disasters such as Earthquake and Flood.
Reinsurance cover is taken out to cover this type of risk, at different levels with respect to each portfolio of the companies in the Group. These thresholds have been judged sufficiently prudent, being calculated using statistical models that simulate the company’s exposures in detail.

The provisions for claims are estimated using the inventory method and the adjusters' estimates are also combined, where application conditions are satisfied, with the results of statistical methods such as the Chain Ladder (CHL), the Bornhuetter Ferguson and the ACPC (Average Cost Per Claim) and with valuations based on the average costs for the year (for similar groups covering a sufficiently large number of claims). In certain cases, it is considered necessary to segment claims based on cost, applying actuarial methods to claims below the threshold and confirming the claims handlers’ provision for claims with a cost higher than the threshold.
These methods were applied after consistency of the underlying data had been verified using the model assumptions. In particular, for the former Fondiaria-SAI/Milano Assicurazioni component, only the CHL Paid model was used.

The Chain Ladder method is applied to the amount paid out and the loading. The method is based on historical analysis of the factors that affect the trend in claims. The selection of these factors is based on the figures for the accumulated amounts paid out, which produces an estimate of the final cost per year of occurrence if the claims for that year have not been paid in full.
The Chain Ladder method is suitable for sectors in which the figures are stable and is therefore not suitable in cases in which there are no significantly stable previous periods and in cases of significant changes in the settlement rate.
The Bornhuetter Ferguson method uses a combination of a benchmark, or estimates of the ratio of losses to ‘a priori’ premium and an estimate based on claims incurred (Chain Ladder).
The two estimates are combined using a formula that gives greater weight to experience. This technique is used in situations in which the figures are not suitable for making projections (recent years and new classes of risk).

The ACPC method is based on a projection of the number of claims to be paid and the respective average costs. This method is based on three fundamental assumptions: settlement rate, basic average costs and exogenous and endogenous inflation.

These methods extrapolate the final cost according to the year in which the claim is incurred and according to similar groups of risk on the basis of the trends in claims recognised in the past. Should there be a reason for deeming the trends recognised to be invalid some of the factors were modified and the projection adapted to fit the available information.
Some examples of what affects the trends could be:

- changes in the claims handling procedures involving different approaches to settlement/making allocations to provisions;
- market trends showing increases higher than inflation (may be linked to the economic situation or to political, legal or social developments);
- random fluctuations including the impact of "major" claims.

Claims incurred but not yet reported are estimated on the basis of the historical trends within the company, with the number and the average costs of the claims being estimated separately.

As provided for in IFRS 4 the provisions were not discounted.

Trend in claims

The following analyses refer to the companies in the Unipol Group, excluding the companies whose values were considered immaterial for the Group's valuations. These relate in particular to: Incontra, Europa Tutela Giudiziaria, Dialogo, Systema, Pronto Assistance and DDOR. The incidence of the amount of provisions of excluded companies on the Group total stands at 1%.

Scope of analysis: UnipolSai, Liguria Assicurazioni, Siat, Arca Assicurazioni, Linear and Unisalute.

The tables below, which illustrate the trend in claims, show the estimated first-year costs for each year in which claims were incurred from 2005 until 2014 and the adjustments made in subsequent years as a result of the claim being settled or the budget being adjusted as a result of more information about the claim being received.
The line showing the variation compared with the first-year provision must be considered separately since subsequent adjustments may already have been incorporated into the provisions figures for later years.
Maximum caution must be exercised when extrapolating from the figures in the following tables for the purpose of ascertaining the adequacy or inadequacy of provisions.

The Group considers the provisions for claims reported or yet to be reported incurred by 31 December 2014 to be adequate in the light of information currently available. Of course, as they are estimates there is no absolute certainty that the provisions are in fact adequate.

Trend in claims (All classes except Assistance)
Amounts in €m

Year of Event	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of claims accumulated											
at the end of the year of event	7,881	8,038	8,167	8,424	9,137	8,580	7,825	7,192	6,450	6,171	77,864
one year later	7,748	8,128	8,098	8,651	9,125	8,525	7,659	6,992	6,348		
two years later	7,710	8,186	8,236	8,874	9,448	8,796	7,718	6,978			
three years later	7,745	8,171	8,358	9,102	9,601	8,840	7,737				
four years later	7,761	8,285	8,508	9,240	9,676	8,868					
five years later	7,825	8,534	8,644	9,294	9,674						
six years later	7,978	8,554	8,691	9,307							
seven years later	8,034	8,580	8,699								
eight years later	8,053	8,631									
nine years later	8,042										
Estimate of claims accumulated	8,042	8,631	8,699	9,307	9,674	8,868	7,737	6,978	6,348	6,171	80,456
Accumulated payments	7,676	8,140	8,151	8,561	8,763	7,770	6,529	5,513	4,205	2,286	67,592
Change compared to assessment at year 1	161	594	532	883	538	288	-88	-214	-102	0	
Outstanding at 31/12/2014	367	491	549	746	911	1,098	1,208	1,466	2,143	3,885	12,864
Discounting effects	0	0	0	0	0	0	0	0	0	0	0
Carrying amount	367	491	549	746	911	1,098	1,208	1,466	2,143	3,885	12,864

Use of the data contained in the trend in claims table as inputs for actuarial models like the Chain-Ladder model must be made with extreme care. Future replication of changes in cost recorded in the past, in the case of provision strengthening, could lead to paradoxical situation whereby the higher the strengthening the greater the insufficiency which may be inaccurately forecast by these methods.

The IBNR claims experience estimated at 31 December 2013 showed an overall sufficiency in 2014 of €124.8m or 10.1% of the estimate.

Change in the assumptions made and sensitivity analysis of the model

The estimated cost for 2005-2013 at 31 December 2014 was €74,285m, in line with the valuation carried out at 31 December 2013 for the same years (€74,293m).
The new figure takes account of the savings recognised on claims that have been settled and of the revaluations required on claims that are still outstanding.

The risks arising from insurance policies are complex and subject to numerous variables that make the task of quantifying the sensitivity of the model very complicated.
The incidence of the amount of the 2,484 major claims net of claims handled by others (exceeding €800,000 in the case of Motor TPL, above €400,000 in the case of General TPL and €350,000 in the case of Fire) on the total provisions of the three classes was 22.8%. A 10% increase in the number of major claims would have led to a fall in provisions of €221.7m.
The incidence on total provisions of claims handled by others was 3.9%. If reinsurers had revalued these claims by 5.0%, costs would have risen by €24.3m.

In relation to the Liability Adequacy Test (LAT), the evaluation of the sensitivity of the models to a change in assumptions was carried out separately on UnipolSai Assicurazioni for the former Unipol Assicurazioni division and for companies in the former Fondiaria-SAI/Milano Assicurazioni group. The assumptions adopted were as follows:

- former Unipol Assicurazioni: 0.5% increase/decrease in the rate of adjustment of average claim costs (used in the ACPC method) of the MV TPL and General TPL classes and a 10% increase/decrease in the advance assumptions made on claims/premiums ratios (used in the Bornhuetter-Ferguson method);
- former Fondiaria-SAI/Milano Assicurazioni:
  - CHL Paid full: 10% increase/decrease in the tail estimation for MV TPL and General TPL claims;
  - CHL Paid below the €100k threshold:
    - 10% increase/decrease in the tail estimation;
    - 5% increase/decrease in the cost for MV TPL and General TPL claims with thresholds over €100k (for which the claims handlers' provision was confirmed).

The following table shows the LAT's numbers (*in €m*):

	Pre 2003	2003-2014	Total	% delta
Provisions	901	13,382	14,283	
Unfavourable LAT assumption	901	13,166	14,067	-1.51%
Favourable LAT assumption	901	13,598	14,499	1.51%

In assessing the results of these variations, note that these analyses are of the deterministic type and no account is taken of any correlations.

5.13 Notes on Life business

Breakdown of the insurance portfolio

Consolidated Life direct premiums for 2014 totalled €8,914.6m (insurance and investment products).
The Life direct premiums of the Unipol Group came from both the traditional companies (UnipolSai Assicurazioni, Liguria Vita, DDOR and Linear Life) and bancassurance companies (Popolare Vita Group, Bim Vita and the Arca Group).

The Life direct premiums of the Unipol Group at 31 December 2014 are broken down as follows:

Consolidated Life direct premium income	Linear Life	Arca Group	UnipolSai Group	Total
Amounts in €m				
Insurance premiums (IFRS4)	1.2	1,237.4	7,534.8	8,773.3
% var.	*22.0%*	*67.9%*	*24.0%*	*28.7%*
Investment products (IAS39)	0.0	91.6	49.6	141.3
% var.	*0.0%*	*-15.0%*	*-18.4%*	*-16.2%*
Total Life business premium income	1.2	1,329.0	7,584.4	8,914.6
% var.	*22.0%*	*57.3%*	*23.6%*	*27.7%*
Breakdown:				
Insurance premiums (IFRS4)	*100.0%*	*93.1%*	*99.3%*	*98.4%*
Investment products (IAS39)	*0.0%*	*6.9%*	*0.7%*	*1.6%*

Unipol Group Life direct premiums (insurance products and investment products) amounted to €8,914.6m at 31 December 2014, an increase of +27.7% compared with last year, of which €7,584.4m from the UnipolSai Group (85.1% of the total) and €1,329m from the ARCA Group (+57.3%; 14.9% of the total). The contribution from Linear Life was negligible.
Insurance premiums totalling €8,773.3m accounted for 98.4% of total premiums, a slight rise compared to the figure at 31 December 2013 (97.6%). Non-insurance premiums amounted to €141.3m and related to unit-linked and open pension funds.

Direct insurance premiums: income type	Linear Life	Arca Group	UnipolSai Group	Total
Amounts in €m				
Traditional premiums	1.2	1,237.3	5,592.9	6,831.3
Financial premiums	0.0	0.1	1,472.7	1,472.8
Pension funds	0.0	0.0	469.2	469.2
Insurance premiums (IFRS4)	1.2	1,237.4	7,534.8	8,773.3
of which investments with DPF	0.6	1,207.0	4,867.9	6,075.5
% investment with DPF	*50.5%*	*97.5%*	*64.6%*	*69.2%*

The insurance premiums of the Unipol Group were composed primarily of traditional policies, which account for 77.9% of total consolidated premiums, compared to 16.8% represented by financial premiums and, lastly, 5.3% by pension funds.

5.14 Risk Report

The purpose of the Risk Report is to provide additional supporting information to allow stakeholders to make an assessment of the Group's equity and financial situation in the perspective of a Risk Management that operates in accordance with the general principles contained in ISVAP Regulation no. 20/2008 and in the Solvency II regulation due to enter into force from 1 January 2016 onwards.
In this respect, with a view to achieving complete and prompt preparation for the new Solvency II regime, on 15 April 2014 IVASS issued a Letter to the Market: "Solvency II - application of EIOPA guidelines regarding governance systems, forward-looking risk assessment (based on ORSA principles), transmission of information to the national competent authorities and pre-application for internal models".

Activities by the competent corporate organisations of the Group were carried out in 2014, and are still in progress, to make corporate processes compliant with the Solvency II regulations and with the new IVASS supervisory provisions.

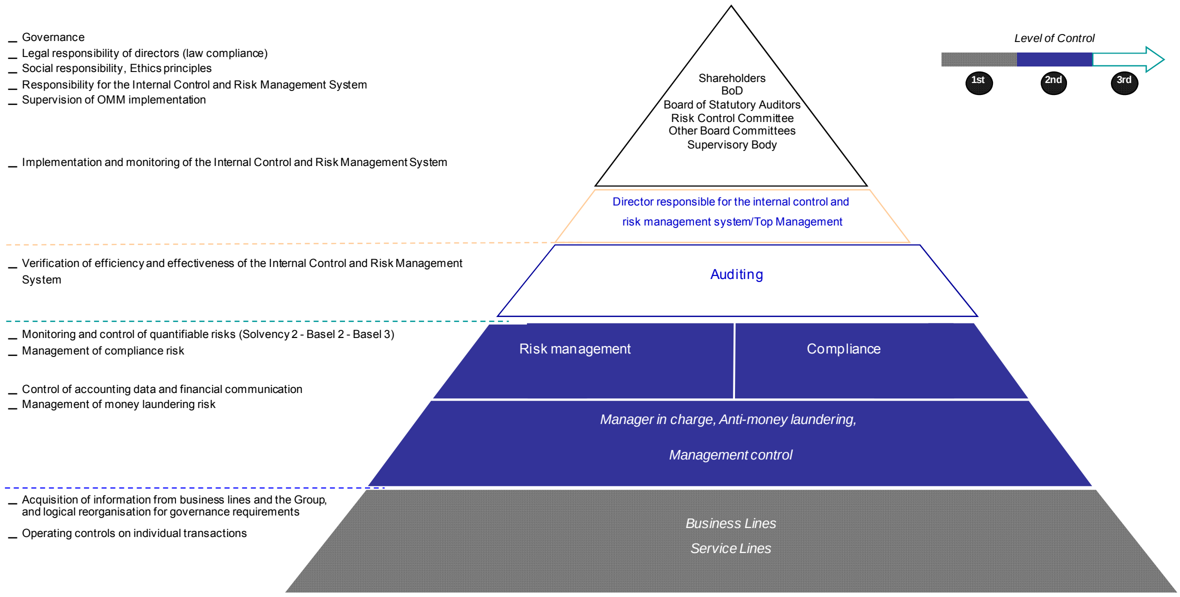
Internal Control and Risk Management System

The Unipol Group's Risk Management structure and process are part of the wider internal control and risk management system which operates on several levels:

- *line controls* (so-called "first-level controls"), aimed at ensuring transactions are carried out correctly. These are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the different units which report to the managers of the operating structures, or carried out as part of back office activities; as far as possible, they are incorporated in IT procedure. The operating structures are the primary bodies responsible for the risk management process and must ensure compliance with the adopted procedures for implementing the process and compliance with the established risk tolerance level;
- *risk and compliance controls* (so-called "second-level controls"), which aim to ensure, among other things:
  - the correct implementation of the risk management process;
  - the implementation of activities assigned to them by the risk management process;
  - the observance of the operating limits assigned to the various departments;
  - the compliance of company operations with the regulations.

  The departments responsible for these controls are separate from the operating functions; they help define the risk governance policies and the risk management policy;
- *internal review* (so-called "third-level controls") verification of the completeness, functionality and adequacy of the Internal Control and Risk Management System (including the first- and second-level controls) and that business operations comply with the System.

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



Within Unipol:

- The **Board of Directors**, based on prior judgment of the Control and Risks Committee, defines the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Group companies are correctly identified, and adequately measured, managed and monitored. The Board performs an assessment, at least annually, of the adequacy of the current and forward-looking Internal Control and Risk Management System with respect to the characteristics of the Parent and the Group and to the defined risk appetite, as well as its efficiency and capacity to adapt to evolving corporate risks and the interaction between them.

- The **Risk Control Committee** plays a propositional, advisory, investigative and support role to the Board of Directors in relation to the Board's assessments and decisions mainly concerning the Internal Control and Risk Management System.

- The **Chairman of the Board of Directors**, **as the Director responsible** for the internal control and risk management system, handles the identification of the main company risks, taking account of the characteristics of the activities carried out by the Company and the Operating Companies, periodically subjecting them to review by the Board of Directors; he also implements the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness.

- **Top Management** supports the Director in charge of designing and implementing the Internal control and risk management system, including therein those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Administrative Body.

- The **Governance Control Functions**: pursuant to applicable industry legislation, Unipol's organisational structure requires that the Governance Control Functions (Audit, Risk Management and Compliance) report directly to the Board of Directors. These Functions are coordinated by the Director responsible for the Internal Control and Risk Management System.
  The "Risk Management" and "Compliance and Anti-money laundering" functions report hierarchically to the "Chief Risk Officer" (who reports to the Board of Directors). This structure of Governance Control Functions makes it possible, by preserving the characteristics of independence and separateness of the

individual control functions, and guaranteeing compliance with the principle of segregation of operating functions and control functions, to further strengthen the integrated monitoring of the risks to which the Group is exposed in the various areas in which it conducts its business.

- The **Risk Management Department** is responsible for ensuring an integrated evaluation of the various risks (Enterprise Risk Management – ERM) at Unipol Group level, supports the Board of Directors, the Chairman and Top Management in the evaluation of the structure and effectiveness of the Risk Management System and reports its conclusions to said bodies, highlighting any deficiencies and suggesting ways of resolving them. Risk Management carries out this work as part of the process of "Own Risk Solvency Assessment" for insurance business and the "Internal Capital Adequacy Assessment Process" for banking business, ensuring that the work carried out by the various company departments dealing with risk management is coordinated, in line with best market practices and in accordance with regulations imposed by the Supervisory Authorities. This does not exempt the individual operating departments from their specific responsibilities for managing the risks relating to their own work since the departments themselves must have the necessary tools and expertise.
  In exercising its role, the Risk Management Department is responsible for the design, implementation, maintenance and development of tools necessary for risk measurement.
  In this respect, Risk Management also contributes to the dissemination of a risk culture extended to the entire Group.

Monitoring Procedures: Company committees

As part of the Group's governance and Internal Control and Risk Management System, internal company committees have been set up in the Parent and a number of the Operating Companies to implement and monitor the policies on guidelines, coordination and operating strategy laid down by the Board of Directors and Top Management.

Risk Management System

In 2014 the directives regarding the Internal Control and Risk Management System were updated to fully adapt to the new supervisory provisions. The most recent update was approved by the Unipol Board of Directors in December 2014.
With regard to Risk Management Policy (an integral part of the aforementioned directives), note that their contents were incorporated into the following documents: (i) the Risk Management Department regulations, defining responsibilities, duties and operating methods of this function, (ii) the "Current and forward-looking risk assessment policy" and (iii) the "Risk Management Policy".

The principles and general characteristics of the Risk Management System are included in the Risk Management Policy (approved by the Unipol Board of Directors in December 2014).
Also an integral part of this System are the management policies for the more important specific risks which, to the extent of respective responsibilities, establish guidelines for their assessment.
The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and any insurgence of new risks or changes in existing risks.
These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of additional supervision and their mutual interdependencies.

The risk management process

The risk management process involves the following steps:
- risk identification;
- current and forward-looking assessment of risk exposure;
- risk monitoring and reporting;
- risk mitigation.

The process is performed in compliance with the Risk Appetite Framework.

Risk identification

Risk identification consists in identifying the risks considered significant, i.e. those with consequences capable of compromising the solvency or reputation of the Group and its companies, or constitute a serious obstacle to achieving strategic objectives. These risks are classified according to a taxonomy that takes into consideration the Group structure and the specific nature of the types of business managed by the various operating companies. The categories of risk identified are as follows:
- Technical-Insurance risks (Non-Life and Health);
- Technical-Insurance risks (Life);
- Market risk
- Credit risk;
- Liquidity and ALM risk;
- Operational risk;
- Strategic risk and emerging risks;
- Reputational risk;
- Other risks.

This identification and its constant updating are the result of meticulous and continuous activity performed through:
- continuous monitoring of business operations;
- continuous monitoring of the reference regulatory framework;
- the exercise of Profit and Loss attribution that compares profit and loss recorded at year end with those estimated by the Internal Model, in order to verify whether it correctly represents all risk factors.

An assessment is performed at least annually to verify that the risks identified actually represent the risk profile of the Group and its companies.

Current and forward-looking assessment of risk exposure

At least annually and in any event every time circumstances arise that could significantly alter the risk profile, the Group assesses the risks to which the insurance group and the individual companies are exposed, at present and prospectively, documenting the methods used and the related results. In the Current and Forward-looking Risk Assessment Policy, the process for the current and forward-looking assessment of risks is also defined, including risks deriving from companies included in the scope of additional supervision and taking into account the risk interdependencies.

The current and forward-looking assessment also includes stress testing to verify the company's vulnerability to extreme but plausible events.

Current assessment of risks
The current assessment of risks identified is performed through methods envisaged in regulations and best practices as regards risks for which measurement is not regulated or defined by high-level principles.

Forward-looking assessment of risks
The Own Risk Solvency Assessment (ORSA) and the Internal Capital Adequacy Assessment Process (ICAAP) are used to support strategic business decisions.

Risk monitoring and reporting

In order to ensure prompt and constant monitoring of the evolution of the Risk Profile and compliance at the different levels of company responsibility with the defined Risk Appetite, a reporting system was implemented based on the principles of completeness, promptness and disclosure efficiency.
This system guarantees that the quality and quantity of information provided is commensurate with the needs of the various recipients and with the complexity of the business managed, in order for it to be used as a strategic and operating tool in assessing the potential impact of decisions on the company's risk profile and solvency.
In relation to the recipients, reporting is divided into "internal" and "external". "Internal" reporting is addressed to the bodies and internal structures of the Group and its companies, with the aim of steering strategic and business decisions and verifying sustainability over time. "External" reporting is directed to Supervisory Authorities and the market and meets the disclosure and transparency requirements of regulations in force.

With regard to internal reporting, in consideration of the recipients of the various requirements and uses, two types of reporting are provided:
- Strategic reporting on risk management, containing information important in supporting strategic decisions;
- Operational reporting on risk management with an adequate granularity in supporting business operations.

As part of the strategic reporting, the following are provided to the Board of Directors, the Control and Risk Committee, Top Management and the Group Risk Committee:
- annually, a proposal for approval of the Risk Appetite (Risk Appetite Statement)[1];
- quarterly, a report with the results of controls performed on observance of the Risk Appetite for the current year (Risk Appetite Monitoring);
- quarterly, a report with the results of controls performed on observance of the operational risk limits defined in the Specific Risk Management Policies;
- at least annually, the results of stress testing.

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

Risk escalation and mitigation process

With regard to Risk Appetite monitoring, detection of any of the defined thresholds being exceeded triggers the escalation process described below:

- if the Risk Appetite is exceeded, within the Risk Tolerance threshold, the Board of Directors is informed at the first available board meeting. The Board of Directors assesses whether the approval of a new Risk Appetite level is appropriate or defines action to be taken to restore the Risk Appetite level;
- if the Risk Tolerance or Risk Capacity is exceeded, where defined, based on the seriousness of the situation reported, the Chief Executive Officer assesses the need to call an extraordinary meeting of the Board of Directors. At the extraordinary Board of Directors meeting, or at the next available meeting, the Board of Directors defines the action to be taken.

If the Risk Appetite and/or Risk Tolerance and/or Risk Capacity of individual companies is exceeded, the Parent Board of Directors is informed, indicating any corrective action taken.

In order to mitigate existing or prospective levels of risk not in line with the defined risk objectives, the following measures can be adopted:

a) Financial hedges: these measures may take the form of hedging transactions on the market using financial derivatives. Group Investment Policy defines the principles for the use and management of hedging instruments.

b) Reinsurance: transfers part of the underwriting risk outside the Group, providing more possibility for business growth, both by proportionally reducing the amounts at risk (e.g. proportional treaties) and by limiting even further the amounts of major claims (e.g. non-proportional treaties). The “Reinsurance and Other Risk Mitigation Techniques Policy” defines the guidelines on reinsurance cover management.

c) Guarantees held as a hedge against credit risks: the main type of guarantee available on exposures to reinsurers is represented by deposits with the Group for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depend on the specific nature of the underlying insurance benefits and on the actual duration of the reinsurance agreements, which are renegotiated at the end of each year. For exposures to reinsurers the Group also makes use of a limited number of guarantees consisting mainly of Letters of credit and Securities. Collateral deposited by the counterparties for operating in derivatives under CSA-type (Credit Support Annex) agreements is also used as guarantees on credit risks.[2] If the Internal Model for measuring risks includes mitigation techniques, their compatibility and constant updating in line with performance must be guaranteed.

d) Management action: corrective action to be applied if certain events occur, such as the restructuring of assets and/or liabilities under management or the disposal of assets and/or liabilities (position closures).

e) Operational risk mitigation action: mitigation plans with the aim of preventing or mitigating the effects should a risk event occur. The implementation of mitigation plans is based on decisions made on a continual basis during the entire operational risk monitoring stage.

f) Emergency and contingency plans: extraordinary ex-ante measures to be activated if certain catastrophic or emergency events should occur, such as those envisaged in the Business Continuity Plan and Disaster Recovery Plan which govern operating procedures for declaring a crisis situation arising from catastrophes and managing the effects.

2 The CSA envisages the consignment of collateral when the value of the contract exceeds a given limit.

Capital allocation policies

Risk Appetite and Risk Appetite Framework

The Risk Appetite can be established as a fixed target or as a range of possible values and is broken down into quantitative and qualitative elements.
In quantitative terms, the Group's Risk Appetite is determined on the basis of the following elements:
- Capital at risk;
- Capital adequacy;
- Liquidity/ALM ratios.

Quality objectives are defined in reference to compliance, strategic, reputational, emerging and operational risks.

The Risk Appetite is formalised in the Risk Appetite Statement (for the insurance business and for the banking business), which indicates the risks that the Group and/or individual company intends to assume or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite forms part of a reference framework - the Risk Appetite Framework (RAF).
The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, the ORSA/ICAAP process, the budget, company organisation and the internal control system.

The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stress conditions. These components are:
- Risk Capacity;
- Risk Tolerance;
- Risk Limits (or the operational risk limits);
- Risk Profile.

The activity to define RAF components is dynamic and progressive, and reflects the risk management objectives associated with the objectives of the Strategic Plan. Verification is performed annually as part of the process of assigning Budget objectives. Further analyses for preventive control of the Risk Appetite, and capital adequacy in particular, are performed when studying extraordinary transactions (mergers, acquisitions, disposals, etc.).
The RAF is broken down into several analysis macro areas with the aim of guaranteeing continuous monitoring of risk trends. The main analysis macro areas are: risk type, group, subgroup and individual company.

The ORSA/ICAAP process

The Group, as already mentioned, has adopted the "Current and Forward-looking Risk Assessment Policy", approved by the Unipol Board of Directors in December 2014. This policy defines the guidelines for the assessment of risks to which the Unipol Group and the consolidated insurance and banking companies are exposed, from current and prospective points of view.

Under their own risk management systems the companies that fall within the scope use the following to assess current and forward-looking risks:

- the Own Risk Solvency Assessment (ORSA) for insurance business;
- the Internal Capital Adequacy Assessment Process (ICAAP) for banking business.

The key objective of the two tools is to support the company in defining its Risk Appetite, in compliance with the objective of safeguarding assets. This evaluation covers at least the overall solvency requirement and takes account of the specific risk profile, in current and forward-looking terms.
For this purpose the Group defines and implements procedures that are commensurate with the nature, scope and complexity of its work and enable it to identify and assess accurately the risks to which the Group or individual company is or could be exposed in the short and long term.

At least the following are covered by the ORSA and ICAAP Reports: i) the legislative framework; ii) the economic background; iii) the scope of analysis; iv) the roles and responsibilities of the Bodies and Departments involved in the process; v) the procedures for identifying, assessing and mitigating the risk; vi) the links between assessing the risk and the procedure for allocating the capital, and the discrepancies in respect of the risk appetite over the period concerned laid down in the Business Plan; vii) the procedures for obtaining any additional funds; viii) the management actions used to evaluate and describe their impact; ix) the in-house report and the report to the Supervisory Authorities.

INSURANCE SECTOR

Internal Model

In 2014 the Group has carried out the necessary activities to activate, on the basis of the new consolidation scope, the pre-application phase with respect to the process for the approval, by IVASS, of the Partial Internal Model (the "Internal Model") directed, inter alia, to calculation of the minimum solvency capital requirement.

Under the Internal Model each risk is calculated using suitable metrics and appropriate instruments and their subsequent aggregation process.
In this respect, the Value at Risk method is used to measure the risk profile of the insurance companies, calculated over a 1-year time period and with a confidence interval of 99.5%.

Below is a summary of how each risk is calculated, whilst the subsequent paragraphs provide additional information on the calculation procedure and the principal results for each risk.

Non-Life underwriting and Provisions risk is measured using a partial internal model, consistent with the new standards set out by Solvency II legislation, characterised by internal model components (Catastrophe and Earthquake Risk), using specific Group benchmarks (Premium and Reserving) and Formula Standard components.

Life underwriting and provisions risk is measured using a partial internal model based on an ALM-type stochastic approach in line with the new standards laid down in Solvency II, which allow an integrated "fair value" measurement of assets and liabilities. This approach uses the Least Square Monte Carlo method.

Market risk is measured using an internal model that adopts a Monte Carlo VaR approach. As part of the internal market model, life liabilities are replicated through cash flows with a maturity equivalent to the breakdown of life provisions and polynomial functions (the Least Square Monte Carlo approach) to represent the Future Discretionary Benefits component.

In accordance with IFRS the table in the following paragraph analyses the main sensitivities to market risk factors.

With reference to **credit risk**, the internal model used to measure risk is the CreditRisk+ framework. This model makes it possible to measure the risk of default relating to bank, insurance or reinsurance counterparties concerning exposures deriving from cash available at banks, financial risk mitigation operations through derivative contracts and technical risk mitigation operations through reinsurance treaties. Furthermore, the model allows the risk of default deriving from exposures to intermediaries and policyholders to be measured.

As regards **operational risk**, in order to ensure a complete analysis of company risks, the Unipol Group has drafted an Operational Risk Management framework to identify, measure, monitor and manage Operational Risk. Based on this framework, relations and reciprocal impacts between operational and other risks are also considered, with the objective of understanding the direct and indirect effects of events linked to operational risk. At present, the capital requirement measurement method according to the Internal Model for operational risk is being finalised, also taking into account regulatory and best market practice developments. The Internal Model results are compared with those of the Formula Standard and are used for internal analysis and to support the decision-making process.
The monitoring of **strategic risk and emerging risks** began through the project to set up a specific monitor, the "Reputational and Emerging Risks Monitor" to create the management framework, which will be formalised once the target process is completed and consolidated.
The monitoring of **reputational risk** began through the project to set up a specific monitor to create the management framework, which will be formalised once the target process is completed and consolidated.

Financial Risks

The Group's Investment Policy establishes the criteria forming the basis of the investment policy, the types of activities considered correct to invest in, the breakdown of the portfolio of medium/long-term investments and fixes the limits on the underwriting and monitoring of market risk in such a way as to ascertain total exposure, in line with the "risk appetite" expressed in the Group's strategic objectives, guaranteeing an adequate portfolio diversification.

Market risk

Market risks refer to the risk of losses as a result of changes in interest rates, share prices, real estate prices, exchange rates and credit spreads.
Therefore, the following types are considered:

– *Interest rate risk*, or the risk of a possible variation in the value of a financial asset in the portfolio as a consequence of unfavourable movements in interest rates;
– *Share price risk*, or the risk linked to losses due to unfavourable movements in share prices;
– *Real estate risk*, or the risk linked to losses due to unfavourable movements in real estate prices;
– *Currency risk*, or the risk of possible losses on currency items in the portfolio as a result of an unfavourable trend in exchange rates;
– *Credit spread ris*k, or the risk that the value of the portfolio that is sensitive to credit may fall owing to the deterioration of the issuer's credit quality;

The Value at Risk method is used to measure the market risk, calculated over a 1-year time period and with a confidence interval of 99.5%. In addition, sensitivity and stress test measurements are determined for each risk factor.

Interest rate risk for ALM purposes is quantified in terms of duration mismatch. The assets falling under the calculation of the duration mismatch include securities, cash, receivables and properties; the liabilities include the financial liabilities and technical provisions; the gap is then calculated as the weighted difference for the market value of assets, financial liabilities and best estimates of the technical provisions, by considering the corrective effect of derivatives.
For the insurance sector, at 31 December 2014 the duration mismatch for Life business stood at -0.86 and at +0.55 for Non-life business.

Share price risk is the risk connected with a potential variation in the value of share assets, as a result of market volatility of the reference indexes.

Real estate risk is the risk connected with the occurrence of losses as a result of unfavourable movements in the prices of real estate assets.
The assets falling under the calculation of *real estate risk* include property funds, directly-owned properties and direct and indirect investments in real estate projects.
In particular, with reference to directly-owned properties, the value used to calculate the risk (fair value) is that deriving from the estimate made by independent experts.

Currency risk for ALM purposes is defined as the risk of a possible variation in the value of financial statement assets and liabilities and the Net Asset Value as a result of unfavourable changes in exchange rates or in exchange rate volatility. Based on the Group’s Investment Policy, the total exposure to non-Euro currencies, net of currency hedging, must be limited to 3% of total investments.
The Unipol Group's exposure to currency risk was not significant at 31 December 2014.

Credit spread risk is the risk connected with a variation in the value of bond assets following a change in spreads representing the credit rating of individual issuers.

The level of sensitivity of the insurance sector portfolios of financial assets to the main market risk factors is shown below.

Sensitivity is calculated as a variation in the market value of the assets following a:
– parallel change in the interest rate curve of +10 bps;
– -20% change in the share prices;
– +10 bps change in the credit spread.

	INSURANCE BUSINESS	
Amounts in €m	Impact on Income Statement	Impact on Statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	12.46	-269.09
Credit spread sensitivity (+10 bps)	1.10	-304.90
Equity sensitivity (-20%)	13.54	-372.58

The values include the hedging derivatives.

Liquidity risk

Liquidity risk refers to the risk to which the Unipol Group may be exposed when dealing with cash commitments (whether expected or unexpected) at a reasonable cost and within a reasonable time by selling less liquid assets on unfavourable terms, thus affecting its solvency. The Group's liquid resources derive from the normal business transactions in Life and Non-Life insurance, from banking business and from funding carried out by issuing bond loans placed with the Group's customers or with institutional investors. The main principles on which the liquidity risk management model is based may be summarised as follows:
- centralising the Liquidity Management Functions at Group level;
- managing structural liquidity by keeping a balance between liabilities and investments in non-current assets in order to avoid pressure on the short-term liquidity situation, separately for the insurance and banking businesses;
- managing short-term liquidity in order to have sufficient liquidity to fulfil short-term commitments, both foreseeable and unforeseeable, by keeping a suitable balance between in-flows in and outflows for the insurance and banking businesses;
- retaining a high level of assets on deposit with banks and in Eurozone government debt securities that can be swiftly turned into cash.

The liquidity gap situation, both structural and tactical, will be analysed weekly using the maturity ladder. The net liquidity requirement is then compared with the reserves of assets that are liquid or can be easily made liquid and with credit margins available with the ECB and with lenders of lines of credit.

Credit risk

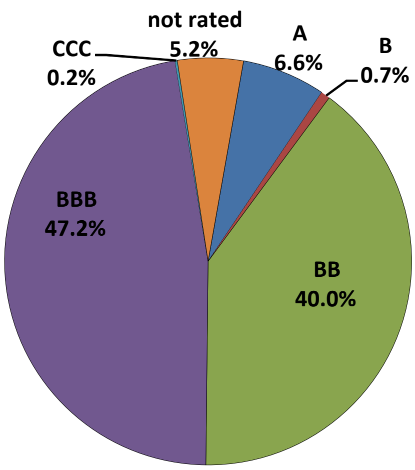
In general terms, credit risk is the risk that a debtor or a guarantor under an enforcement order may wholly or partially fail to honour its accrued monetary commitment to the Parent or one of the Group companies (Counterparty Risk).
Credit risk therefore reflects the potential losses from an unexpected default by, or deterioration of the credit rating of, counterparties and debtors of the insurance and reinsurance companies in the next twelve months. Counterparty default risk includes the risk mitigation contracts, e.g. reinsurance agreements, securitisations and derivatives, and likewise every other credit exposure not included among the financial risks (credit spread risk).

Credit risk management is defined in the Credit Policy which describes the roles and responsibilities of the parties involved, the risk assessment principles, the operating limits imposed for monitoring purposes and the mitigation principles.
In relation to credit risk, the Risk Management Department monitors compliance with the limits defined in the Group Credit Policy and prepares reports to the administrative bodies, Top Management and the operating structures on developments in this risk.

In the insurance sector, credit risk is mainly found in exposures to banks, to the bond classes of the Group's insurance companies and to outwards reinsurance. Note that as part of the risk measurement system, the bond classes are included under Non-life technical-insurance risk and the related exposures are also monitored as part of credit risk.

Banks

Existing exposure to banks refers to deposited liquidity and exposures in OTC derivatives. In particular, the derivatives exposure is equal to the sum of market values of the individual contracts in portfolio and takes into account any risk mitigation arrangements (collateralisation) covered in the CSAs signed with individual counterparties.
The following table shows the distribution of Unipol Group receivables from banks, broken down by rating class, recognised at 31 December 2014 (total exposure of €490m, net of intragroup reinsurance).



Bond classes of the insurance companies in the Group

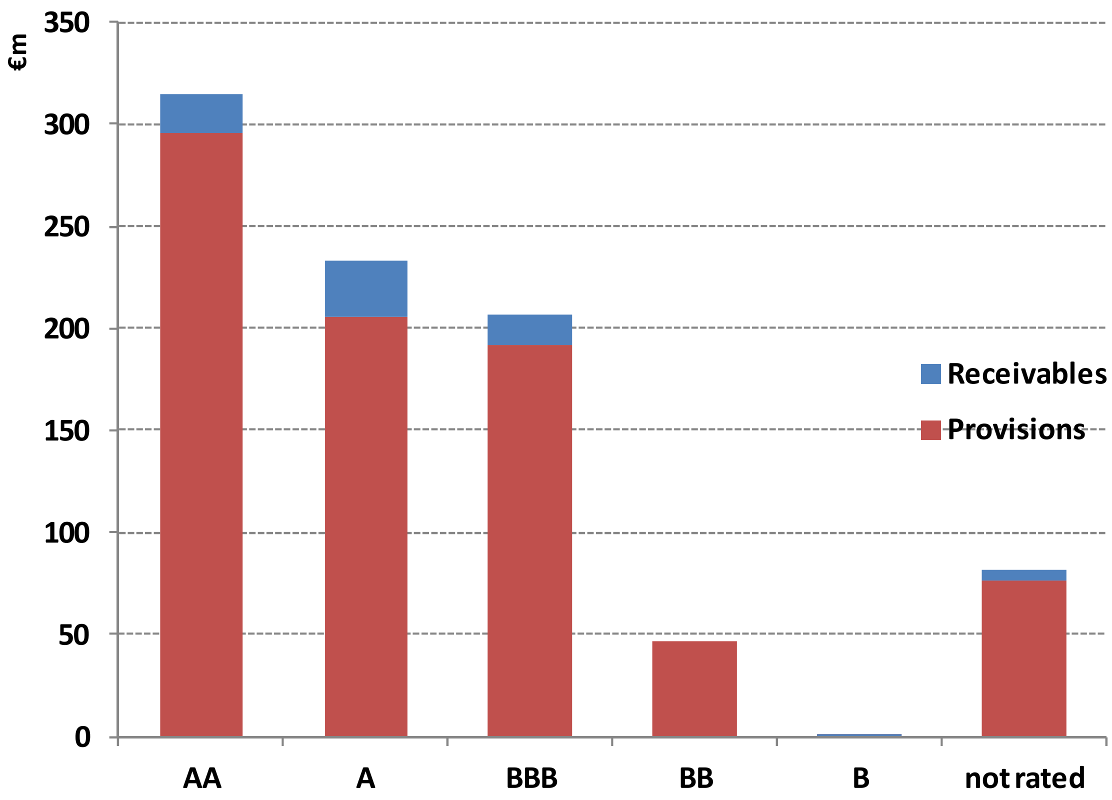
This risk is calculated as a technical insurance risk (see relevant section) and monitored by the Unipol Group Credit Risk Committee.

Outwards reinsurance

In this area, the existing exposure to credit risk is divided into:

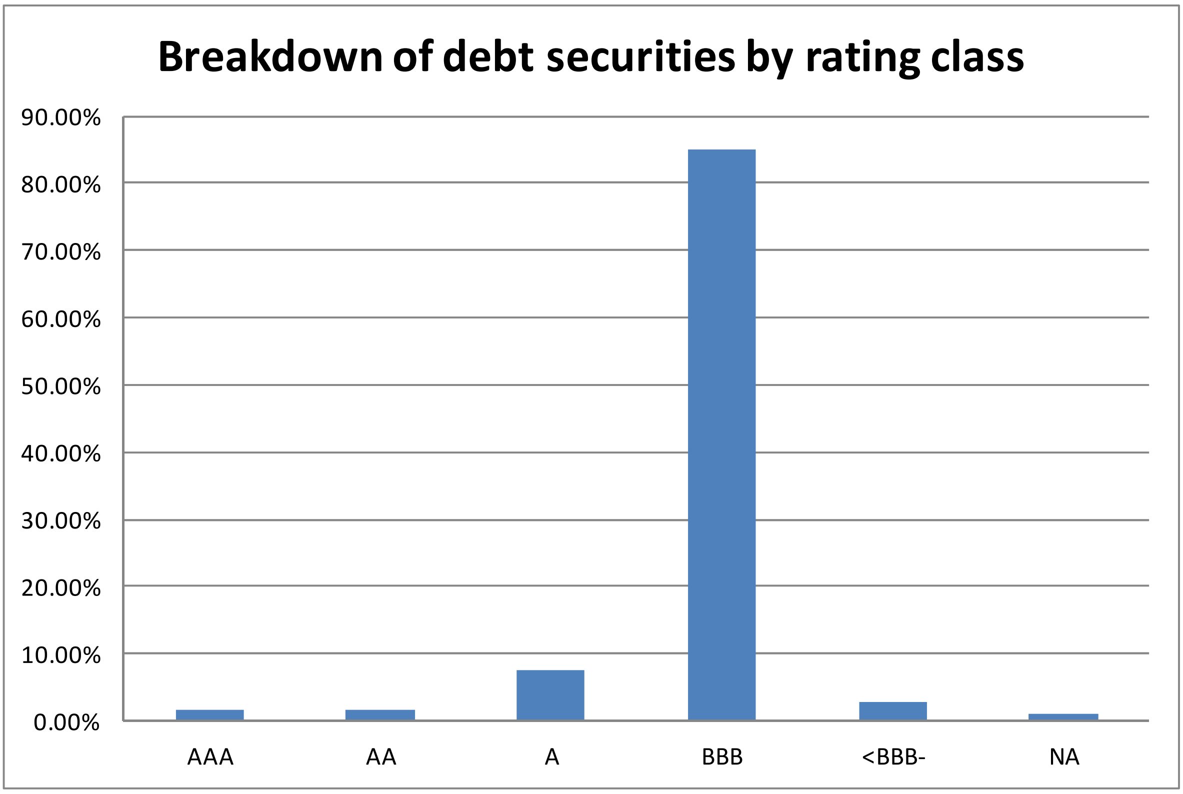
– liquid receivables already due arising out of the bordereaux sent to the reinsurer listing the balances on each policy during the period and those still outstanding;
– potential estimated receivables for the provisions borne by the reinsurer (which will become due at the time of the payment to the policyholder and for the relative amounts). The exposure for provisions is always deemed to be net of any deposits retained or other collateral guarantees (e.g. Banking LOC, reinsurers' and parent's commitment, etc.).

The following table shows the distribution of Unipol Group receivables from reinsurers and provisions for claims borne by them, broken down by rating class, recognised at 31 December 2014 (amounts in €m, net of intragroup reinsurance).



Debt security Issuer Risk

The credit risk of debt securities is monitored within market risk based on credit spread volatility, and within credit risk on the basis of the probability of issuer default and associated loss given default.
The following table shows the distribution of the Unipol Group's bonds portfolio, insurance business and holding business, broken down by rating class (figures at 31/12/2014).



Information relating to exposure to sovereign debt securities referred to in Consob Communication DEM/11070007 of 5 August 2011

In accordance with Consob Communication DEM/11070007 of 5 August 2011 and ESMA document 2011/397 of 25 November 2011, relating to information to be provided in annual and interim financial reports on listed companies' exposures to Sovereign debt securities and current trends in international markets, details are provided of Sovereign exposures (i.e. bonds issued by central and local governments and by government organisations and loans granted to them) held by the Unipol Group at 31 December 2014, broken down by type of portfolio, nominal value, carrying amount and fair value.

	Balance at 31 December 2014		
Amounts in €m	Nominal value	Carrying amount	Market value
Italy	37,403.6	39,900.5	40,265.5
Available-for-sale financial assets	32,884.5	35,515.2	35,515.2
Financial assets at fair value through profit or loss	69.4	57.6	57.6
Held-to-maturity investments	1,722.2	1,735.7	1,933.8
Loans and receivables	2,727.4	2,591.9	2,758.8
Spain	1,119.3	1,025.5	1,028.7
Available-for-sale financial assets	1,013.5	938.7	938.7
Held-to-maturity investments	56.0	56.6	61.8
Loans and receivables	49.8	30.1	28.2
Germany	249.4	262.4	266.1
Available-for-sale financial assets	69.4	80.2	80.2
Held-to-maturity investments	180.0	182.2	185.9
France	90.2	92.7	94.4
Available-for-sale financial assets	40.2	42.9	42.9
Held-to-maturity investments	50.0	49.9	51.5
Greece	92.0	76.2	76.2
Available-for-sale financial assets	92.0	76.2	76.2
Ireland	142.0	155.3	155.5
Available-for-sale financial assets	132.0	144.9	144.9
Loans and receivables	10.0	10.3	10.6
Portugal	120.0	131.2	138.3
Available-for-sale financial assets	67.0	78.1	78.1
Held-to-maturity investments	53.0	53.1	60.2
Belgium	57.5	59.9	61.8
Available-for-sale financial assets	32.5	35.1	35.1
Held-to-maturity investments	25.0	24.8	26.6
Serbia	8.7	41.6	41.6
Available-for-sale financial assets	1.8	1.7	1.7
Financial assets at fair value through profit or loss	6.8	6.6	6.6
Held-to-maturity investments	0.1	23.7	23.7
Loans and receivables	0.1	9.6	9.6
Canada	66.2	72.1	72.1
Available-for-sale financial assets	66.2	72.1	72.1
New Zealand	29.0	28.3	28.3
Available-for-sale financial assets	29.0	28.3	28.3

cont.d from previous page	Balance at 31 December 2014		
Amounts in €m	Nominal value	Carrying amount	Market value
Poland	26.9	29.2	29.2
Available-for-sale financial assets	26.9	29.2	29.2
Latvia	20.0	22.6	22.6
Available-for-sale financial assets	20.0	22.6	22.6
Netherlands	17.6	18.6	18.6
Available-for-sale financial assets	17.6	18.6	18.6
Slovenia	19.1	22.6	22.6
Available-for-sale financial assets	19.1	22.6	22.6
Norway	16.6	18.3	18.3
Available-for-sale financial assets	16.6	18.3	18.3
Austria	11.5	12.3	12.3
Available-for-sale financial assets	11.5	12.3	12.3
Finland	9.4	9.8	9.8
Available-for-sale financial assets	9.4	9.8	9.8
Switzerland	4.2	4.7	4.7
Available-for-sale financial assets	4.2	4.7	4.7
USA	3.5	4.2	4.2
Available-for-sale financial assets	3.5	4.2	4.2
Mexico	2.7	2.8	2.8
Available-for-sale financial assets	2.7	2.8	2.8
Hungary	0.5	0.5	0.5
Available-for-sale financial assets	0.5	0.5	0.5
Slovakia	2.8	3.2	3.2
Available-for-sale financial assets	2.8	3.2	3.2
Sweden	2.0	2.1	2.1
Available-for-sale financial assets	2.0	2.1	2.1
Czech Republic	2.5	3.2	3.2
Available-for-sale financial assets	2.5	3.2	3.2
Macedonia	1.0	1.0	1.0
Available-for-sale financial assets	1.0	1.0	1.0
TOTAL	39,518.1	42,000.7	42,383.4

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2014 totalled €42,000.7m, 95% being accounted for by securities issued by the Italian State.

Technical-insurance risks

Risks relating to Life portfolios

2014 saw the adoption of the "Underwriting Policy - Life Business" and "Provisions Policy - Life Business", approved by the Unipol Board of Directors in November 2014.

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of Unipol Group insurance companies based in Italy and operating in the Life business.

The Provisions Policy defines the guidelines addressing provisioning activities for direct business and the related risk management, governing the provisioning principles and logic of Unipol Group insurance companies based in Italy and operating in the Life business, in compliance with national and international accounting standards and the new Solvency II prudential supervisory system.

Life risks are estimated using a stochastic type internal model which measures all assets and liabilities at fair value by considering the risks and correlation between these. This model is consistent with the new standards set out by Solvency II. In particular, the impacts were assessed in terms of risk capital absorption.

The results of the internal Life model were validated by means of a stress test approach, using quantitative prospective analyses obtained by varying the most significant sources of risk with respect to the basic scenario values.

Technical-insurance risks relating to Life business underwriting are divided into:

- mortality risk: associated with an unfavourable change in demographic bases resulting from experience (higher death rate) compared to those used in determining the tariff;
- longevity risk: associated with an unfavourable change in demographic bases resulting from experience (lower death rate) compared to those used in determining the tariff;
- disability/morbidity risk: associated with an unfavourable change in disability/morbidity bases resulting from experience compared to those used in determining the tariff;
- surrender risk: associated with adverse changes in the level or volatility of the incidence of surrenders, withdrawals, early settlements and terminations in premium payments;
- expense risk: associated with adverse changes in the value of expense linked to policies compared to the values used to determine the tariff;
- catastrophe risk: deriving from an unforeseeable event, the consequence of which is to affect multiple individuals at the same time, generating a number of claims for amounts significantly higher than expected.

The assumption process generates not only technical risks, but also risks of a financial nature such as:

- market risk: the risk that, as a result of market trends, the value of the underlying assets of technical provisions is not sufficient to meeting commitments to contracting parties. This is due to the minimum guarantees and services implicit in the products offered (savings or investment) and associated with the contractual terms defined in the technical sheet;
- credit risk: the risk that a debtor or guarantor under an enforcement order may wholly or partially fail to honour its accrued monetary commitment to the Parent or one of the Group companies (counterparty risk);

- liquidity risk: the risk of not having a sufficient level of liquidity available to satisfy contractual commitments to those entitled, and consequently the need to sell part of the less liquid assets held at unfair terms that, as a result, affect the company's solvency.

The guaranteed minimum rate offered on products marketed has gradually reduced over the last few years. Many tariffs present a method of consolidation of return guarantees at a pre-established maturity instead of an annual consolidation.
The average guaranteed minimum rate on the existing portfolio is less than that recognised in the previous year.
At Group level, 51.5% of provisions relating to the mix of revaluable products relate to rates with a guaranteed minimum of between 1% and 2%.

The options included in the tariffs that can affect the assessment of risks present in the portfolio are monitored. The most significant of these are illustrated below.

Surrender
Excluding the pure-risk tariffs and returns currently being distributed, the option of surrendering the contract and receiving the surrender value is always granted to the customer. Depending on the contract type, more or less significant penalties can be applied, often based on claim seniority.

Conversion to annuity
In individual products where the benefit is express in the form of capital, there is often the option to accept disbursement as an annuity.
Among the individual policies portfolio there are products for which the conversion ratios are determined at the time of issue of the contract and others, the majority of which (generally those issued after 2000) with the amount of the annuity determined only at the time of the option. In this case the demographic risk is considerably mitigated.
In the supplementary pensions segment, especially collective, the ratios are often associated with each sum paid in, but the risk is mitigated by the frequency at which the offer conditions can be reviewed.

Maturity deferment
In individual term life products (not "whole-life") there is often the option to extend the validity of the contract after its original maturity date. During maturity deferment the payment of further premiums is not normally allowed.
The conditions applied during deferment vary according to the contractual terms, and continuation of the contract's financial guarantees or the application of those used at the time of the option can be granted.
Depending on the conditions, even the duration of the maturity deferment can be determined or extended year by year.

The impact on the portfolio of exercising the maturity deferment option is not particularly significant.

Risks relating to Non-Life portfolios

2014 saw the adoption of the "Underwriting Policy - Non-Life Business" and "Provisions Policy - Non-Life Business", approved by the Unipol Board of Directors in November 2014.

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of Unipol Group insurance companies based in Italy and operating in the Non-Life business.

The Provisions Policy defines the guidelines addressing provisioning activities and the related risk management, governing the provisioning principles and logic of Unipol Group insurance companies based in Italy and operating in the Non-Life business, in compliance with national and international accounting standards and the new Solvency II prudential supervisory system.

During 2014 the Non-Life technical-insurance risks were calculated using the Non-Life Partial Internal Model, consistent with the standards of Solvency II.

With regard to the assessment of Life and Non-Life underwriting and provision risks, in the initial transition phase it was decided to adopt the use of parameters calculated by Undertaking Specific Parameter methods (USP) for the high-volume business lines, in place of market parameters. These methods allow a more accurate representation of the Group's risk characteristics, which have specific features in terms of dimension, business type and reference market that cannot be captured by average estimates performed on the European market.

With reference to Earthquake risk, in 2014 the Group adopted one of the main global models for the analytical evaluation of such risk. This tool is made up of three modules:

- Hazard, which assesses the uncertainty associated with the possibility of an earthquake occurring in a given area (frequency) and the uncertainty relating to its magnitude (intensity). The following chance variables are modelled in this module:
  - location (uncertainty associated with determining the possible point of origin of the event);
  - frequency (period of recurrence of the events);
  - intensity (the severity of the event in terms of energy released);
- Vulnerability, which assess the seismic vulnerability of different types of insurable assets to a seismic event of a given intensity. The assessment is based on specific parameters such as the type of building (residential, commercial, etc.), the construction quality, the number of floors in the building and the type of assets present;
- Financial, which identifies the economic loss to the insurance company (in terms of deductibles, the sum insured, reinsurance cover, etc.).

In addition to helping to calculate risk capital, in 2014 this tool also provided support to the Group in the Underwriting and Tariff-setting processes and in defining the reinsurance strategy.

With reference to other Catastrophe Risks, the assessments were performed using the standardised scenario approach proposed by EIOPA, in which the following events are taken into consideration:

- natural disasters such as earthquake, flood and hail;
- man-made disasters such as large-scale fires and acts of terrorism;
- "health" risks, such as the risk of a pandemic.

The Risk management department continued to collaborate with the Non-Life Technical Area to define tariffs on a risk-adjusted basis which ensures not only the proper coverage of expected costs but the return on the capital absorbed in line with the risk profile and the Group's performance objectives.

Operational risks

The Framework of Operational Risk Management

In order to ensure a complete analysis of company risks, the Unipol Group has drafted an Operational Risk Management framework to identify, measure, monitor and manage Operational Risk. This term means "*the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources and internal systems, or from external events*". Based on the Operational Risk Management framework, relations and reciprocal impacts between operational and other risks are also considered, with the objective of understanding the direct and indirect effects of events linked to operational risk. In particular, the analysis schemes adopted are aimed at understanding, based on a causal approach, the risk factors, events and effects, both financial and non-financial, and the impacts these can have on the Group's solvency and on the achievement of the objectives set.

Within the Group governance structure, the monitoring of Operational Risks is entrusted to the Operational Risks function of the Risk Management Department. The objectives assigned to this unit, within the internal control system, are aimed at ensuring the Group's assets are safeguarded, at adequate risk control and at improving the efficiency and effectiveness of company processes.

Operational risk identification consists in gathering as much information as possible about the risk event, its possible causes and effects with a view to increasing awareness of the specific exposure of the various company areas. In addition, this activity also aims to assess the adequacy of controls and identify the best management solutions for any critical situations.

The data collected refers to:

- internal events that have actually happened, generating a negative impact on income statement. This data gathering process is known as Loss Data Collection;
- potential internal events that could happen within the context of a process and which are assessed using the Risk Self-Assessment method based mainly on expert judgement. The data collected in this respect include an estimate of the average and maximum impact on income statement of the risk event and an estimate of the expected frequency of the event on an annual basis.

The organisational model for operational risk governance and control envisages a network of analysts in a number of UnipolSai Assicurazioni Divisions which, after following a specific training course on operational risk management, provide support to the Risk Management Department in identifying operational risk and monitoring this risk within their own areas of operations.

Operational risk assessment is performed annually by the main Group companies.

In 2014 an IT Risk analysis method was prepared in compliance with Bank of Italy Circular no. 263.
Action was also taken with the Company Departments of Unipol Banca to record the assessments relating to the effects of IT risk scenarios on company processes.

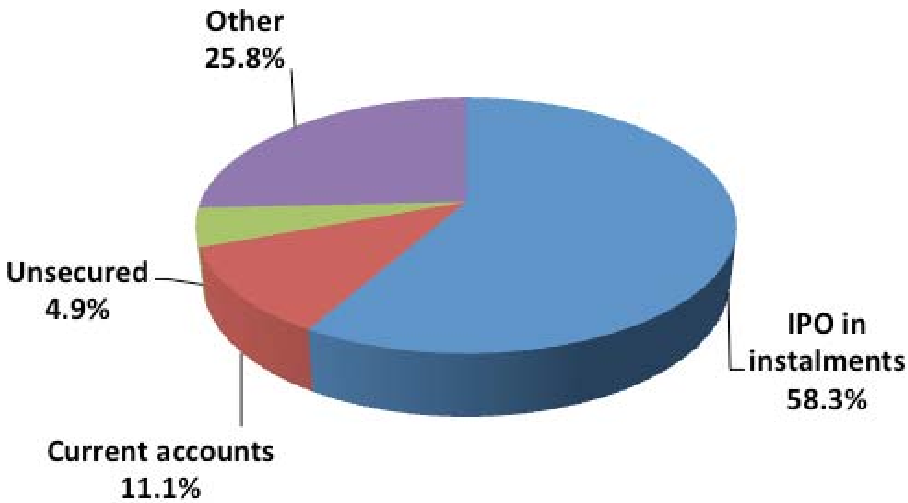
BANKING SECTOR

With reference to Pillar I risks, in compliance with the provisions of Bank of Italy Circular no. 285 of 17 December 2013, standardised approaches were adopted for credit, counterparty and market risks, and the basic approach for operational risk.
In line with their class 2 allocation, the indications and approaches defined in the aforementioned Circular are adopted for Pillar II risks. The procedural solutions for calculating capital requirements available to banking intermediaries in its class were adopted, applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority. Internal approaches not used for regulatory purposes were also adopted to measure certain types of risk.
The main aspects of the risks assumed and managed in the Unipol Group’s banking sector are described below.

Credit risk

This risk arises mainly as a consequence of lending to customers and is governed on the basis of principles defined in the Group Credit Policy. In particular, this document defines the guidelines for underwriting and credit risk monitoring the credit risk in such a way as to ascertain total exposure to the individual counterparty, in line with the “risk appetite” expressed in the Group's strategic objectives, thus ensuring sufficient portfolio diversification.

The development of credit risk trends is currently monitored using classic indicators. The results of monitoring and analysing the Group’s credit portfolio are sent to the administrative bodies, relevant risk committees and the operating structures, with a particular focus on the most significant exposures and the sectors of greatest concentration.
In 2014, credit rating models for companies and private parties developed by the IT outsourcer CEDACRI with support from the consulting firm Prometeia SpA. were used to measure credit risk.
The previous rating models provided by the same outsourcer continued to be used for a number of residual segments. Lastly, alongside the retail counterparty rating, CRIF scoring systems were used at disbursement stage.
Net of bad and doubtful loans, approximately 58.3% of Unipol Banca and Finitalia loans were made up of mortgage loans (exposure entirely attributable to the Unipol Banca portfolio).



On 3 August 2011 Unipol entered into a contract by which it undertook to reimburse Unipol Banca for any losses it might suffer on impaired loans to several counterparties representing the highest concentrations of risk in the real estate sector. Most of them were mortgages on property and in almost all cases their value was greater than the amounts owed to the bank.
The guarantee provided by the holding company offers Unipol Banca an important hedge against the risk represented by the volatility in values in the real estate market in return for assets that can mostly be measured in the medium to long term. Apart from the commitment to indemnify the bank, the main aim of the intervention of the holding company, Unipol, was to realise the value of the assets by making available its experience gained in the real estate sector through several subsidiaries or investees.

As regards risk mitigation techniques, support was obtained in the form of traditional guarantees recognised by law (liens, enforcement and sureties), including recourse to CONFIDI guarantees.

Liens and related monitoring are particularly important in protecting against “Residual Risk”. For this purpose the provisions on prudential supervision of banks were adopted (Bank of Italy Circular no. 285/13).
Fluctuations in value of the financial instruments accepted as guarantees on credit facilities granted (mainly government securities, Bank-issued bonds and policies) are monitored.

The management of critical positions is also strengthened through specific company monitoring procedures.
In addition to the non-performing portfolio, monitoring focused on prevention, seeking to detect (and solve) anomalies as soon as they arise in assigned positions so that the balance between the reasons for the loan and the financial assets is maintained.

Market risks

In December 2014 the exposure to market risks was purely residual. Positions held for trading are those subject to intentional short-term disposal and/or assumed in order to benefit, in the short term, from purchase and sale price spreads or other changes in price or interest rate.

In 2014 the Group's Investment Policy was updated. The Policy establishes guidelines for the investment process, investment policy criteria, types of assets in which investment is considered appropriate and the structure of limits.
Market risk measurement and monitoring of the limits defined in the Investment Policy is performed weekly through the preparation of Market Risk Reports discussed at special committee meetings.

Interest Rate Risk and Price Risk - Banking book

The entire banking book is analysed, comparing total loans against deposits sensitive to interest rate risk, thereby providing a global view and detecting any mismatches, both in terms of duration and the imbalance in items positioned in the various repricing segments. At 31 December 2014 the duration mismatch was +0.35. The impact in terms of sensitivity to a parallel change in the curve of +200 bps in Equity was -€60.4m (1.91% of Equity).

Liquidity risk

Weekly operations meetings are held on ALM and Liquidity Management at which, in addition to monitoring the overall liquidity position of banking assets, other action is defined if necessary to meet emerging liquidity needs.
The gap between structural and tactical liquidity, using the cash flows maturity structure as an operating tool, is analysed at the weekly meeting.
The liquidity gap is calculated on the basis of contractual and forecast cash flows, then compared against the reserves of liquid assets or assets than can be liquidated quickly.
This analysis is conducted under “business as usual” conditions and in idiosyncratic, market and combined stress conditions (the “worst case scenario”).
In particular, with reference to the Banking Group, at 31 December 2014 the 3M “business as usual” gap was +€772m and the 1M stressed gap was +€72m.
Lastly, as part of the Prudential Supervisory Reports, the Liquidity Coverage Ratio (LCR), is calculated monthly. The ratio calculation is agreed by the Finance Committees and funding strategies are outlined that offer full compliance with regulatory requirements. At 31 December 2014 the LCR for the Unipol Banking Group was 64%.

Operational risks

The Risk Self-Assessment is performed annually, representing a forward-looking qualitative and quantitative analysis which - through subjective indications provided by interviewees - aims to identify and assess potential operational risks associated with operations and related existing controls.
In 2014 an IT Risk analysis method was prepared in compliance with the 15th update to Bank of Italy Circular no. 263.

Reputational risk

With regard to reputational risk, within the scope of insurance business, guidelines are established in the "Reputational Risk Management Policy" which define the set of principles and rules for managing and controlling all activities that could give rise to reputational risk, together with the roles and responsibilities of the different structures involved in the identification, assessment and mitigation process for this risk.

Strategic Risk and Emerging Risks

The monitoring of strategic risk and emerging risks began through the project to set up a specific monitor, the "Reputational and Emerging Risks Monitor" to create the management framework, which will be formalised once the target process is completed and consolidated.

5.15 Information requested by Consob pursuant to Art. 114, paragraph 5 of Legislative Decree no. 58/98

In compliance with requests made by the Consob Communication of 19 February 2015 (the "**Consob Request**"), a description is provided below of:

1) the progress status of initiatives launched following issue of Guidelines by the European Insurance and Occupational Pensions Authority ("**EIOPA**") on 31 October 2013 ("the **EIOPA Guidelines**") and their subsequent transposition to regulatory legislation by IVASS, for the preparatory phase for the introduction of Solvency II, with particular reference to the governance system, forward-looking risk assessment, reporting and the pre-application of internal models for calculation of the new capital requirements;
2) any action taken or planned following application of the stress tests disseminated by the EIOPA on 30 November 2014, also taking into account any IVASS requests in line with the EIOPA recommendations issued on 27 November 2014.

Progress of initiatives launched to prepare for the preparatory phase for the introduction of Solvency II

As regards the initiatives launched or planned by the Unipol Group in readiness for Solvency II, note that in 2009 it had launched a project to adapt to the new Solvency II system (the "**Solvency II Project**") and that on 26 July 2010 the Group submitted a request to IVASS for launch of the pre-application phase relating to the approval process for its internal model, considered more suited to representing the Group's risk profile (the "**Internal Model**").

The pre-application phase, interrupted following the launch of the project to acquire and integrate the Premafin/Fondiaria-SAI Group, was subsequently relaunched and discussions are currently in progress with IVASS preliminary to submission of the request for application, which constitutes the process for approval from the insurance Supervisory Authority for use of the Internal Model.
As part of the Solvency II Project, the Unipol Group has gradually developed and fine-tuned its Solvency Capital Requirement (SCR) and Own Funds (OF) calculation models, based on the versions as released, were progressively implemented in the applications and calculation processes used for the Internal Model and for the standard formula.

In addition, as part of the activities preparatory to the entry into force of the new Solvency II prudential supervision system, the Unipol Group - based on EIOPA Guidelines requirements and on IVASS' Letter to the Market published on 15 April 2014 - completed the Forward-Looking Assessment of Own Risks ("**FLAOR**"), which contains the current and forward-looking risk assessments and capital adequacy of the Unipol Group and each of its Group companies.
For the FLAOR, the assessments were performed using the standard formula and the version of the Internal Model available at that date. These assessments, as required by the regulations, were submitted to IVASS on 31 October 2014 and brought to the attention of the Boards of Directors of Unipol, UnipolSai and the other companies involved. Also note that in 2014 the internal model was upgraded to include the regulatory requirements, in particular reference to calculation of the Probability Distribution Forecast.

As regards the governance system, some time ago the Group began planning for the preparation of new company policies and the review of policies existing as required by the new IVASS Measure no. 17/2014, in compliance with EIOPA Guidelines for adaptation to the Solvency II Directive.
The policies were drafted and/or reviewed with the involvement of company structures affected with a view to ensuring a clear definition and shared objectives, roles and responsibilities. These were approved by the Unipol Board of Directors as part of their management and coordination duties, then later by the Boards of Directors of the companies concerned.

In particular, amongst others, the following policies were approved and/or updated: Directives on the Internal Control and Risk Management Systems[3], Current and Forward-looking Risk Assessment Policy, Risk Management Policy, Underwriting Policy - Life Business, Provisions Policy - Life Business, Underwriting Policy - Non-Life Business, Provisions Policy - Non-Life Business, Reinsurance and Other Risk Mitigation Techniques Policy, Operational Risk Management Policy, Outsourcing Policy, Policy on Satisfaction of Requirements to Hold Office, IVASS Reporting Policy, Data Quality Management Policy and Business Continuity Management Policy. It is also expected in the near future that the Boards of Directors of Unipol and the companies concerned will approve the update to the Group Investment Policy and the Credit Policy. Lastly, this year the preparation of documents envisaged in IVASS' Letter to the Market of 15 April 2014 will be completed, concluding the action for implementation of the aforementioned EIOPA Guidelines.

With regard to reporting, note that IVASS has adopted the EIOPA Guidelines on Guidelines on narrative public disclosure and supervisory reporting. Specifically, on 4 December 2014 IVASS published a Letter to the Market on "Solvency II Reporting - Preparatory phase - Instructions on submitting reports to IVASS".

During the "preparatory" or ad "interim phase" preceding the entry into force of the new prudential regime on 1 January 2016, supervisory reporting based on Solvency II metrics will operate alongside - but will not yet replace - that required under the current Solvency I system. The deadlines envisaged for the first submission of narrative reporting are as follows: the first separate annual reporting (at 31 December 2014) must be submitted to IVASS by 3 June 2015, whilst the first separate quarterly reporting (at 30 September 2015) must be submitted to IVASS by 25 November 2015. With regard to Groups, the aforementioned deadlines are postponed by 6 weeks (annual reporting by 15 July 2015 and quarterly reporting by 7 January 2016).

This being stated, note that in 2014 activities continued in relation to the "Quantitative Reporting Templates - QRTs - Implementation Project" (the "Project)", which began in 2013 and aim to automatically produce supervisory reports. This Project, which has a considerable impact on the organisation and on the IT systems, involves various company structures. The functional analysis of reports was completed in 2014, as envisaged for the preparatory phase and, based on evidence gathered in the functional analysis phase, the technical analysis began which aims to map the data required for QRT input in the individual company applications. The implementation of process support software solutions identified from 2013 onwards is now at an advanced stage, and verification of the IT processes and procedures for the production of supervisory reports envisaged ad interim for 2015 is nearing completion. Lastly, note that the Group has launched initial activities preliminary to satisfying the requirements of EU Regulation no. 1374/2014 of 28 November 2014 of the European Central Bank (ECB), which introduces further statistical reporting obligations for insurance companies.

3 The Directives on the Internal Control and Risk Management Systems include the Audit Department Regulations, Risk Management Department Regulations, Compliance Department Regulations - adding further information and details on the duties and operating methods of these Departments - and the Document on information flows, coordination and cooperation between structures operating under the Internal Control and Risk Management System in compliance with art. 5, paragraph 2, letter j) of ISVAP Regulation no. 20 of 26 March 2008.

EIOPA Insurance Stress Test 2014

On 30 April 2014, in cooperation with the European Systemic Risk Board, the EIOPA began a stress testing exercise (the "**EIOPA Stress Test**" or the "**Stress Test**") to assess the overall resilience of the European insurance sector and identify its main vulnerabilities. The results of the EIOPA Stress Test, announced on 30 November 2014 with the report "EIOPA Insurance Stress Test 2014" (the "**Stress Test Report**"), allowed the EIOPA and the national Supervisory Authorities to perform an initial assessment of the impact of the new prudential supervisory system for the European insurance sector.
For the Stress Test, conducted on a sample of European insurance companies and qualified as a "best effort" result, the EIOPA published a special version of the specific approaches used for this exercise, which differ significantly (also in terms of scope of application) from the regulatory system to be implemented on the entry into force of Solvency II.

The exercise aimed first and foremost to assess systemic stability, based on Solvency II metrics, which gave an initial measurement of the overall impact of the new regulations. In addition, the Stress Test allowed the EIOPA and the national Supervisory Authorities to identify potential areas of risk for further study and to identify possible responses. In fact, on issue of the Stress Test Report, the EIOPA also published a series of recommendations[4] (the "**EIOPA Recommendations**") targeting the national Supervisory Authorities, with the aim of correcting any problem areas discovered during the Stress Test, applicable in the phase preparatory to the entry into force of Solvency II.
Thus stated, note that following publication of the EIOPA Recommendations, the Unipol Group took no particular action but continued its activities of updating and preparation for the new prudential supervisory system. IVASS has not issued any requests in this respect.

Bologna, 19 March 2015

The Board of Directors

[4] EIOPA-BoS-14/209 27 November 2014 Recommendations under Article 21(2)(b) of the EIOPA Regulation and Information Request under Article 35 of the EIOPA Regulation, EIOPA Stress Test 2014

Tables appended to the Notes to the Financial Statements

Name	Country of registered office			Country of operations (5)	Method (1)	Business activity (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at Ordinary General Meeting (4)	% Consolidation
Unipol Gruppo Finanziario Spa	086	Italy	Bologna		G	4						100.00%
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna		G	1	100.00%			100.00%		100.00%
Unisalute Spa	086	Italy	Bologna		G	1	98.53%			98.53%		100.00%
Midi Srl	086	Italy	Bologna		G	10		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Unipol Banca Spa	086	Italy	Bologna		G	7	57.75%			85.34%		100.00%
								42.25%	UnipolSai Assicurazioni Spa			
Centri Medici Unisalute Srl	086	Italy	Bologna		G	11		100.00%	Unisalute Spa	98.53%		100.00%
UnipolSai Finance SpA	086	Italy	Bologna		G	9		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Grecale Abs Srl (*)	086	Italy	Bologna		G	11			Unipol Banca Spa	6.53%		100.00%
								10.00%	UnipolSai Finance SpA			
Nettuno Fiduciaria Srl	086	Italy	Bologna		G	11		100.00%	Unipol Banca Spa	85.34%		100.00%
Linear Life Spa	086	Italy	Bologna		G	1	100.00%			100.00%		100.00%
Castoro Rmbs Srl (*)	086	Italy	Milan		G	11			Unipol Banca Spa			100.00%
Atlante Finance Srl (*)	086	Italy	Milan		G	11			Unipol Banca Spa			100.00%
Ambra Property Srl	086	Italy	Bologna		G	11	100.00%			100.00%		100.00%
Arca Vita Spa	086	Italy	Verona		G	1	63.39%			63.39%		100.00%
Arca Assicurazioni Spa	086	Italy	Verona		G	1		98.12%	Arca Vita Spa	62.20%		100.00%
Arca Vita International Ltd	040	Ireland	Dublin		G	2		100.00%	Arca Vita Spa	63.39%		100.00%
Arca Direct Assicurazioni Srl	086	Italy	Verona		G	11		100.00%	Arca Vita Spa	63.39%		100.00%
Arca Inlinea Scarl	086	Italy	Verona		G	11		60.22%	Arca Vita Spa	62.92%		100.00%
								39.78%	Arca Assicurazioni Spa			
Arca Sistemi Scarl	086	Italy	Verona		G	11		82.03%	Arca Vita Spa	63.19%		100.00%
								16.97%	Arca Assicurazioni Spa			
								1.00%	Arca Inlinea Scarl			
Grecale 2011 RMBS srl (*)	086	Italy	Bologna		G	11			Unipol Banca Spa			100.00%
Punta di Ferro srl	086	Italy	Bologna		G	10		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
SME Grecale Srl (*)	086	Italy	Bologna		G	11			Unipol Banca Spa			100.00%
UnipolSai Assicurazioni Spa	086	Italy	Bologna		G	1	54.38%			65.31%		100.00%
								1.45%	UnipolSai Finance SpA			
								0.01%	Pronto Assistance Spa			
								0.004%	Popolare Vita Spa			
								0.12%	Sai Holding Italia Spa			
								0.36%	UnipolSai Nederland Bv			
								0.05%	Sainternational Sa en Liquidation			
								9.63%	Unipol Finance Srl			
Bim Vita Spa	086	Italy	Turin		G	1		50.00%	UnipolSai Assicurazioni Spa	32.65%		100.00%
Dialogo Assicurazioni Spa	086	Italy	Milan		G	1		99.85%	UnipolSai Assicurazioni Spa	65.21%		100.00%
Europa Tutela Giudiziaria - Compagnia di Assicurazioni Spa	086	Italy	Milan		G	1		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Incontra Assicurazioni Spa	086	Italy	Milan		G	1		51.00%	UnipolSai Assicurazioni Spa	33.31%		100.00%
Liguria - Società di Assicurazioni - Spa	086	Italy	Milan		G	1		99.97%	UnipolSai Assicurazioni Spa	65.29%		100.00%
Liguria Vita Spa	086	Italy	Milan		G	1		100.00%	Liguria - Società di Assicurazioni - Spa	65.29%		100.00%
Pronto Assistance Spa	086	Italy	Turin		G	1		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Siat-Società Italiana Assicurazioni e Riassicurazioni - per Azioni	086	Italy	Genoa		G	1		94.69%	Sai Holding Italia Spa	61.84%		100.00%
Systema Compagnia di Assicurazioni Spa	086	Italy	Milan		G	1		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%

Name	Country of registered office			Country of operations (5)	Method (1)	Business activity (2)	% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at Ordinary General Meeting (4)	% Consolidation
Ddor Novi Sad	289	Serbia	Novi Sad (Serbia)		G	3		99.99% UnipolSai Assicurazioni Spa	65.31%		100.00%
Ddor Re	289	Serbia	Novi Sad (Serbia)		G	6		0.002% Ddor Novi Sad	65.31%		100.00%
								100.00% UnipolRe Limited			
Popolare Vita Spa	086	Italy	Verona		G	1		24.39% UnipolSai Assicurazioni Spa	32.65%		100.00%
								25.61% Sai Holding Italia Spa			
The Lawrence Life Assurance Company Ltd	040	Ireland	Dublin (Ireland)		G	2		100.00% Popolare Vita Spa	32.65%		100.00%
UnipolRe Limited	040	Ireland	Dublin (Ireland)		G	5		100.00% UnipolSai Nederland Bv	65.31%		100.00%
Finitalia Spa	086	Italy	Milan		G	11		100.00% Unipol Banca Spa	85.34%		100.00%
Sai Holding Italia Spa	086	Italy	Turin		G	11		100.00% UnipolSai Assicurazioni Spa	65.31%		100.00%
UnipolSai Nederland Bv	050	Netherlands	Amsterdam (NL)		G	11		100.00% UnipolSai Assicurazioni Spa	65.31%		100.00%
Sailux Sa en Liquidation	092	Luxembourg	Luxembourg		G	11		100.00% UnipolSai Finance SpA	65.31%		100.00%
Saint George Capital Management Sa in Liquidation	071	Switzerland	Lugano (CH)		G	11		100.00% UnipolSai Finance SpA	65.31%		100.00%
Sainternational Sa en Liquidation	092	Luxembourg	Luxembourg		G	11		100.00% UnipolSai Assicurazioni Spa	65.31%		100.00%
Finsai International Sa	092	Luxembourg	Luxembourg		G	11		36.15% UnipolSai Finance SpA	65.31%		100.00%
								63.85% UnipolSai Assicurazioni Spa			
UnipolSai Investimenti Sgr Spa	086	Italy	Turin		G	8		100.00% UnipolSai Assicurazioni Spa	65.31%		100.00%
Sai Mercati Mobiliari - Società di Intermediazione Mobiliare Spa	086	Italy	Milan		G	11		100.00% UnipolSai Assicurazioni Spa	65.31%		100.00%
Apb Car Service Srl	086	Italy	Turin		G	11		70.00% Auto Presto & Bene Spa	45.72%		100.00%
Atavalue Srl in Liquidazione	086	Italy	Turin		G	11		100.00% Sai Holding Italia Spa	65.31%		100.00%
Auto Presto & Bene Spa	086	Italy	Turin		G	11		100.00% UnipolSai Assicurazioni Spa	65.31%		100.00%
Casa di Cura Villa Donatello - Spa	086	Italy	Florence		G	11		100.00% UnipolSai Assicurazioni Spa	65.31%		100.00%
Centro Oncologico Fiorentino Casa di Cura Villanova Srl	086	Italy	Sesto Fiorentino (FI)		G	11		100.00% UnipolSai Assicurazioni Spa	65.31%		100.00%
Città della Salute Scrl	086	Italy	Florence		G	11		50.00% Casa di Cura Villa Donatello - Spa	65.31%		100.00%
								47.50% Centro Oncologico Fiorentino Casa di Cura Villanova Srl			
								2.50% Florence Centro di Chirurgia Ambulatoriale Srl			
Donatello Day Surgery Srl in Liquidazione	086	Italy	Florence		G	11		100.00% Centro Oncologico Fiorentino Casa di Cura Villanova Srl	65.31%		100.00%
Florence Centro di Chirurgia Ambulatoriale Srl	086	Italy	Florence		G	11		100.00% Centro Oncologico Fiorentino Casa di Cura Villanova Srl	65.31%		100.00%
Gruppo Fondiaria-Sai Servizi Società Consortile a Responsabilità Limitata	086	Italy	Milan		G	11		0.02% Unipol Banca Spa	65.30%		100.00%
								98.37% UnipolSai Assicurazioni Spa			
								0.02% Bim Vita Spa			
								0.20% Dialogo Assicurazioni Spa			
								0.02% Europa Tutela Giudiziaria - Compagnia di Assicurazioni Spa			
								0.02% Incontra Assicurazioni Spa			
								0.02% Liguria - Società di Assicurazioni - Spa			
								0.02% Liguria Vita Spa			
								0.90% Pronto Assistance Spa			
								0.11% Siat-Società Italiana Assicurazioni e Riassicurazioni - per Azioni			
								0.18% Systema Compagnia di Assicurazioni Spa			
								0.02% UnipolRe Limited			
								0.02% Finitalia Spa			
								0.02% Sai Mercati Mobiliari - Società di Intermediazione Mobiliare Spa			
								0.02% Auto Presto & Bene Spa			
								0.02% Pronto Assistance Servizi Scarl			
								0.02% UnipolSai Real Estate Srl			
Tenute del Cerro Spa - Società Agricola	086	Italy	Bologna		G	11		98.81% UnipolSai Assicurazioni Spa	65.31%		100.00%
								1.19% Pronto Assistance Spa			
Service Gruppo Fondiaria - Sai Srl	086	Italy	Florence		G	11		100.00% UnipolSai Assicurazioni Spa	65.31%		100.00%

Name	Country of registered office			Country of operations (5)	Method (1)	Business activity (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at Ordinary General Meeting (4)	% Consolidation
Sogeint Società a Responsabilità Limitata	086	Italy	Milan		G	11		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Srp Services Sa	071	Switzerland	Lugano (CH)		G	11		100.00%	Sainternational Sa en Liquidation	65.31%		100.00%
Pronto Assistance Servizi Scarl	086	Italy	Turin		G	11		0.10%	Unipol Banca Spa	65.26%		100.00%
								65.40%	UnipolSai Assicurazioni Spa			
								24.00%	Dialogo Assicurazioni Spa			
								0.15%	Incontra Assicurazioni Spa			
								2.20%	Liguria - Società di Assicurazioni - Spa			
								7.70%	Pronto Assistance Spa			
								0.35%	Systema Compagnia di Assicurazioni Spa			
								0.10%	Gruppo Fondiaria-Sai Servizi Società Consortile a Responsabilità Limitata			
UnipolSai Servizi Tecnologici Spa	086	Italy	Bologna		G	11		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	086	Italy	Milan		G	11		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Consorzio Castello	086	Italy	Florence		G	10		99.57%	Nuove Iniziative Toscane - Società a Responsabilità Limitata	65.03%		100.00%
UnipolSai Real Estate Srl	086	Italy	Bologna		G	10		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Italresidence Srl	086	Italy	Pieve Emanuele (MI)		G	11		100.00%	Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	65.31%		100.00%
Marina di Loano Spa	086	Italy	Milan		G	10		100.00%	UnipolSai Real Estate Srl	65.31%		100.00%
Meridiano Secondo Srl	086	Italy	Turin		G	10		100.00%	UnipolSai Real Estate Srl	65.31%		100.00%
Nuove Iniziative Toscane - Società a Responsabilità Limitata	086	Italy	Florence		G	10		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Progetto Bicocca la Piazza Srl in Liquidazione	086	Italy	Milan		G	10		74.00%	UnipolSai Real Estate Srl	48.33%		100.00%
Società Edilizia Immobiliare Sarda - S.E.I.S. Società per Azioni	086	Italy	Milan		G	10		51.67%	UnipolSai Real Estate Srl	33.74%		100.00%
Villa Ragionieri Srl	086	Italy	Florence		G	10		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Sim Etoile Sas	029	France	Paris		G	10		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Tikal R.E. Fund	086	Italy			G	10		95.00%	UnipolSai Assicurazioni Spa	62.05%		100.00%
Athens R.E. Fund	086	Italy			G	10		100.00%	UnipolSai Assicurazioni Spa	65.31%		100.00%
Unipol Finance Srl	086	Italy	Bologna		G	9	100.00%			100.00%		100.00%

(1) Consolidation method: G=on a line-by-line basis; P=proportional=P; U=on a line-by-line basis as per unitary management

(2) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other

(3) the product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first

(4) total % availability of votes at ordinary general meetings if different from the direct or indirect investment

(5) this disclosure is required only if the country of operations is different from the country of the registered office

(*) Securitisation SPVs which, though not subsidiaries, are consolidated as essentially all risks and benefits are retained

Consolidation scope: interests in entities with material non-controlling interests

Amounts in €m

Name	% non-controlling interests	% Votes available at Ordinary General Meetings to non-controlling interests	Consolidated profit (loss) attributable to non-controlling interests	Shareholders' Equity attributable to non-controlling interests	Summary income and financial position data							
					Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' equity	Profit (loss) for the year	Dividends distributed to non-controlling interests	Gross premiums written
UnipolSai Assicurazioni Spa	35.90%		248.1	2,201.5	55,911.8	49,672.1	43,611.3	3,669.6	6,476.8	691.1	210.3	11,699.3
Popolare Vita Spa	67.95%		45.9	330.7	8,395.2	8,248.9	7,744.9	41.3	549.5	85.8	51.1	2,981.5
The Lawrence Life Assurance Company Ltd	67.95%		6.9	56.8	3,264.3	3,168.5	3,152.5	2.2	83.7	11.8	0.0	681.9

Name	Country of registered office		Country of operations (5)	Business activity (1)	Type (2)	% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at Ordinary General Meeting (4)	Carrying amount (€m)
Hotel Villaggio Città del Mare Spa in Liquidazione	086 Italy	Terrasini (PA)		11	b		49.00% UnipolSai Assicurazioni Spa	32.00%		
Euresa Holding SA en Liquidation	092 Luxembourg	Luxembourg		4	b		25.00% UnipolSai Assicurazioni Spa	16.33%		0.1
Assicoop Modena & Ferrara Spa	086 Italy	Modena		11	b		43.75% UnipolSai Finance SpA	28.58%		5.9
Assicoop Bologna Spa	086 Italy	Bologna		11	b		40.21% UnipolSai Finance SpA	26.26%		3.2
Assicoop Siena Spa	086 Italy	Siena		11	b		49.00% UnipolSai Finance SpA	32.00%		0.4
ZIS Fiera 2	086 Italy	Bologna		11	b		31.72% Midi Srl	20.72%		0.3
Fondazione Unipolis	086 Italy	Bologna		11	a		100.00% UnipolSai Assicurazioni Spa	65.31%		0.3
Uci - Ufficio Centrale Italiano	086 Italy	Milan		11	b		0.0001% Compagnia Assicuratrice Linear Spa	24.99%		0.3
							0.01% Arca Assicurazioni Spa			
							37.87% UnipolSai Assicurazioni Spa			
							0.0001% Dialogo Assicurazioni Spa			
							0.002% Incontra Assicurazioni Spa			
							0.30% Liguria - Società di Assicurazioni - Spa			
							0.09% Siat-Società Italiana Assicurazioni e Riassicurazioni - per Azioni			
							0.0002% Systema Compagnia di Assicurazioni Spa			
Assicoop Imola Spa	086 Italy	Imola (BO)		11	b		47.33% UnipolSai Finance SpA	30.91%		2.7
Sofigea Società Finanziaria per Gestioni Assicurative Srl in Liquidazione	086 Italy	Rome		11	b		35.32% UnipolSai Assicurazioni Spa	23.07%		0.0
Assicoop Firenze - Spa	086 Italy	Florence		11	b		44.00% UnipolSai Finance SpA	28.74%		0.7
Pegaso Finanziaria Spa	086 Italy	Bologna		9	b		45.00% UnipolSai Finance SpA	29.39%		5.2
SCS Azioninnova Spa	086 Italy	Bologna		11	b		42.85% Unipol Banca Spa	36.57%		1.8
Promorest Srl	086 Italy	Castenaso (BO)		11	b		49.92% Unipol Banca Spa	42.60%		5.1
Isi Insurance Direct Srl	086 Italy	Rome		11	b		100.00% Arca Assicurazioni Spa	62.20%		0.0
OMEGA 2004 Spa in Liquidazione	086 Italy	Verona		11	b		90.00% Arca Vita Spa	57.05%		
Campuscertosa Srl in Liquidazione	086 Italy	Milan		11	b		26.16% Unipol Banca Spa	22.33%		0.6
Assicoop Grosseto Società per Azioni	086 Italy	Grosseto		11	b		50.00% UnipolSai Finance SpA	32.65%		0.8
Assicoop Emilia Nord Srl	086 Italy	Parma		11	b		50.00% UnipolSai Finance SpA	32.65%		6.0
Assicoop Romagna Futura Srl	086 Italy	Ravenna		11	b		50.00% UnipolSai Finance SpA	32.65%		5.6
Garibaldi Sca	092 Luxembourg	Luxembourg		11	b		32.00% UnipolSai Assicurazioni Spa	20.90%		75.3
Isola Sca	092 Luxembourg	Luxembourg		11	b		29.56% UnipolSai Assicurazioni Spa	19.31%		20.0
Fin.Priv. Srl	086 Italy	Milan		11	b		28.57% UnipolSai Assicurazioni Spa	18.66%		28.2
Consulenza Aziendale per l'Informatica Scai Società per Azioni	086 Italy	Turin		11	b		30.07% UnipolSai Assicurazioni Spa	19.64%		1.5
Ddor Auto - Limited Liability Company	289 Serbia	Novi Sad (Serbia)		3	a		100.00% Ddor Novi Sad	65.31%		0.0
Soaimpianti - Organismi di Attestazione Srl in Liquidazione	086 Italy	Monza		11	b		21.64% UnipolSai Assicurazioni Spa	14.13%		
Funivie del Piccolo San Bernardo Spa	086 Italy	La Thuile (AO)		11	b		23.55% UnipolSai Real Estate Srl	15.38%		2.3
Ddor Garant	289 Serbia	Belgrade (Serbia)		11	b		32.46% Ddor Novi Sad	26.12%		0.5
							7.54% Ddor Re			
Hotel Terme di Saint Vincent - Srl	086 Italy	La Thuile (AO)		11	a		100.00% Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Sp	65.31%		0.1
Ital H&R Srl	086 Italy	Pieve Emanuele (MI)		11	a		100.00% Italresidence Srl	65.31%		0.0
Tour Executive Srl in Liquidazione	086 Italy	Milan		11	a		100.00% Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Sp	65.31%		

Name	Country of registered office			Country of operations (5)	Business activity (1)	Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at Ordinary General Meeting (4)	Carrying amount *(€m)*
A7 Srl in Liquidazione	086	Italy	Milan		10	b		20.00%	UnipolSai Real Estate Srl	13.06%		0.1
Borsetto Srl	086	Italy	Turin		10	b		44.93%	UnipolSai Real Estate Srl	29.34%		1.6
Butterfly Am Sàrl	092	Luxembourg	Luxembourg		11	b		28.57%	UnipolSai Real Estate Srl	18.66%		5.7
Servizi Immobiliari Martinelli Spa	086	Italy	Cinisello Balsamo (MI)		10	b		20.00%	UnipolSai Real Estate Srl	13.06%		0.2
Sviluppo Centro Est Srl in Liquidazione	086	Italy	Rome		10	b		40.00%	UnipolSai Real Estate Srl	26.12%		
Metropolis Spa - in Liquidazione	086	Italy	Milan		10	b		29.71%	UnipolSai Real Estate Srl	19.40%		
Penta Domus Spa	086	Italy	Turin		10	b		24.66%	UnipolSai Real Estate Srl	16.10%		2.9
Valore Immobiliare Srl in Liquidazione	086	Italy	Trieste		10	b		50.00%	UnipolSai Assicurazioni Spa	32.65%		0.5
CONO ROMA - Società a Responsabilità Limitata in Liquidazione	086	Italy	Rome		11	b		50.00%	UnipolSai Finance SpA	32.65%		

(1) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other

(2) a=subsidiaries (IFRS10); b= associates (IAS28); c=joint ventures (IFRS11). Please mark with an asterisk (*) any companies classified as held for sale pursuant to IFRS 5 and add the key below the statement

(3) the product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first

(4) total % availability of votes at ordinary general meetings if different from the direct or indirect investment

(5) this disclosure is required only if the country of operations is different from the country of the registered office

Statement of financial position by business segment

	Amounts in €m	Non-Life business		Life business		Banks		Holding and Other Businesses		Real Estate		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	31/12/2014	31/12/2013	31/12/2014	31/12/2013
1	INTANGIBLE ASSETS	1,502.6	1,531.1	602.7	648.5	10.6	15.4	18.8	43.8	0.6	1.0	-2.1	-2.8	2,133.2	2,237.0
2	PROPERTY, PLANT AND EQUIPMENT	712.9	516.4	61.8	57.4	15.9	17.3	233.9	231.0	495.0	558.4	2.1	2.8	1,521.6	1,383.3
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	873.2	907.5	115.2	138.0									988.4	1,045.5
4	INVESTMENTS	17,617.3	16,968.6	48,225.9	41,629.2	11,713.3	12,634.6	424.1	446.9	1,263.2	1,285.4	-1,297.8	-952.4	77,946.0	72,012.3
4.1	Investment property	1,431.8	1,635.4	11.1	11.2	1.1	1.1	45.0	45.2	1,156.6	1,176.9			2,645.6	2,869.8
4.2	Investments in subsidiaries, associates and interests in joint ventures	61.8	73.3	95.3	91.8	7.5	8.0	0.2	0.0	13.1	15.7			177.8	188.8
4.3	Held-to-maturity investments	639.5	714.5	780.5	1,402.2	818.0	818.4						-2.2	2,238.0	2,932.9
4.4	Loans and receivables	2,108.9	2,339.3	3,253.3	3,795.0	10,226.4	10,754.2	323.4	324.4	36.1	30.1	-1,290.5	-943.3	14,657.7	16,299.7
4.5	Available-for-sale financial assets	13,257.1	12,092.3	34,375.0	26,786.8	652.5	932.7	43.5	66.1	57.4	62.8	-7.3	-6.7	48,378.1	39,933.9
4.6	Financial assets at fair value through profit or loss	118.2	113.8	9,710.6	9,542.1	8.0	120.3	12.0	11.2		0.0		-0.2	9,848.8	9,787.1
5	SUNDRY RECEIVABLES	2,813.8	2,747.8	738.7	681.9	85.0	83.6	131.7	436.1	36.6	70.2	-211.8	-604.1	3,594.0	3,415.5
6	OTHER ASSETS	737.6	1,483.5	199.8	927.5	417.8	486.1	579.4	548.8	24.5	26.1	-189.3	-98.7	1,769.8	3,373.3
6.1	Deferred acquisition costs	27.3	28.2	48.3	49.2									75.6	77.4
6.2	Other assets	710.2	1,455.3	151.5	878.4	417.8	486.1	579.4	548.8	24.5	26.1	-189.3	-98.7	1,694.2	3,295.9
7	CASH AND CASH EQUIVALENTS	300.1	1,235.7	518.0	875.0	99.8	229.9	608.3	337.0	111.1	84.6	-962.8	-1,924.9	674.4	837.3
	TOTAL ASSETS	24,557.5	25,390.6	50,462.0	44,957.4	12,342.5	13,467.0	1,996.2	2,043.6	1,930.9	2,025.8	-2,661.8	-3,580.1	88,627.3	84,304.3
1	SHAREHOLDERS' EQUITY													8,439.8	7,481.0
2	PROVISIONS	557.8	375.9	24.6	39.7	16.8	18.8	511.7	372.5	22.4	27.5	-490.1	-300.2	643.2	534.2
3	TECHNICAL PROVISIONS	17,636.0	18,583.3	44,258.7	38,292.0									61,894.8	56,875.3
4	FINANCIAL LIABILITIES	1,819.9	1,794.5	2,800.3	2,854.1	11,151.7	12,269.7	1,280.4	1,513.5	164.0	174.8	-1,756.9	-2,565.2	15,459.4	16,041.4
4.1	Financial liabilities at fair value through profit or loss	184.6	73.3	2,002.2	1,928.9	84.5	50.4	2.6	0.2	3.3	4.0			2,277.1	2,056.8
4.2	Other financial liabilities	1,635.3	1,721.2	798.1	925.2	11,067.2	12,219.3	1,277.8	1,513.3	160.7	170.7	-1,756.9	-2,565.2	13,182.2	13,984.6
5	PAYABLES	774.1	995.3	195.6	213.6	74.9	117.1	97.0	403.4	55.4	57.1	-264.0	-604.0	933.0	1,182.6
6	OTHER LIABILITIES	736.4	1,211.4	267.2	690.6	355.9	303.4	47.0	63.2	1.5	31.6	-150.8	-110.4	1,257.2	2,189.8
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES													88,627.3	84,304.3

Income statement by business segment

	Amounts in €m	Non-Life business		Life business		Banks		Holding and Other Businesses		Real Estate		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	31/12/2014	31/12/2013	31/12/2014	31/12/2013
1.1	Net premiums	9,011.9	9,787.3	8,754.1	6,794.1									17,766.0	16,581.3
1.1.1	*Gross premiums earned*	*9,439.6*	*10,209.0*	*8,774.8*	*6,816.0*									*18,214.3*	*17,025.0*
1.1.2	*Earned premiums ceded to reinsurers*	*-427.7*	*-421.7*	*-20.6*	*-22.0*									*-448.3*	*-443.7*
1.2	Commission income	6.5	6.2	17.6	20.6	153.6	147.2	18.5	5.7			-79.5	-51.4	116.8	128.3
1.3	Gains and losses on financial instruments at fair value through profit or loss	-157.5	-41.2	229.8	386.1	14.2	0.4	-1.3	3.5	-0.9	-1.6			84.3	347.3
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	4.7	3.7	2.8	7.6	0.1	0.0	0.1	0.0	0.0	0.0			7.7	11.3
1.5	Gains on other financial instruments and investment property	1,022.0	884.8	1,908.8	1,598.2	521.7	477.5	9.5	23.9	75.3	56.5	-116.2	-63.7	3,421.1	2,977.0
1.6	Other revenue	563.6	480.2	85.8	73.6	33.3	34.4	330.9	678.5	40.6	39.0	-196.4	-749.8	857.8	555.8
	TOTAL REVENUE AND INCOME	10,451.2	11,120.9	10,999.0	8,880.1	722.9	659.5	357.7	711.5	115.0	93.9	-392.1	-864.9	22,253.7	20,601.0
2.1	Net charges relating to claims	-6,091.6	-6,654.6	-9,933.2	-7,653.9									-16,024.8	-14,308.5
2.1.1	*Amounts paid and changes in technical provisions*	*-6,324.9*	*-6,820.7*	*-9,947.8*	*-7,668.2*									*-16,272.8*	*-14,488.9*
2.1.2	*Reinsurers' share*	*233.4*	*166.1*	*14.6*	*14.4*									*248.0*	*180.5*
2.2	Commission expense	-6.7	-6.4	-10.3	-11.5	-45.4	-34.1	0.0	0.0			24.1	13.0	-38.4	-39.1
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	-8.4	-2.8	-1.3	0.0	-0.7	0.0	-0.1	-3.4	-2.6	-0.2			-13.1	-6.4
2.4	Losses on other financial instruments and investment property	-359.0	-284.1	-234.6	-185.5	-457.8	-581.2	-53.7	-60.6	-103.5	-83.9	-173.5	-180.0	-1,382.1	-1,375.4
2.5	Operating expenses	-2,348.4	-2,362.0	-384.6	-319.4	-304.1	-309.2	-121.1	-391.8	-9.9	-7.9	143.4	306.9	-3,024.7	-3,083.2
2.6	Other costs	-627.8	-946.4	-161.0	-198.3	-15.6	-159.2	-490.9	-637.8	-72.8	-51.2	398.6	724.8	-969.5	-1,268.1
2	TOTAL COSTS AND EXPENSES	-9,441.8	-10,256.3	-10,725.1	-8,368.6	-823.6	-1,083.8	-665.8	-1,093.7	-188.7	-143.1	392.6	864.7	-21,452.5	-20,080.7
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	1,009.4	864.6	273.8	511.5	-100.7	-424.3	-308.1	-382.2	-73.7	-49.2	0.4	-0.2	801.2	520.3

Details of property, plant & equipment and intangible assets

Amounts in €m	At cost	At restated or fair value	Total carrying amount
Investment property	2,645.6		2,645.6
Other property	1,364.2		1,364.2
Other tangible assets	157.4		157.4
Other intangible assets	551.2		551.2

Details of financial assets

	Held-to-maturity investments		Loans and receivables		Available-for-sale financial assets		Financial assets at fair value through profit or loss				Total carrying amount	
							Held-for-trading financial assets		Financial assets at fair value through profit or loss			
	31/12/2014	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
Equity instruments and derivatives at cost					73.7	111.3	0.0	0.0	0.0	0.0	73.7	111.3
Equity instruments at fair value					1,113.9	1,334.9	0.0	13.9	158.3	108.6	1,272.3	1,457.4
of which: listed securities					*827.5*	*1,034.8*	*0.0*	*0.2*	*158.3*	*108.6*	*985.8*	*1,143.7*
Debt securities	2,238.0	2,932.9	4,414.3	5,294.8	45,972.5	37,739.6	230.8	413.6	5,277.0	6,173.9	58,132.6	52,554.9
of which: listed securities	*1,925.5*	*2,428.2*	*0.0*	*0.0*	*44,650.9*	*36,460.3*	*125.2*	*239.9*	*3,636.5*	*3,315.3*	*50,338.0*	*42,443.8*
UCITS units					1,218.0	748.1	45.6	60.5	3,859.5	2,779.4	5,123.1	3,588.0
Loans and receivables from bank customers			9,005.6	9,752.3							9,005.6	9,752.3
Interbank loans and receivables			338.5	353.5							338.5	353.5
Deposits with ceding companies			30.9	35.4							30.9	35.4
Financial receivables on insurance contracts									66.1	57.1	66.1	57.1
Other loans and receivables			868.5	834.6							868.5	834.6
Non-hedging derivatives							99.3	64.7	18.3	53.5	117.5	118.2
Hedging derivatives							16.1	17.1	0.0	0.0	16.1	17.1
Other financial investments			0.0	29.2					77.7	44.7	77.7	73.9
Total	2,238.0	2,932.9	14,657.7	16,299.7	48,378.1	39,933.9	391.9	569.8	9,456.9	9,217.3	75,122.5	68,953.7

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

	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
Amounts in €m	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Recognised assets	5,982.6	6,234.5	3,471.9	2,982.6	9,454.5	9,217.1
Intragroup assets *	0.0	0.2	0.0	0.0	0.0	0.2
Total Assets	5,982.6	6,234.7	3,471.9	2,982.6	9,454.5	9,217.3
Recognised financial liabilities	1,069.0	1,087.2	526.9	486.8	1,595.9	1,574.0
Recognised technical provisions	4,909.4	5,147.7	2,945.0	2,495.0	7,854.4	7,642.8
Intragroup liabilities *	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	5,978.4	6,234.9	3,471.9	2,981.9	9,450.3	9,216.8

* Assets and liabilities netted on consolidation

Details of technical provisions – reinsurers' share

	Direct business		Indirect business		Total carrying amount	
Amounts in €m	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Non-Life provisions	783.9	858.2	89.3	49.4	873.2	907.5
Premium provisions	196.7	209.8	2.4	1.9	199.0	211.7
Claims provision	587.2	648.4	87.0	47.5	674.2	695.9
Other technical provisions	0.0	0.0	0.0	0.0	0.0	0.0
Life provisions	104.3	99.3	10.9	38.7	115.2	138.0
Provision for amounts payable	6.6	7.3	1.3	1.9	8.0	9.2
Mathematical provisions	97.5	91.8	9.6	36.8	107.1	128.6
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	0.0	0.0	0.0	0.0	0.0	0.0
Other technical provisions	0.1	0.2	0.0	0.0	0.1	0.2
Total technical provisions - reinsurers' share	888.2	957.5	100.2	88.0	988.4	1,045.5

Details of technical provisions

Amounts in €m	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 provisions	17,482.0	18,449.1	154.0	134.1	17,636.0	18,583.3
Premium provision	3,025.0	3,646.0	3.8	3.2	3,028.8	3,649.2
Claims provision	14,435.4	14,783.0	150.2	130.9	14,585.6	14,913.9
Other technical provisions	21.7	20.1	0.0	0.1	21.7	20.2
including provisions allocated as a result of the liability adequacy test	*0.0*	*0.0*			*0.0*	*0.0*
Life provisions	44,236.8	38,267.3	21.9	24.7	44,258.7	38,292.0
Provision for amounts payable	429.6	448.4	3.3	2.2	432.9	450.6
Mathematical provisions	32,757.9	29,615.2	18.6	22.5	32,776.5	29,637.7
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	7,854.4	7,642.8	0.0	0.0	7,854.4	7,642.8
Other technical provisions	3,195.0	560.9	0.0	0.0	3,195.0	560.9
including provisions allocated as a result of the liability adequacy test					*0.0*	*0.0*
including deferred liabilities to policyholders	*3,064.2*	*430.8*			*3,064.2*	*430.8*
Total technical provisions	61,718.9	56,716.4	175.9	158.8	61,894.8	56,875.3

Details of financial liabilities

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Held-for-trading financial liabilities		Financial liabilities at fair value through profit or loss					
Amounts in €m	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Equity instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated liabilities	0.0	0.0	0.0	0.0	2,622.9	2,575.3	2,622.9	2,575.3
Liabilities from financial contracts issued by insurance companies			1,607.6	1,581.9	7.5	26.1	1,615.1	1,608.0
Arising from contracts where the investment risk is borne by policyholders			*1,079.5*	*1,094.3*			*1,079.5*	*1,094.3*
Arising from pension fund management			*528.1*	*487.5*			*528.1*	*487.5*
Arising from other contracts			*0.0*	*0.0*	*7.5*	*26.1*	*7.5*	*26.1*
Deposits received from reinsurers					296.5	277.8	296.5	277.8
Financial items payable on insurance contracts					0.0	0.0	0.0	0.0
Debt securities issued	0.0	0.0	0.0	0.0	3,609.8	2,930.6	3,609.8	2,930.6
Payables to bank customers					5,717.0	6,095.8	5,717.0	6,095.8
Interbank payables					795.9	1,257.6	795.9	1,257.6
Other loans obtained	0.0	0.0	0.0	0.0	121.5	122.8	121.5	122.8
Non-hedging derivatives	106.3	89.7	0.0	0.0			106.3	89.7
Hedging derivatives	563.3	382.2	0.0	0.3			563.3	382.6
Sundry financial liabilities	0.0	0.0	0.0	2.6	11.2	698.5	11.2	701.1
Total	669.6	472.0	1,607.6	1,584.8	13,182.2	13,984.6	15,459.4	16,041.4

Details of technical insurance items

	Amounts in €m	31/12/2014			31/12/2013		
		Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business							
NET PREMIUMS		9,439.6	-427.7	9,011.9	10,209.0	-421.7	9,787.3
a	Written premiums	8,994.9	-412.2	8,582.7	9,857.3	-421.3	9,436.0
b	Change in premium provision	444.7	-15.5	429.2	351.7	-0.4	351.3
NET CHARGES RELATING TO CLAIMS		-6,324.9	233.4	-6,091.6	-6,820.7	166.1	-6,654.6
a	Amounts paid	-6,819.5	271.7	-6,547.7	-7,853.4	313.2	-7,540.2
b	Change in claims provision	352.9	-31.9	321.0	866.2	-142.5	723.7
c	Change in recoveries	141.8	-6.5	135.3	166.3	-4.6	161.7
d	Change in other technical provisions	-0.1	0.0	-0.1	0.2	0.0	0.2
Life business							
NET PREMIUMS		8,774.8	-20.6	8,754.1	6,816.0	-22.0	6,794.1
NET CHARGES RELATING TO CLAIMS		-9,947.8	14.6	-9,933.2	-7,668.2	14.4	-7,653.9
a	Amounts paid	-6,461.7	37.6	-6,424.1	-6,600.4	35.9	-6,564.5
b	Change in provision for amounts payable	16.2	-1.1	15.0	-9.5	1.8	-7.7
c	Change in mathematical provisions	-3,130.0	-21.8	-3,151.8	-1,893.3	-23.3	-1,916.6
d	Change in technical provisions where the investment risk is borne by policyholders and arising from pension fund management	-241.8	0.0	-241.8	849.4	0.0	849.4
e	Change in other technical provisions	-130.5	0.0	-130.5	-14.5	0.0	-14.5

Investment income and charges

	Amounts in €m	Interest	Other income	Other charges	Realised gains	Realised losses	Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total gains and losses	Total gains and losses
								Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment		31/12/2014	31/12/2013
Balance on investments		2,230.1	339.2	-183.7	982.1	-470.9	2,896.9	643.2	0.3	-801.9	-189.9	-348.3	2,548.6	2,323.2
a	Arising from investment property		97.5	-48.6	4.7	-2.9	50.7	0.0	0.0	-40.9	-113.5	-154.4	-103.7	-79.4
b	Arising from investments in subsidiaries, associates and interests in j-v		7.6	-4.1	0.1	0.0	3.6	0.0	0.0		-8.9	-8.9	-5.3	4.9
c	Arising from held-to-maturity investments	103.7	0.0	0.0	2.7	-0.7	105.7	0.0	0.0	0.0	0.0	0.0	105.7	107.9
d	Arising from loans and receivables	509.1	0.0	0.0	54.5	-123.7	439.9	27.6	0.3	-418.2	-9.4	-399.7	40.2	72.3
e	Arising from available-for-sale financial assets	1,485.9	82.2	-4.7	769.2	-207.6	2,125.0	270.4	0.0	0.0	-58.0	212.4	2,337.3	1,826.9
f	Arising from held-for-trading financial assets	9.9	31.6	-65.8	30.5	-104.9	-98.7	35.0		-274.5		-239.5	-338.2	37.4
g	Arising from financial assets at fair value through profit or loss	121.6	120.3	-60.4	120.3	-31.0	270.7	310.3		-68.4		241.9	512.6	353.3
Balance on sundry receivables		5.5	0.0	0.0		0.0	5.4					0.0	5.4	10.1
Balance on cash and cash equivalents		5.2	0.0	-0.4		0.0	4.7					0.0	4.7	10.3
Balance on financial liabilities		-301.4	1.3	-101.2	14.8	-4.3	-390.9	0.0	0.0	-46.5	0.0	-46.4	-437.4	-383.9
a	Arising from held-for-trading financial liabilities	0.0	1.3	0.0	12.0	-3.0	10.3	0.0		-8.6		-8.6	1.7	17.1
b	Arising from financial liabilities at fair value through profit or loss	0.0	0.0	-54.0	0.0	0.0	-54.0	0.0		-37.9		-37.9	-91.9	-60.6
c	Arising from other financial liabilities	-301.4		-47.1	2.7	-1.4	-347.2	0.0	0.0	0.0		0.0	-347.2	-340.5
Balance on payables		-3.4		-0.1		0.0	-3.5				0.0	0.0	-3.5	-5.9
Total		1,935.9	340.5	-285.4	996.8	-475.2	2,512.7	643.3	0.3	-848.4	-189.9	-394.7	2,117.9	1,953.8

Details of insurance business expenses

	Amounts in €m	Non-Life business		Life business	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
Gross commissions and other acquisition costs		-1,977.5	-2,021.2	-220.6	-185.4
a	Acquisition commissions	-1,346.1	-1,423.2	-159.1	-120.2
b	Other acquisition costs	-452.5	-409.1	-49.3	-56.3
c	Change in deferred acquisition costs	-0.7	7.4	-0.9	3.4
d	Collection commissions	-178.1	-196.2	-11.3	-12.4
Commissions and profit-sharing received from insurers		120.1	110.2	4.7	5.3
Investment management expenses		-61.5	-29.8	-41.3	-33.3
Other administrative expenses		-429.6	-421.2	-127.4	-105.9
Total		-2,348.4	-2,362.0	-384.6	-319.4

Details of the consolidated comprehensive income statement

	Amounts allocated		Adjustments from reclassification to profit or loss		Other changes		Total changes		Income tax		Balance	
Amounts in €m	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
Other income items not reclassified to profit or loss	-7.3	5.4	0.0	0.0	0.0	0.0	-7.3	5.4	5.0	0.3	3.2	10.5
Reserve deriving from changes in the shareholders' equity of the investees	2.4	6.1	0.0	0.0	0.0	0.0	2.4	6.1	0.0	0.0	8.5	6.1
Revaluation reserve for intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation reserve for property, plant and equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.7	20.7
Gains and losses on non-current assets or assets of a disposal group held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Actuarial gains and losses and adjustments relating to defined benefit plans	-8.6	-0.9	0.0	0.0	0.0	0.0	-8.7	-0.9	5.0	0.3	-26.0	-17.3
Other items	-1.0	0.2	0.0	0.0	0.0	0.0	-1.0	0.2	0.0	0.0	0.0	1.0
Other income items reclassified to profit or loss	859.7	387.0	-103.5	-130.2	6.4	0.0	762.6	256.8	-383.1	-231.5	1,260.7	498.2
Reserve for foreign currency translation differences	-4.0	2.1	0.0	0.0	0.0	0.0	-4.0	2.1	0.0	0.0	3.8	7.8
Gains or losses on available-for-sale financial assets	810.5	351.6	-104.5	-130.2	6.4	0.0	712.3	221.4	-354.7	-215.6	1,234.4	522.1
Gains or losses on cash flow hedges	53.2	33.3	1.0	0.0	0.0	0.0	54.2	33.3	-28.3	-15.8	22.4	-31.7
Gains or losses on hedges of a net investment in foreign operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserve deriving from changes in the shareholders' equity of the investees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains and losses on non-current assets or assets of a disposal group held for sale	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	852.4	392.4	-103.5	-130.2	6.4	0.0	755.3	262.3	-378.0	-231.2	1,264.0	508.7

Details of reclassified financial assets and their effects on the income statement and comprehensive income statement

Amounts in €m

Categories of financial assets subject to reclassification		Type of asset	Amount of assets reclassified in 2014 at the reclassification date	Carrying amount at 31/12/2014 of reclassified assets		Fair value at 31/12/2014 of reclassified assets		Assets reclassified in 2014		Assets reclassified up to 2014		Assets reclassified in 2014		Assets reclassified up to 2014	
from	to			Assets reclassified in 2014	Assets reclassified up to 2014	Assets reclassified in 2014	Assets reclassified up to 2014	Gains or losses recognised through profit or loss	Gains or losses recognised in the comprehensive income statement	Gains or losses recognised through profit or loss	Gains or losses recognised in the comprehensive income statement	Profit or loss that would have been recognised in the income statement if there had been no reclassification	Profit or loss that would have been recognised in the comprehensive income statement if there had been no reclassification	Profit or loss that would have been recognised in the income statement if there had been no reclassification	Profit or loss that would have been recognised in the comprehensive income statement if there had been no reclassification
At fair value through profit or loss	Loans and receivables	debt securities			331.4		285.2				0.3			30.3	0.2
At fair value through profit or loss	Loans and receivables	other fin. instr.													
Available-for-sale	Loans and receivables	debt securities			331.6		281.2								28.1
Available-for-sale	Loans and receivables	other fin. instr.													
At fair value through profit or loss	Available-for-sale	equity instruments													
At fair value through profit or loss	Available-for-sale	debt securities													
At fair value through profit or loss	Available-for-sale	other fin. instr.													
At fair value through profit or loss	Held-to-maturity investments	debt securities													
At fair value through profit or loss	Held-to-maturity investments	other fin. instr.													
Available-for-sale	Held-to-maturity investments	debt securities													
Available-for-sale	Held-to-maturity investments	other fin. instr.													
Total					663.0		566.4				0.3			30.3	28.3

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

		Level 1		Level 2		Level 3		Total	
	Amounts in €m	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		46,202.0	37,708.0	710.0	733.4	1,466.2	1,492.5	48,378.1	39,933.9
Financial assets at fair value through profit or loss	Held-for-trading financial assets	127.9	264.4	141.3	196.7	122.6	108.7	391.9	569.8
	Financial assets at fair value through profit or loss	7,741.9	6,172.5	158.7	1,152.6	1,556.3	1,892.2	9,456.9	9,217.3
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		*54,071.8*	*44,144.9*	*1,010.0*	*2,082.7*	*3,145.1*	*3,493.4*	*58,226.9*	*49,721.0*
Financial liabilities at fair value through profit or loss	Held-for-trading financial liabilities	55.3	9.0	609.5	458.5	4.7	4.5	669.6	472.0
	Financial liabilities at fair value through profit or loss				505.8	1,607.6	1,079.0	1,607.6	1,584.8
Total liabilities at fair value on a recurring basis		*55.3*	*9.0*	*609.5*	*964.3*	*1,612.3*	*1,083.5*	*2,277.1*	*2,056.8*
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets or assets of a disposal group held for sale									
Liabilities associated with disposal groups									

Details of changes in level 3 financial assets and liabilities at fair value on a recurring basis

	Available-for-sale financial assets	Financial assets at fair value through profit or loss		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value	
Amounts in €		Held-for-trading financial assets	Financial assets at fair value through profit or loss				Held-for-trading financial liabilities	Financial liabilities at fair value through profit or loss
Opening balance	1,492.5	108.7	1,892.2				4.5	1,079.0
Acquisitions/Issues	56.1	3.1					2.8	
Sales/Repurchases	-90.5	-7.5	-280.5				-2.9	
Repayments	-0.1	-4.4	-66.3					
Gains or losses recognised through profit or loss	-47.4	9.8	0.6				0.3	
- of which unrealised gains/losses	-47.4	9.8	0.6				0.3	
Gains or losses recognised in the statement of other comprehensive income	74.9	0.0	0.0					
Transfers to level 3	15.6	12.0	121.4					
Transfers to other levels	-7.5							
Other changes	-27.4	0.8	-111.1					528.6
Closing balance	1,466.2	122.6	1,556.3				4.7	1,607.6

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

	Carrying amount		Fair value							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	31/12/2014	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	2,238.0	2,932.9	2,128.2	2,524.9	324.1	477.8		42.1	2,452.2	3,044.7
Loans and receivables	14,657.7	16,299.7	9.3	10.7	3,996.0	4,314.5	12,161.1	12,427.5	16,166.4	16,752.7
Investments in subsidiaries, associates and interests in j-v	177.8	188.8					177.8	188.8	177.8	188.8
Investment property	2,645.6	2,869.8					2,724.8	2,968.8	2,724.8	2,968.8
Property, plant and equipment	1,521.6	1,383.3					1,627.2	1,426.0	1,627.2	1,426.0
Total assets	21,240.6	23,674.6	2,137.4	2,535.6	4,320.1	4,792.3	16,691.0	17,053.2	23,148.5	24,381.1
Liabilities										
Other financial liabilities	13,182.2	13,984.6	2,262.5	1,282.0			11,019.5	12,697.1	13,282.0	13,979.2

Unipol GRUPPO

Summary of fees for the year for services provided by the Independent Auditors

Summary of fees for the year for services provided by the Independent Auditors

(Art. 149-*duodecies* of the Issuer's Regulation)

SUMMARY OF FEES FOR THE YEAR FOR SERVICES PROVIDED BY THE INDEPENDENT AUDITORS (Art. 149-*duodecies* of Issuer's Regulation)			
Amounts in €k			
Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	154
Other professional services	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	140
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	Unipol S.p.A.	78
Total Unipol Gruppo Finanziario			372
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	3,115
Legally-required audit	PricewaterhouseCoopers Dublin	Subsidiaries	123
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	80
Attestation services	PricewaterhouseCoopers S.p.A.	Subsidiaries	588
Other professional services	PricewaterhouseCoopers S.p.A.	Subsidiaries	856
Other professional services	PricewaterhouseCoopers Dublin	Subsidiaries	49
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	Subsidiaries	470
Total subsidiaries			5,280
Grand total			5,653

(*) the fees do not include any non-deductible VAT; charged back expenses are included

Disclosure as Parent of the Unipol Banking Group

Disclosure as Parent of the Unipol Banking Group

Directive 2013/36/EU of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV), and Directive 2011/89/EU of 16 November 2011, on supplementary supervision of financial entities in a financial conglomerate (FICOD1), amended the scope of consolidated supervision of banks, envisaging that such supervision should also be performed of "mixed financial services groups" (MFSG) which - holding investments both in the banking and insurance sectors - head a financial conglomerate identified as such by the relevant supervisory authorities. The previous regulatory organisation is therefore superseded, in that MFSGs were excluded from consolidated banking supervision and only subject to supplementary supervision as companies at the head of a financial conglomerate.

As illustrated in the Management Report, following introduction of the supervisory regulations for banking groups, by specific notice of 1 August 2014, at the end of its investigation, the Bank of Italy granted the request filed by Finsoe S.p.A. to be exempt from registration as a Banking Group Parent as prescribed by Legislative Decree no. 53 of 4 March 2014, incorporating Directive 2011/89/EU, which took effect on 16 April 2014.

The Bank of Italy also arranged entry in the Register, pursuant to Art. 64 of the Consolidated Law on Banking and with effects backdated to 16 April 2014, of the "Unipol Banking Group", with Unipol Gruppo Finanziario SpA (hereinafter also "Unipol" or "UGF") as parent. At the same time, the Unipol Banca Banking Group (parent: Unipol Banca) was cancelled from the register. Unipol Banca therefore became a member of the Unipol Banking Group.

In 2014, therefore, Unipol Gruppo Finanziario, which has the prevalent role as Parent Company of the Unipol Insurance Group, also became Parent Company of the Unipol Banking Group.

As also seen in the consolidated financial statements of Unipol Gruppo Finanziario, the activities of the corporate group headed by the Parent are largely related to insurance both in terms of volumes of assets invested and of product revenue and margins. The banking business is ancillary to the insurance business.
However, the assignment of Banking Group Parent status, in addition to that - as already mentioned - of Insurance Group Parent, implies that Unipol is responsible for all obligations envisaged in current regulations for the banking Parent, and in particular those indicated in EU Regulation no. 575/2013 (CRR) on prudential requirements, relating to reporting and public disclosures.

In order to comply with the minimum disclosure requirements envisaged in Part Eight of the CRR (Basel 3, Pillar III), this report - attached to the 2014 Consolidated Financial Statements of the Unipol Group - provides information on:

- Consolidated financial statements of the Unipol Banking Group prepared for prudential purposes;
- Restatement of the Unipol consolidated financial statements based on the Unipol Banking Group prudential consolidation scope (presented for the purpose of reconciling the Unipol Banking Group consolidated values prepared for prudential purposes);
- Equity and solvency ratios of the Unipol Banking Group;
- Equity: breakdown and related reconciliation with the statement of financial position prepared for prudential purposes;
- Capital requirements;
- Value adjustments to loans.

With regard to the diversity policy for the selection of members of the management body and the remuneration policy and practices adopted by the Parent Company for 2014, reference should be made - respectively - to the descriptions in paragraph 1.3 of the "Report on corporate governance and ownership structures for 2014" (available in the Corporate Governance/Shareholders meetings/Meeting June 2015 section of the corporate website www.unipol.it) and in the first section of the "Remuneration Report of Unipol Gruppo Finanziario S.p.A. - 2014" (available in the Corporate Governance/Shareholders meetings/Meeting April 2014 section of the corporate website www.unipol.it).
For information on the risk management policies, reference should be made to Chapter 5.14 "Risk Report" in the Notes to the 2014 Consolidated Financial Statements of the Unipol Group.

The Unipol Banking Group applies the option envisaged in Art. 432, paragraph 1 of the CRR of not disclosing additional information pursuant to Title II, Part Eight of the CRR as it is considered immaterial. Pursuant to art. 432, paragraph 2 of the CRR, a disclosure is considered material in terms of public disclosure if its omission or inaccurate indication can change or influence the opinion or decisions of users that rely upon such information in adopting their economic decisions.

Consolidated financial statements of the Unipol Banking Group prepared for prudential purposes

Pursuant to Art. 11 of the CRR, the Unipol Banking Group is required to comply with obligations relating to consolidated supervision, as envisaged in the aforementioned Regulation, based on the consolidated financial position of the controlling MFSG. For this purpose, a consolidated position relating to the prudential banking consolidation scope comprising companies in the Unipol Banking Group and Finsoe, the controlling MFSG for the Parent Unipol, has been prepared.

The companies consolidated on a line-by-line basis are:
- Unipol Gruppo Finanziario SpA (Parent of the Unipol Banking Group);
- Finsoe SpA (which holds a controlling investment in Unipol, as defined in Art. 2359, paragraph 1, no. 1 of the Civil Code, equal to 50.75% of the ordinary share capital, and does not exercise any powers of management or coordination, either technical or financial, in relation to Unipol);
- Unipol Banca SpA and related directly controlled companies (Finitalia SpA, Nettuno Fiduciaria SpA and 5 securitisation companies);
- UnipolSai Investimenti SGR SpA;
- UnipolSai Investimenti Mobiliari SIM SpA.

All other companies, direct or indirect subsidiaries or associates of Unipol operating in other sectors and not instrumental to banking activities, are consolidated using the equity method.

The consolidated statement of financial position and consolidated income statement of the Unipol Banking Group at 31 December 2014 are provided below in the format envisaged in Bank of Italy Circular no. 262/2005, prepared in reference to the prudential banking supervision scope described above .

The statements are divided into three columns for easier comparison with the Unipol Group consolidated financial statements prepared according to the formats envisaged in IVASS Regulation no. 7/2007 and on a much wider consolidation scope, which includes all subsidiaries (except those considered insignificant as reported in the Notes to the Financial Statements) .

The first column, "Unipol Consolidated Financial Statements at 31/12/2014 (restated for banking regulatory purposes)", indicates the consolidated amounts for the Unipol Group at 31 December 2014, calculated with application of the line-by-line consolidation method only for companies in the Unipol Banking Group and the equity method for all other Unipol Group companies (except for appropriate reclassifications for statements in different formats, these values correspond to the values seen in the column "Unipol Consolidated Financial Statements at 31/12/2014 restated for consolidation method changes" included in the statements referred to in the next paragraph which were prepared for the purpose of reconciliation with the Unipol Group's consolidated statements).

The central column indicates the adjustments necessary to extend the consolidation scope to Finsoe, the controlling MFSG of Unipol.
Finsoe does not form part of the Unipol Banking Group but, as mentioned previously, Art. 11 of the CRR envisages compliance with obligations relating to consolidated supervision based on the consolidated financial position of the controlling MFSG, i.e. of Finsoe.

The third column, "Unipol Banking Group Consolidated Financial Statements at 31/12/2014 for prudential purposes", indicates the consolidated figures of the Unipol Banking Group determined for prudential purposes and including the holding company Finsoe in the consolidation.

Unipol Banking Group - Consolidated Statement of Financial Position – Assets

	Amounts in €m	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/2014	Adjustments	Unipol Banking Group Consolidated at 31/12/2014
10	Cash and cash equivalents	98.9	0.0	98.9
20	Held-for-trading financial assets	12.1	0.0	12.1
30	Financial assets at fair value	-	-	-
40	Available-for-sale financial assets	695.3	0.0	695.3
50	Held-to-maturity financial assets	818.0	-	818.0
60	Receivables from banks	443.4	-	443.5
70	Receivables from customers	9,433.1	5.0	9,438.1
80	Hedging derivatives	7.9	-	7.9
100	Investments	5,720.7	-14.4	5,706.3
120	Property, plant and equipment	18.9	0.0	18.9
130	Intangible assets	8.1	343.3	351.4
	of which: goodwill	*0.0*	343.3	*343.3*
	of which: other	*8.1*	-	*8.1*
140	Tax assets	804.6	14.4	819.0
	a) current	*16.1*	11.9	*27.9*
	b) deferred	*788.5*	2.6	*791.1*
	of which Law 214/2011	*631.0*	-	*631.0*
160	Other assets	283.1	-5.0	278.0
	Total assets	18,344.0	343.4	18,687.4

Unipol Banking Group - Consolidated Statement of Financial Position – Liabilities

	Amounts in €m	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/2014	Adjustments	Unipol Banking Group Consolidated at 31/12/2014
10	Payables to banks	806.1	505.3	1,311.4
20	Payables to customers	6,983.9	-1.1	6,982.8
30	Outstanding securities	4,247.2	-	4,247.2
40	Held-for-trading financial liabilities	2.6	-	2.6
60	Hedging derivatives	84.5	-	84.5
80	Tax liabilities	12.4	-	12.4
	a) current	*11.7*	-	*11.7*
	b) deferred	*0.8*	-	*0.8*
100	Other liabilities	430.2	4.1	434.3
110	Post-employment benefits	18.4	0.0	18.4
120	Provisions for risks and charges:	21.5	-	21.5
	a) pension funds and similar obligations	-	-	-
	b) other provisions	*21.5*	-	*21.5*
140	Valuation reserves	779.3	-531.2	248.1
170	Provisions	-303.7	282.7	-21.0
180	Share premium reserve	1,679.9	-1,393.6	286.3
190	Share capital	3,365.3	-2,280.9	1,084.4
200	Treasury shares	-21.9	21.9	-
210	Shareholders' Equity attributable to non-controlling interests (+/-)	46.0	3,880.8	3,926.8
220	Profit (loss) for the year (+/-)	192.3	-144.7	47.6
	Total liabilities and shareholders' equity	18,344.0	343.4	18,687.4

Unipol Banking Group - Consolidated Income Statement

	Amounts in €m	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/2014	Adjustments	Unipol Banking Group Consolidated at 31/12/2014
10	Interest and similar income	426.9	0.0	426.9
20	Interest and similar expense	-214.4	-12.6	-226.9
30	Net interest income	212.6	-12.5	200.0
40	Commission income	145.0	-0.0	145.0
50	Commission expense	-22.7	-0.0	-22.8
60	Net commission income	122.3	-0.0	122.3
70	Dividends and similar income	0.3	0.0	0.3
80	Net gains on trading	8.8	0.0	8.8
90	Net gains on hedges	0.2	-	0.2
100	Gains (losses) on disposal or repurchase of:	64.6	-	64.6
	a) receivables	*0.0*	-	*0.0*
	b) available-for-sale financial assets	*65.0*	-	*65.0*
	c) held-to-maturity financial assets	-	-	-
	d) financial liabilities	*-0.4*	-	*-0.4*
110	Net gains (losses) on financial assets and liabilities at fair value	0.9	-	0.9
120	Gross operating income	409.6	-12.5	397.1
130	Net impairment losses/reversals on:	-447.7	-	-447.7
	a) receivables	*-396.6*	-	*-396.6*
	b) available-for-sale financial assets	*-48.0*	-	*-48.0*
	c) held-to-maturity financial assets	-	-	-
	d) other financial transactions	*-3.1*	-	*-3.1*
140	Net financial income	-38.1	-12.5	-50.6
180	Administrative expenses:	-354.5	-2.7	-357.2
	a) personnel expenses	*-184.3*	-1.0	*-185.3*
	b) other administrative expenses	*-170.2*	-1.6	*-171.9*
190	Net provisions for risks and charges	-8.9	-	-8.9
200	Net impairment losses/reversals on property, plant and equipment	-7.5	-0.1	-7.6
210	Net impairment losses/reversals on intangible assets	-2.8	-0.0	-2.8
220	Other operating expenses/income	31.2	0.8	32.0
230	Operating expenses	-342.4	-2.1	-344.5
240	Gains (losses) on investments	490.4	-0.0	490.3
260	Value adjustments to goodwill	-0.5	-	-0.5
270	Gains (losses) on disposal of investments	-	-	-
280	Pre-tax profit (loss) on continuing operations	109.4	-14.6	94.7
290	Income tax for the year on continuing operations	85.8	2.8	88.6
300	Profit (loss) for the year on continuing operations after taxes	195.1	-11.9	183.3
310	Profit (loss) for the year on disposal groups	-	-	-
320	Profit (loss) for the year	195.1	-11.9	183.3
330	Profit (loss) for the year attributable to non-controlling interests	-2.8	-132.8	-135.6
340	Profit (loss) for the year attributable to the Parent	192.3	-144.7	47.6

Unipol GRUPPO

Restatement of the Unipol consolidated financial statements based on the Unipol Banking Group consolidation scope

Provided below are the consolidated statement of financial position and consolidated income statement of Unipol at 31 December 2014, prepared in the format pursuant to IVASS Regulation no. 7/2007, indicating the adjustments made following the change in consolidation method for subsidiaries not included in the Unipol Banking Group consolidation scope (change from line-by-line method to equity method) and subsequent post-adjustments restatement of the Unipol consolidated statements at 31 December 2014.
The first column, "Unipol Consolidated Financial Statements at 31/12/2014", shows the values taken from the Unipol Group Consolidated Financial Statements at 31 December 2014, prepared according to the usual formats envisaged in IVASS Regulation no. 7/2007 and applying the consolidation criteria illustrated in the notes to the financial statements (line-by-line consolidation for all subsidiaries except those considered insignificant; equity method for all others) .
The third column, "Unipol Consolidated Financial Statements at 31/12/2014 restated due to consolidation method changes", indicates the consolidated amounts calculated in reference to the same consolidation scope but with application of the line-by-line consolidation method only for companies in the Unipol Banking Group (the values in this column, except for appropriate reclassifications for statements in different formats, correspond to the values seen in the column "Unipol Consolidated Financial Statements at 31/12/2014 (restated for banking regulatory purposes)" included in the Unipol Group's consolidated statements provided in the previous paragraph).
The central column shows the adjustments due to the different consolidation methods.

Consolidated Statement of financial position – Assets

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2014	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2014 restated due to consolidation method changes
1	INTANGIBLE ASSETS	2,133.2	-2,115.1	18.1
1.1	Goodwill	1,581.9	-1,581.9	0.0
1.2	Other intangible assets	551.2	-533.2	18.1
2	PROPERTY, PLANT AND EQUIPMENT	1,521.6	-1,503.8	17.8
2.1	Property	1,364.2	-1,362.9	1.2
2.2	Other tangible assets	157.4	-140.8	16.6
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	988.4	-988.4	0.0
4	INVESTMENTS	77,946.0	-60,847.8	17,098.2
4.1	Investment property	2,645.6	-2,644.5	1.1
4.2	Investments in subsidiaries, associates and interests in joint ventures	177.8	5,542.8	5,720.7
4.3	Held-to-maturity investments	2,238.0	-1,420.0	818.0
4.4	Loans and receivables	14,657.7	-4,814.4	9,843.2
4.5	Available-for-sale financial assets	48,378.1	-47,682.9	695.3
4.6	Financial assets at fair value through profit or loss	9,848.8	-9,828.8	20.0
5	SUNDRY RECEIVABLES	3,594.0	-3,463.9	130.1
5.1	Receivables relating to direct insurance business	1,691.9	-1,691.9	0.0
5.2	Receivables relating to reinsurance business	95.0	-95.0	0.0
5.3	Other receivables	1,807.1	-1,677.1	130.1
6	OTHER ASSETS	1,769.8	-796.6	973.2
6.1	Non-current assets or assets of a disposal group held for sale	9.4	-9.4	0.0
6.2	Deferred acquisition costs	75.6	-75.6	0.0
6.3	Deferred tax assets	1,043.5	-255.0	788.5
6.4	Current tax assets	119.9	-103.8	16.1
6.5	Other assets	521.4	-352.8	168.6
7	CASH AND CASH EQUIVALENTS	674.4	-567.8	106.7
	TOTAL ASSETS	88,627.3	-70,283.3	18,344.0

Consolidated Statement of financial position – Liabilities

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2014	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2014 restated due to consolidation method changes
1	SHAREHOLDERS' EQUITY	8,439.8	-2,702.6	5,737.2
1.1	attributable to the owners of the Parent	5,691.2	0.0	5,691.2
	Share capital and reserves attributable to the owners of the Parent	4,698.7	-0.3	4,698.4
	Gains or losses recognised directly in equity	800.2	0.3	800.5
	Profit (loss) for the year attributable to the owners of the Parent	192.3	0.0	192.3
1.2	attributable to non-controlling interests	2,748.6	-2,702.6	46.0
2	PROVISIONS	643.2	-621.7	21.5
3	TECHNICAL PROVISIONS	61,894.8	-61,894.8	0.0
4	FINANCIAL LIABILITIES	15,459.4	-3,335.8	12,123.6
4.1	Financial liabilities at fair value through profit or loss	2,277.1	-2,190.1	87.1
4.2	Other financial liabilities	13,182.2	-1,145.7	12,036.6
5	PAYABLES	933.0	-845.3	87.7
5.1	Payables arising from direct insurance business	153.7	-153.7	0.0
5.2	Payables arising from reinsurance business	44.1	-44.1	0.0
5.3	Other payables	735.2	-647.4	87.7
6	OTHER LIABILITIES	1,257.2	-883.2	374.0
6.1	Liabilities associated with disposal groups	0.1	-0.1	0.0
6.2	Deferred tax liabilities	101.7	-100.9	0.8
6.3	Current tax liabilities	28.2	-16.6	11.7
6.4	Other liabilities	1,127.2	-765.6	361.6
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	88,627.3	-70,283.3	18,344.0

Consolidated Income Statement

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2014	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2014 restated due to consolidation method changes
1.1	Net premiums	17,766.0	-17,766.0	0.0
1.2	Commission income	116.8	32.3	149.1
1.3	Gains/losses on financial instruments at fair value through profit or loss	84.3	-71.4	12.9
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	7.7	481.8	489.6
1.5	Gains on other financial instruments and investment property	3,421.1	-2,894.0	527.1
1.6	Other revenue	857.8	-801.0	56.8
1	TOTAL REVENUE AND INCOME	22,253.7	-21,018.3	1,235.4
2.1	Net charges relating to claims	-16,024.8	16,024.8	0.0
2.2	Commission expense	-38.4	11.5	-26.9
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	-13.1	11.8	-1.3
2.4	Losses on other financial instruments and investment property	-1,382.1	681.2	-700.9
2.5	Operating expenses	-3,024.7	2,650.0	-374.7
2.6	Other costs	-969.5	947.1	-22.4
2	TOTAL COSTS AND EXPENSES	-21,452.5	20,326.4	-1,126.1
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	801.2	-691.9	109.3
3	Income tax	-293.8	379.6	85.8
	PROFIT (LOSS) FOR THE YEAR AFTER TAXES	507.4	-312.3	195.1
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-2.2	2.2	0.0
	CONSOLIDATED PROFIT (LOSS)	505.2	-310.1	195.1
	of which attributable to the owners of the Parent	192.3	0.0	192.3
	of which attributable to non-controlling interests	312.9	-310.1	2.8

Equity and solvency ratios of the Unipol Banking Group

The following table summarises Equity and the solvency ratios of the Unipol Banking Group, calculated in accordance with the current supervisory regulations for banking groups (EU Regulation no. 575/2013) at 31 December 2014.

Amounts in €m	31/12/2014
Equity	
CET1 capital net of regulatory adjustments	1,487.6
Additional Tier1 capital net of regulatory adjustments	1,101.6
TOTAL TIER 1 CAPITAL	2,589.3
T2 capital net of regulatory adjustments	668.5
TOTAL EQUITY	3,257.7
Risk-weighted assets	
Credit and counterparty risks	13,294.7
Market and regulatory risks	0.1
Operational risks	698.6
Other specific risks	1.5
TOTAL RISK-WEIGHTED ASSETS	13,995.0
Solvency ratios	
CET1 ratio	10.6%
TIER1 ratio	18.5%
TOTAL CAPITAL RATIO	23.3%

CET1 takes into consideration the 2014 profit for the year, net of dividends planned in the proposed allocation of profit approved by the Board of Directors for the consolidated companies.

Equity

Regulations in force for the supervision of banks and banking groups envisage that equity should be broken down into the following capital tiers:

- Tier 1 capital, in turn broken down into:
  - Common Equity Tier 1 (or CET1);
  - Additional Tier 1 (or AT1);
- Tier 2 capital.

The most important in significance and quality terms is CET1, mainly comprising equity instruments (ordinary shares subscribed and paid, net of any treasury shares), related issue premiums, income-related reserves, other comprehensive income (however, valuation reserves for available-for-sale financial instruments were excluded in 2014 and gradually added during the transition period). The equity instruments included in the CET1 calculation must be readily usable without restrictions or delay to hedge risks or cover losses as and when they arise. The characteristics necessary for qualification as CET1 capital include the following:

- maximum level of subordination;
- irredeemability;
- absence of reimbursement privileges and incentives;
- option of suspending coupon and dividend payments at the discretion of the issuer, excluding cumulative rights, and without this being a cause of issuer default.

Prudential filters are applied to CET1 which aim to exclude the effect of certain types of profit and loss. For the Unipol Banking Group these exclude those deriving from cash flow hedge measurement.

The regulations also require that certain elements are deducted from CET1, of which the most important applicable to the Unipol Banking Group include:

- Goodwill, including that implicit in the value of investments, and other intangible assets net of related tax liabilities;
- Deferred tax assets, the recovery of which depends on future profitability deriving from temporary differences (less the part that exceeds the regulatory limit);
- Deferred tax assets, the recovery of which depends on future profitability and which does not derive from temporary differences (full deduction after entry into force; partial deduction in the transition period).

Breakdown of Equity

The table below illustrates the breakdown of Equity at 31 December 2014, with separate indication of the effects of the transitional system.

Amounts in €m	31/12/2014
A. Common Equity Tier 1 (CET1) before application of prudential filters	3,002.5
of which CET1 instruments subject to transitional provisions	0.0
B. CET1 prudential filters (+/-)	0.7
C. CET1 gross of deductible elements and the effects of the transitional system (A+/-B)	3,003.2
D. Elements to be deducted from CET1	1,785.3
E. Transitional system - Impact on CET1 (+/-), including non-controlling interests subject to transitional provisions	269.7
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	1,487.6
G. Additional Tier 1 capital (AT1) gross of deductible elements and the effects of the transitional system	373.6
of which AT1 instruments subject to transitional provisions	0.0
H. Elements to be deducted from AT1	0.0
I. Transitional system - Impact on AT1 (+/-), including instruments issued by associates and included in AT1 due to the effect of transitional provisions	728.0
L. Total Additional Tier1 (AT1) (G - H +/- I)	1,101.6
M. Tier 2 capital (T2) gross of deductible elements and the effects of the transitional system	205.4
of which T2 instruments subject to transitional provisions	0.0
N. Elements to be deducted from T2	0.0
O. Transitional system - Impact on T2 (+/-), including instruments issued by associates and included in T2 due to the effect of transitional provisions	463.1
P. Total Tier 2 capital (T2) (M - N +/- O)	668.5
Q. Total Equity (F + L + P)	3,257.7

A statement of reconciliation between regulatory equity and items of the consolidated statement of financial position used for the related calculation is provided below.
For every equity component used in the calculation of Equity, the column “Financial statement item” indicates the reference item in the consolidated statement of financial position of the Unipol Banking Group in which the component is recognised.

Reconciliation between Equity and Consolidated Statement of Financial Position of the Unipol Banking Group

Financial statement item	*Amounts in €m*	31/12/2014
Liabilities 190	Share capital (ordinary shares)	1,084.4
Liabilities 180	Share premium reserve	286.3
Liabilities 170	Reserves	-21.0
Liabilities 140	Valuation reserves	248.1
Liabilities 210	Non-controlling interests included in Tier1 (excluding transitional effects)	1,383.5
Liabilities 220	Profit for the period	47.6
	Proposed dividends	-26.5
	CET1 before regulatory adjustments	3,002.5
Liabilities 140	Exclusion of income-related reserves generated by cash flow hedges	0.7
	CET1 prudential filters	0.7
Assets 130	Deduction of intangible assets	-351.4
Assets 100	Deduction of goodwill implicit in investments, net of related taxes	-1,422.6
Assets 140b)	Deduction of deferred tax assets dependent on future profitability, excluding those deriving from temporary differences	-6.4
Assets 140b)	Deduction of deferred tax assets deriving from temporary differences (amount higher than the limit set in Art. 48, paragraph 1, letter a) of the CRR)	-4.8
	Elements to be deducted from CET1	-1,785.3
Assets 140b)	Recovery of deferred tax assets deriving from temporary differences	4.8
Assets 140b)	Recovery of 80% of other deferred tax assets dependent on future profitability	5.1
Liabilities 140	Exclusion of available-for-sale unrealised gains and losses	-247.9
Liabilities 210	Non-controlling interests included in Tier1 from the transitional system	507.6
	Effects of transitional system on CET1	269.7
	Common Equity Tier 1 - CET1	1,487.6
Liabilities 210	Tier 1 capital issued by subsidiaries and held by third parties	373.6
Liabilities 210	Tier 1 instruments issued by subsidiaries and included as a result of the transitional system	728.0
	Additional Capital 1 - AT1	1,101.6
	Tier 1 capital (T1 = CET1 + AT1)	2,589.3
Liabilities 30	Tier 2 instruments issued by subsidiaries and held by third parties	205.4
	Tier 2 capital before regulatory adjustments	205.4
	Tier 2 instruments issued by associates and included in the transitional system calculation	173.5
	Share of AFS unrealised gains and losses, including portion attributable to non-controlling interests, included as a result of the transitional system	289.6
	Effects of transitional system on T2	463.1
	Tier 2 capital (T2)	668.5
	Total Shareholders' Equity - Total Capital (TC = T1 + T2)	3,257.7

AT1 is made up of the non-controlling interests' portion represented by UGF preference shares.
Tier 2 equity instruments are subordinated liabilities issued by Unipol Banca and held by third parties, the characteristics of which are summarised in the following table.

Tier 2 Equity Instruments

Issuer	Issue date	Maturity	Nominal issue value *(amounts in €)*	Fixed/floating coupons	Coupon rate (annual gross)	First early repayment date	Contribution to consolidated Shareholders' Equity *(in €m)*
Unipol Banca	01/09/2005	01/09/2015	50,000,000.00	Fixed rate	3.60%	01/09/2010	5.5
Unipol Banca	15/01/2007	15/01/2017	85,000,000.00	Floating rate	3M Euribor (actual/360) + 0.20% spread	15/01/2012	27.3
Unipol Banca	15/01/2007	15/01/2017	15,000,000.00	Fixed rate	4.40%	15/01/2012	5.0
Unipol Banca	05/12/2007	05/12/2017	63,000,000.00	Floating rate	3M Euribor (actual/360) + 0.30% spread	05/12/2012	25.5
Unipol Banca	05/12/2007	05/12/2017	7,000,000.00	Fixed rate	4.80%	05/12/2012	3.4
Unipol Banca	24/08/2009	24/08/2019	25,000,000.00	Fixed rate	4.50%	24/08/2014	18.9
Unipol Banca	12/10/2009	12/10/2019	50,000,000.00	Fixed rate	4.50%	12/10/2014	39.3
Unipol Banca	17/12/2009	17/12/2019	300,000,000.00	Floating rate	quarterly avg. 3M Euribor (actual/365) + 6.4%	N/A	254.0
Total Tier 2 instruments							378.9

Capital requirements

Qualitative information

The Unipol Banking Group is subject to the minimum regulatory capitalisation requirements defined in European and Italian regulations on prudential supervision.
A preliminary measure in the risk management process is the Risk Appetite definition, by which the Parent Company defines and formalises the risk objectives and any tolerance thresholds at Banking Group level, and - if considered appropriate for consistent pursuit and maintenance of the desired risk profile as part of the capital allocation process - also at the level of each company in the Banking consolidation. These indicators are governed in a specific document known as the Risk Appetite Statement and envisage at least the following elements:

- Capital at risk;
- Capital adequacy;
- Liquidity;
- Financial leverage;
- Compliance;
- Reputational and strategic risks;
- Operational risk.

The Risk Appetite definition process is associated with the definition process for the Business Plan and the Budget. This is an iterative process designed to gradually align the multi-year developments in income and equity variables with the risk management objectives.
Risk Appetite monitoring is performed quarterly and the results are reported to the Board of Directors. The total Risk Appetite is determined in line with the current and forward-looking capital adequacy assessment process contained in the ICAAP report.

The self-assessment process involves the following steps:

- risk identification: identification of the risks to which every company in the Banking Group is, or could be, exposed in relation to conducting its own business activities and to the reference markets, and identification of the significant risks to be assessed. This activity is performed in line with the RAF;
- current and forward-looking measurement of risks and internal capital: measurement of significant Pillar I and II risks and the performance of stress tests, with subsequent calculation of the internal capital for each significant risk;
- current and forward-looking calculation of total internal capital: aggregation of the capital components of every risk to determine both the current and forward-looking total internal capital;
- reconciliation between total capital and regulatory capital: identification of the accounting items that make up the total capital and reconciliation with the equity components;
- current and forward-looking capital adequacy assessment: assessment of the capital ratios in line with Bank of Italy regulatory instructions and verification that equity is sufficient to cover the total capital, and assessment of the forward-looking capital adequacy;
- self-assessment of risk undertaking and management processes: indication of the governance, organisational and operational aspects underlying the risk undertaking-management process and definition of a summary opinion on the adequacy of the process;
- report preparation: gathering of information from the functions involved in the process and preparation of the final summary report;
- process compliance assessment: ongoing verification of the compliance of the entire process with external regulations;
- process review: verification of the approach, correct application of the process and its compliance with regulatory instructions;
- report examination: examination of the report by the Group's Risks Committee;
- report approval: presentation of the report to the Board of Directors for approval;
- reporting/monitoring: periodic monitoring of the actions taken to solve critical issues emerging from the self-assessment; periodic monitoring of the capital absorption level and the preparation of reports on control of the operating limits set after definition of the Risk Appetite and the strategic guidelines approved by the Board of Directors.

Significant risks, or those risks whose consequences can undermine Banking Group solvency or constitute a serious obstacle to achieving its objectives, are classified according to a method that takes account both of Group structure and the specific nature of the business managed by the Bank. These risks are:

- credit risk;
- counterparty risk;
- market risk
- operational risk;
- banking book interest rate risk;
- liquidity risk;
- concentration risk;
- residual risk;
- compliance risk;
- strategic risk;
- reputational risk;
- financial leverage risk.

Risk identification starts with meticulous work performed continuously by the Parent's Risk Management function in coordination with the structures of the Banking Group companies, through: *i)* continuous monitoring of business operations, the organisational structure, strategies and the adopted business model; *ii)* careful examination of the internal and external regulations, suitably enhanced by ongoing information gathering performed internally and externally by the function, also through participation in trade and sector associations, specialist conferences, studies and research.

In order to determine the Total Internal Capital, the Banking Group deemed it appropriate to comply with the guidelines issued in Bank of Italy Circular 285/13, adopting the easiest calculation methods permitted to intermediaries in their class[5] for ICAAP purposes and applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority.

The capital adequacy assessments are performed in reference to the year-end position and the forward-looking position in line with budget forecasts. These assessments are conducted on three different levels, namely:

- Pillar I
- Pillar I + Pillar II
- Pillar I + Pillar II + Stress Test

The Total Internal Capital is determined by means of a building block approach, which consists in adding together the regulatory requirements for Pillar I risks, the internal capital for Pillar II risks and the results of stress tests (conducted on both risk classes).

With reference to the year-end position for 2014, the capital adequacy assessment shows the following position at Banking Group level:

- the capital ratios calculated according to prudential supervisory regulations show the following values (including conservation capital):
  - CET 1 ratio 10.63%;
  - Tier 1 ratio 18.50%;
  - Total capital ratio 23.28%;
- the Equity surplus compared to the Total Internal Capital, as defined above, is approximately 57%.

With regard to 2015, the capital requirements are estimated by taking into account - amongst other things - the effects of transitional rules in application in the period under review, as well as the effects of the planned conversion of UGF preference shares into ordinary shares. Based on the estimations, it is considered that the forecast equity will be more than sufficient to cover the capital requirements estimated at the end of 2015.

[5] The Group qualifies as class 2: banking groups and banks that use standardised procedures, with consolidated or individual assets exceeding €3.5bn.

Quantitative information

The table below shows the breakdown of capital requirements at 31 December 2014.

Capital requirements *Amounts in €m*	Amounts not weighted	Amounts weighted	Requirements
A. REGULATORY CAPITAL REQUIREMENTS			
A.1 Credit risk and counterparty risk	18,224.7	13,294.7	1,063.6
1. Standardised approach	18,224.6	13,294.6	1,063.6
4. Securitisations	0.1	0.1	0.0
A.2 Credit risk - credit assessment adjustment		1.5	0.1
A.3 Regulatory risk		-	-
A.4 Market risk		0.1	0.0
1. Standardised approach		0.1	0.0
A.5. Concentration risk			
A.6 Operational risk		698.6	55.9
1. Basic approach		698.6	55.9
A.7 Other prudential requirements		-	-
A.8 Total prudential requirements		13,995.0	1,119.6
B. SOLVENCY RATIOS (%)			
B.1 Common Equity Tier 1 ratio			10.63%
B.2 Tier 1 ratio			18.50%
B.3 Total capital ratio			23.28%

As regards the calculation of credit and market risks, the Unipol Banking Group uses the standardised approach. Operational risk is instead calculated using the basic approach.

Capital requirements for Credit Risk and Counterparty Risk

The Unipol Banking Group uses the ECAI Moody's to calculate credit risk according to the standardised approach.

The choice of ECAIs apply to the following regulatory portfolios:

Portfolios	ECA/ECAI	Rating characteristics (*)
Exposure to central administrations and central banks	Moody's	Solicited and Unsolicited
Exposure to multilateral development banks	Moody's	Solicited and Unsolicited
Exposure to businesses and other parties	Moody's	Solicited
Exposure to UCITS	Moody's	Solicited
Positions in securitisations with a short-term rating	Moody's	-
Positions in securitisations other than those with short-term ratings	Moody's	-

(*) Solicited or Unsolicited

With regard to counterparty risk generated by OTC derivative transactions, the Group only uses hedging derivatives with leading counterparties on the market with which it has signed Credit Support Annex agreements.

The banking counterparty assignment process envisages that the proposal is assessed using a model that contemplates country risk, the counterparty rating, the credit derivative spread (if available) and the counterparty's capitalisation level. The assignment proposals and counterparty assessment are submitted to the Unipol Group's Credit Risks Committee, which expresses its mandatory but not binding opinion. The proposal then follows the normal decision-making process.

Regulatory portfolio *Amounts in €m*	Capital requirements 31/12/2014
Exposure to or guaranteed by central administrations and central banks	80.3
Exposure to or guaranteed by regional administrations or local authorities	0.3
Exposure to or guaranteed by public sector entities	1.5
Exposure to or guaranteed by multilateral development banks	
Exposure to or guaranteed by international organisations	
Exposure to or guaranteed by supervised intermediaries	15.5
Exposure to or guaranteed by businesses	199.0
Retail exposures	81.5
Exposures guaranteed by property	99.0
Exposures with default status	213.5
High-risk exposures	6.8
Exposures in the form of covered bonds	
Short-term exposures to businesses or supervised intermediaries	
Exposures to UCITS	0.8
Exposures to equity instruments	350.9
Other exposures	14.5
Total capital requirements for credit risk and counterparty risk (Standardised Approach)	1,063.6

Value adjustments to loans

Qualitative disclosure

Consistent with Supervisory regulations, “performing past due loans” are defined as cash and off-balance sheet exposures that are past due or unpaid for no more than 90 days, or past due or unpaid by more than 90 days provided that the past due portion does not exceed the significance threshold of 5% of exposure, calculated in accordance with applicable supervisory instructions governing the detailed technical calculation methods.

Vice versa, “impaired loans” are divided into the following risk categories:

- past due loans - past due or unpaid by more than 90 days (other than exposures classed as bad or doubtful, substandard or restructured), with a past due portion exceeding the significance level of 5% (as determined above);
- substandard loans;
- restructured loans;
- bad and doubtful loans.

The recognition and classification of loans in certain risk categories is performed automatically by the Unipol Banca operating system, in accordance with criteria dictated by the Bank of Italy. These automated procedures refer to: (i) performing past due exposures; (ii) impaired past due exposures; (iii) exposures qualifying as “objective substandard”, i.e. identified on the basis of the past due duration criterion: more than 150 days for exposures originating from consumer credit transactions with a maturity of less than 36 months; over 180 days for consumer credit transactions with a maturity of more than 36 months; or even past due by more than 270 days and for amounts at least equal to 10% of the amount agreed, excluding mortgage loans to individuals for home purchase.

Classification as substandard, applied on the basis of additional criteria established by the Bank of Italy, and classification as restructured and bad or doubtful, are instead proposed and decided by the relevant corporate structures, as identified in internal regulations, based on specific customer position assessments. When the classification decision is made, a further estimate is made regarding the extent of expected losses based on available valuation elements (the equity, financial and economic position of the customer and the joint debtors, market trends, the deposit value of any guarantees, etc.) and on criteria established in internal provisioning regulations. The structures responsible for position management arrange periodic updates to the loss estimates as the position develops. The estimates form the calculation basis for any value adjustments to be recognised in the financial statements.

Unlike the action taken for impaired loans (past due, substandard, restructured and bad or doubtful), the loss estimates for which originate from analytical valuation, performing exposures and those subject to country risk are subject to collective measurement.

The analytical valuation process for impaired loans consists in discounting (at the original effective interest rate) of cash flows expected by way of principal and interest, taking into account any guarantees assisting the loan. The negative difference between the present value of the loan and its carrying amount (amortised cost) at the time it is measured constitutes the estimated loss that results in a subsequent value adjustment being recognised in the income statement.

The original value of the loans is reinstated in subsequent years only in the event that the reasons that led to the estimated loss in question no longer exist. Impairment losses are recognised up to an amount not exceeding the carrying amount that it would have had if the amortised cost had been applied without prior adjustments.

Receivables for which there is no individual objective evidence of impairment are measured collectively according to standardised category of credit risk based on a matrix breakdown of customers by segment and rating classes assigned by the Credit Rating System (CRS) of Cedacri (Unipol Banca outsourcer). The value of the intrinsic loss for each standardised category is calculated by applying probability of default (PD) and Loss Given Default (LGD) ascertained through analyses and estimates made available by Cedacri on a consortium basis.

For Group companies that do not make use of the outsourcer Cedacri, performing loans and those subject to country risk are measured collectively by standardised category of credit risk, identified on the basis of a matrix breakdown by customer segment and product type. The value of the intrinsic loss for each standardised category is calculated by applying percentage loss indices ascertained through time-series performance analysis of that category.

The loss estimates and subsequent value adjustments determined according to the collective measurement method are recognised in item 130 of the income statement. In subsequent periods any additional adjustments or reversals of impairment losses are determined using the differential method by reference to the entire loan portfolio measured as a whole.

The guarantees given by the Bank and commitments undertaken with third parties are measured analytically and collectively in a manner similar to that used for loan valuation.

Quantitative disclosure

Breakdown of credit exposure by portfolio and by credit quality (carrying amounts):

Amounts in €m	Banking Group						Other		
Portfolio/Quality	bad and doubtful	substandard	restructured exposures	impaired past due exposures	performing past due exposures	other assets	impaired	other	Total
1. Held-for-trading financial assets	-	-	-	-	-	12.0	-	-	12.0
2. Available-for-sale financial assets	-	-	-	-	-	621.8	-	-	621.8
3. Held-to-maturity investments	-	-	-	-	-	818.0	-	-	818.0
4. Receivables from banks	-	-	-	-	-	443.5	-	-	443.5
5. Receivables from customers	1,140.3	928.6	121.3	77.1	371.5	6,799.3	-	-	9,438.1
6. Financial assets at fair value	-	-	-	-	-	-	-	-	-
7. Discontinued financial assets	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	8	-	-	7.9
Total 2014	1,140.3	928.6	121.3	77.1	371.5	8,702.5	-	-	11,341.3

Cash credit exposure to customers: total value adjustments trend

Amounts in €m

Reason/Category	Bad and doubtful	Substandard	Restructured exposures	Past due exposures
Total adjustments - opening balance	953.0	186.8	13.0	4.7
- of which: exposures transferred but not written off	29.1	3.1	0.2	0.4
B. Increases	496.7	104.3	31.5	3.9
B.1. value adjustments	336.0	89.1	21.4	2.1
B.1.bis losses on disposal	-	-	-	-
B.2. transfers from other classes of impaired exposures	81.3	1.3	-	0.0
B.3. other increases	79.4	13.9	10.1	1.7
C. Decreases	40.8	87.1	3.6	4.8
C.1. reversals of unrealised losses	24.8	5.6	2.4	3.0
C.2. reversals on collection	2.8	-	-	0.0
C.2.bis gains on disposal	-	-	-	0.0
C.3. write-offs	11.0	0.6	0.7	0.0
C.4. transfers to other classes of impaired exposures	0.9	79.9	0.5	1.3
C.5. other decreases	1.2	1.0	-	0.5
D. Total adjustments - closing balance	1,409.0	204.0	40.9	3.8
- of which: exposures transferred but not written off	18.4	2.1	-	0.0

Cash credit exposure to customers: coverage ratio

The following table illustrates the coverage ratio of cash credit exposure to customers.

Amounts in €m	Gross exposure	Total value adjustments	Net exposure	Coverage ratio
Bad and doubtful	2,547.8	1,407.5	1,140.3	55.2%
Substandard	1,132.5	204.0	928.6	18.0%
Restructured	162.2	40.9	121.3	25.2%
Impaired past due exposures	80.9	3.8	77.1	4.7%
Other loans	7,243.9	73.1	7,170.8	1.0%
Total receivables from customers	11,167.4	1,729.3	9,438.1	15.5%
of which subject to indemnity	1,104.2	634.1	470.1	57.4%

The line “of which subject to indemnity” summarises the values for cash credit exposures covered by an indemnity agreement between the Parent Unipol and the subsidiary Unipol Banca, details of which are provided in the following paragraph.

Credit indemnity agreement between the Parent Unipol and the subsidiary Unipol Banca

As part of the capital consolidation transactions of the subsidiary Unipol Banca, in 2011 the Parent Unipol signed indemnity agreements with Unipol Banca and Unipol Merchant (a company at that time a subsidiary of Unipol Banca, whose business activities were involved in a partial spin-off to Unipol Banca and which was later merged into the latter), effective from 30 June 2011 and relating to a certain credit limit, largely mortgage-related, for a total of €547m at that date. The agreements were later amended and extended to additional net loans. Specifically:

- on 10 February 2012, with effect from 31 December 2011, the agreement was extended to additional loans for a value of €47.7m;
- on 7 August 2014, with effect from 30 June 2014, the original arrangements contained in separate agreements were incorporated with amendments into a single Indemnity Agreement, and the indemnity provisions were extended to additional net loans for €192m;
- on 11 February 2015, with effect from 31 December 2014, the Indemnity Agreement was again extended to additional net impaired loans for a value of €201m.

Under the Indemnity Agreement, Unipol is committed to paying Unipol Banca the principal and interest amounts (only the portion already accrued at the starting date of the related indemnity commitment) relating to the aforementioned credit positions that the Bank is unable to collect after all possible credit recovery action has been taken, including legal action, as envisaged by law, up to the maximum amount (capital and interest) equal to the carrying amount of these loans at the start date of the related indemnity commitment (Maximum Guaranteed Amount). The Maximum Guaranteed Amount reduces by an extent equal to collections obtained by Unipol Banca in relation to the loans subject to indemnity.
As a result of the extensions listed above and taking into account any payments received in the meantime, the Maximum Guaranteed Amount owed by the Parent Unipol totalled €908m at 31 December 2014.
The agreement will be valid until 31 December 2024 or until the date, if earlier, that i) Unipol Banca receives full repayment of the loans or ii) the Maximum Guaranteed Amount equals zero.

Against the commitments undertaken by Unipol, Unipol Banca pays Unipol a quarterly commission of 0.75% calculated on an amount corresponding to Unipol’s existing commitment (this particularly high percentage entered into force on 1 January 2014, compared to the 0.25% quarterly commission agreed originally). The total commission due to Unipol for 2014 was €18.5m.

In relation to the Indemnity Agreement, the separate financial statements of the Parent Unipol at 31 December 2014 recognised a provision for risks totalling €492.7m (of which €488.5m for cash exposures and €4.2m for unsecured exposures), with a negative impact on the 2014 income statement of €196m.

The following table provides details of the loans portfolio subject to indemnity and the related coverage.

Amounts in €m	Gross exposure	Bank adjustments	Parent adjustments	Total adjustments	Net exposure	Coverage ratio
Bad and doubtful	893.8	136.4	448.9	585.4	308.5	65.5%
Substandard	210.4	9.2	39.5	48.7	161.6	23.2%
Restructured	0.0	0.0	0.0	0.0	0.0	
Impaired past due exposures	0.0	0.0	0.0	0.0	0.0	
Other loans	0.0	0.0	0.0	0.0	0.0	
Total	1,104.2	145.6	488.5	634.1	470.1	57.4%

In addition to the cash exposures mentioned above, the agreement also covers the following unsecured exposures.

Amounts in €m	Gross exposure	Bank adjustments	Parent adjustments	Total adjustments	Net exposure	Coverage ratio
Bad and doubtful	6.0	0.0	4.0	4.0	2.0	66.7%
Substandard	0.0	0.0	0.0	0.0	0.0	10.3%
Restructured	0.0	0.0	0.0	0.0	0.0	
Impaired past due exposures	0.0	0.0	0.0	0.0	0.0	
Other loans	0.0	0.0	0.0	0.0	0.0	
Total	6.0	0.0	4.0	4.0	2.0	66.7%

Statement on the Consolidated Financial Statements

(in accordance with Article 81-ter of Consob Regulation 11971/1999)

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

1. The undersigned, Carlo Cimbri, as Chief Executive Officer, and Maurizio Castellina, as Manager in charge of financial reporting of Unipol Gruppo Finanziario S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998 :

   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the administrative and accounting procedures for preparation of the consolidated financial statements for 2014.

2. The assessment of the adequacy of the administrative and accounting procedures for preparing the consolidated financial statements for the year ended 31 December 2014 is based on a process defined by Unipol Gruppo Finanziario S.p.A., inspired by the COSO Framework (Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organisations of the Treadway Commission and, as regards the IT component, by the COBIT Framework (Control OBjectives for IT and related technology), unanimously recognised as the reference standards for the implementation and evaluation of internal control systems.

3. It is also certified that:

   3.1. the consolidated financial statements at 31 December 2014:

   – were drafted in compliance with the International Accounting Standards recognised in the European Community in accordance with EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002, and Legislative Decree no. 38/2005, Legislative Decree no. 209/2005 and the applicable ISVAP provisions, regulations and circulars;

   – correspond to the book results and accounting records;

   – are suitable to provide a true and fair view of the equity, economic and financial situation of the issuer and of the consolidated companies;

   3.2. the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer and the group of consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Bologna, 19 March 2015

The Chief Executive Officer

Carlo Cimbri

The Manager in charge of financial reporting

Maurizio Castellina

(signed on the original)

Additional information on significant event occurred after approval of the Consolidated Financial Statement at 31 december 2014

Additional information on the significant events occurred after approval of the Consolidated Financial Statements at 31 December 2014

Proceedings in progress with the Antitrust Authority

On 26 March 2015 the Antitrust Authority notified a penalty provision with which UnipolSai Assicurazioni was ordered to pay an administrative penalty of €16,930,031 on the assumption according to which Fondiaria-SAI and Unipol Assicurazioni were allegedly party to, along with the Generali Group, an agreement restricting competition that was aimed at misrepresenting the competition in the local public transport MV TPL policy sector in the years 2010-2014. This is the order issued at the end of preliminary proceedings no. I/744 that had been brought by the Antitrust Authority to ascertain the existence of presumed infringements of Art. 2 of Law 287/1990 and/or Art. 101 of the Treaty on the Functioning of the European Union, about which information was provided in the notes to these Consolidated Financial Statements in chapter 3, Notes to the Statement of Financial Position and paragraph 2 Provisions - Ongoing disputes and contingent liabilities.

It is the opinion of the Antitrust Authority that the agreement consisted of the non-participation in a given number of tenders called by several Local Public transport Companies to assign MV TPL insurance services for the purpose of preventing a competitive comparison and retaining the historically served customers through bilateral negotiations.

As UnipolSai considers the order entirely groundless, it gave its legal counsel a mandate to file an appeal before the Regional Administrative Court of Lazio.

Independent Auditors’ Report

AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 39 of 27 JANUARY 2010

To the Shareholders of
Unipol Gruppo Finanziario SpA

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

1 We have audited the consolidated financial statements, which comprise the statement of financial position, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity, the statement of cash flows and the related notes of Unipol Gruppo Finanziario SpA and its subsidiaries ("Unipol Group") for the year ended 31 December 2014. The directors of Unipol Gruppo Finanziario SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulation issued to implement Article 9 of Legislative Decree 38 of 2005. 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 and criteria recommended by CONSOB (the Italian Commission for listed Companies and the Stock Exchange). In accordance with those standards and criteria, the audit has been planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements and whether they are fairly presented, when considered as a whole. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the accounting principles used and the reasonableness of estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which data are presented for comparative purposes, reference is made to our report dated 7 April 2014.

3 In our opinion, the consolidated financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2014 are in accordance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulation issued to implement Article 9 of Legislative Decree 38 of 2005; accordingly, they have been prepared clearly and they give a true and fair view of the consolidated financial position, the consolidated financial performance and the consolidated cash flows of Unipol Group for the year then ended.

4 The directors of Unipol Gruppo Finanziario SpA are responsible for the preparation of the management report and of the report on corporate governance and ownership structures available in Unipol Gruppo Finanziario SpA web-site section "*Corporate Governance*", in

PricewaterhouseCoopers SpA

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accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the management report and of the information required by paragraph 1, sub-paragraphs c), d), f), l), m) and by paragraph 2, sub-paragraph b) of Article 123-bis of the Legislative Decree 58 of 1998, contained in the report on corporate governance and ownership structures, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the management report and the information required by paragraph 1, sub-paragraphs c), d), f), l), m) and by paragraph 2, sub-paragraph b) of Article 123-bis of Legislative Decree 58 of 1998, contained in the report on corporate governance and ownership structures are consistent with the consolidated financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2014.

Milan, 10 April 2015

PricewaterhouseCoopers SpA

Signed by

Angelo Giudici
(Partner)

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

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

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

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

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