Unipol
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Always here, to draw the future.

2015 Consolidated Financial Statements

Unipol Gruppo Finanziario

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2015

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GRUPPO

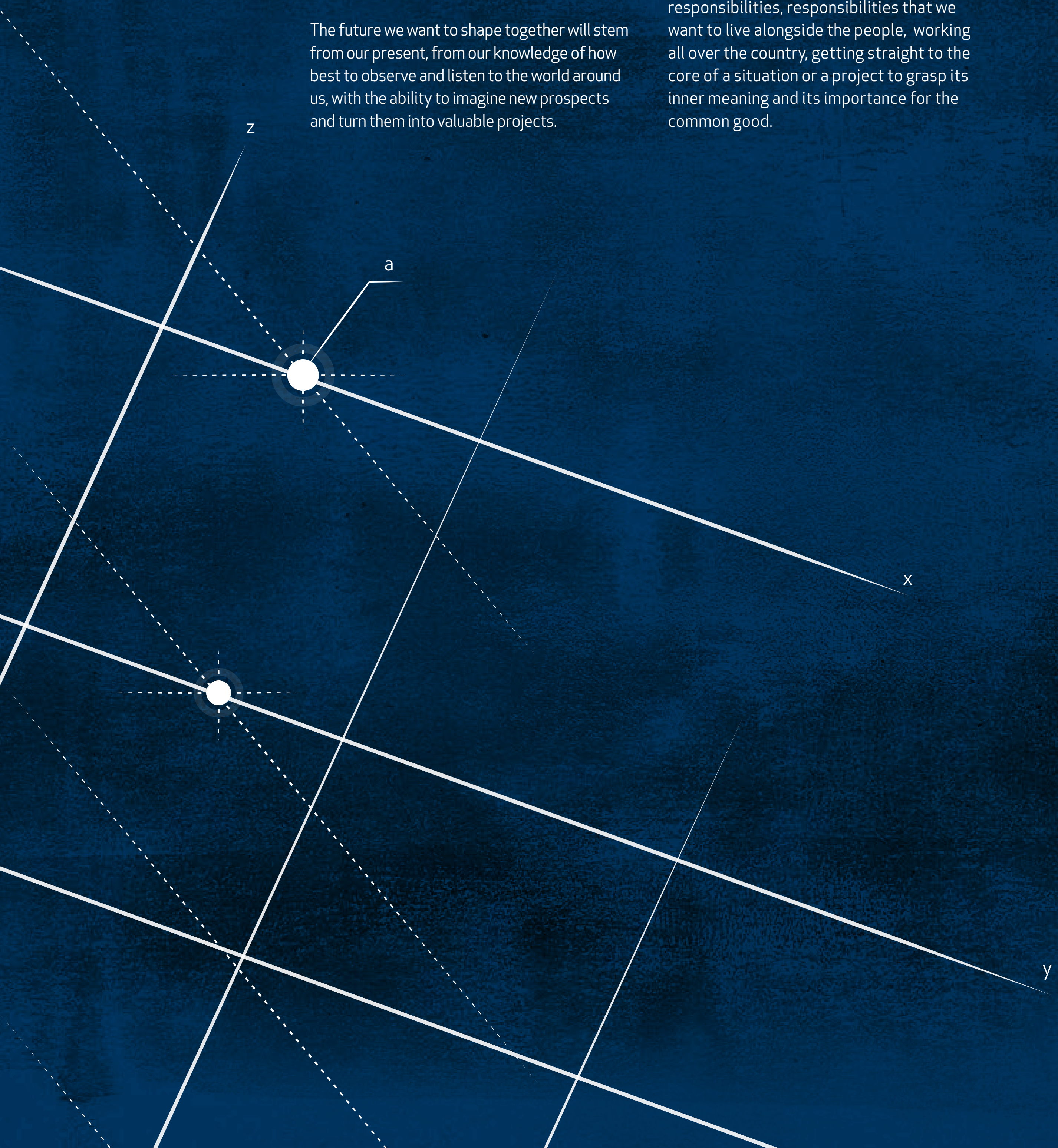
Always here, to draw the future.

An important year, a financial year that delivered good results and marked the completion of a very positive three-year plan, allowing the Unipol Group to step into a new operating and market dimension.
This is the Unipol Group's year 2015: steady commitment to here and now that has the power to build upon progress made while looking forward to a future to draw together with those who rely on us every day.

The future we want to shape together will stem from our present, from our knowledge of how best to observe and listen to the world around us, with the ability to imagine new prospects and turn them into valuable projects.

The images we have created for our 2015 financial statements express our closeness to people, their needs and what is dear to them, as well as to those actively engaged in the development of our country and society. A solid path built day by day together with our networks, shareholders, suppliers, institutions and the community.

This shows how aware we are of our great responsibilities, responsibilities that we want to live alongside the people, working all over the country, getting straight to the core of a situation or a project to grasp its inner meaning and its importance for the common good.



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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	Paola Manes
		Francesco Berardini	Pier Luigi Morara
		Paolo Cattabiani	Milo Pacchioni
		Piero Collina	Maria Antonietta Pasquariello
		Sergio Costalli	Elisabetta Righini
		Ernesto Dalle Rive	Francesco Saporito
		Massimo Di Menna	Adriano Turrini
		Guido Galardi	Marco Giuseppe Venturi
		Giuseppina Gualtieri	Rossana Zambelli
		Claudio Levorato	Carlo Zini
		Ivan Malavasi	Mario Zucchelli
	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

In 2015 the global economy recorded growth just above 3%, slightly less than in 2014.
Different elements with the potential to derail the world economic recovery have come to the fore last year: from increasing geopolitical tensions in the Middle East and North Africa, related to the rise of fundamentalist terrorism, to the still unresolved question of the Greek debt and the slowdown in emerging countries. The sharp drop in oil prices, reflecting the excess of supply over demand, is another symptom of the distress of the global economy.

In the first quarter of 2015, in the light of low inflation, the European Central Bank (ECB) started a programme of purchases on the secondary market of the bonds issued by eurozone countries with a maturity between two and thirty years (Quantitative Easing), which has resulted in an increase in the monetary basis. The monthly amount of these purchases was set to €60bn; the programme, initially due to end in September 2016, was extended at least until March 2017. At its December 2015 meeting, the ECB cut the rate paid to commercial banks on the funds held in their treasury accounts from -0.20% to -0.30%. The objective of these initiatives was to encourage the banking system to provide more credit to the real economy.
Despite these measures, the dynamics of consumer prices in the eurozone has remained unsatisfactory: provisional data for January 2016 show only a modest increase, 0.4% on an annual basis. Overall, in the third quarter of 2015, the annualised growth rate of Gross Domestic Product (GDP) for the 19 countries of the eurozone was 1.6%. In December, the unemployment rate fell to 11.4%. Activity levels are supported by the ECB's policies, less restrictive fiscal policies and growing domestic demand.

In the US, the GDP growth rate is estimated to have been close to 2.5% in 2015. In this country, economic activity was supported by the increase in domestic consumption, the result of the increase in households' disposable income, in its turn boosted by the ongoing fall in unemployment (5% in December). Inflation remains very low (0.3% in December).
On the basis of the US economic scenario, the Federal Reserve (FED), at its December meeting, increased the Fed Funds rate by 25 basis points, seven years after it had cut them to almost zero. The Fed has made clear that the process of normalisation of monetary policy will be "gradual" and will depend on the evolution of the domestic economy and the international context.
China is undergoing a process of re-orientation of its development model, with the objective of eventually turning domestic demand into the engine of economic growth, today led by investments and exports. There was a slight slowdown in China's GDP growth in 2015 (6.9%). There are also potential risks from excessive borrowing of the Chinese private sector.
In 2015 some emerging countries suffered from the significant drop in oil prices (Russia and OPEC countries in general). On another front, the strengthening of the dollar caused tensions in those countries that in the past had made most use of loans denominated in the US currency.

After a recession lasting about three years, the Italian economy began growing again in 2015. Among the elements that have underpinned this recovery, there was a less restrictive tax policy and the recovery of domestic demand led by the substantial drop of oil prices and a first increase in employment (+0.5% in December 2015 with respect to the previous year). As a result of the ECB's initiative, the cost of servicing the public debt has decreased, providing some room for manoeuvre towards more expansionary fiscal policies. However, Italian public sector debt has continued to grow and at the end of 2015 it attained a new record, over €2.2 trillion.
An element of potential instability for Italy is the high ratio of impaired loans to total loans disbursed by the Italian banking system, a situation highlighted during the recent rescue of four small banks. It is a legacy of the long recession experienced by Italy. The Italian government has intervened on this issue, outlining a plan for the transfer of these assets, partly covered by a public guarantee, within the constraints set by European regulations.

Financial markets

In 2015 there was a downward shift in the short end of the interest rate curve on the money market. The rates at the longer end moved in the opposite direction, increasing marginally. With regard to government bond yields, the yield curve for German government bonds has gradually become steeper as short rates fell and long rates recorded modest increases. The whole yield curve of Italian government bonds has shifted downwards. The yield spread between Italian and German bonds narrowed last year, more for the longest maturities (over 10 years) than at the short end.
The euro started the year 2015 at 1.21 to the dollar, then weakened, and at 31 December it was just below 1.09. This trend reflects the divergent monetary policies pursued on the two sides of the Atlantic, as well as, since the autumn, the overlapping effects of the fall of oil prices and the slowdown of the world economy.

With market rates extremely low, both for macroeconomic reasons and for the direct intervention of the central banks, the performance of European stock markets in 2015 was moderately positive: the Eurostoxx 50 index, which represents the performance of the stocks with the largest market capitalisation in the eurozone, was up by 3.8% (+5.4% in the fourth quarter). Over the year, the German DAX stock market index was up 9.6% (+11.2% in the fourth quarter), while the FTSE MIB Index of the Milan stock exchange rose by 12.7% (+0.6% in the fourth quarter). The performance of the IBEX Index of Madrid was instead negative, with a 7.2% drop over the year (-0.2% in the fourth quarter).
Looking outside Europe, the Standard & Poor's 500 index, which represents the performance of the largest listed companies in the US, was down 0.7% (+6.5% in the fourth quarter), while in Japan the Nikkei index was up 9.1% in 2015 (+9.5% in the fourth quarter).
Lastly, looking at the stock exchanges of the emerging markets, the most significant index, the Morgan Stanley Emerging Market, fell by 8% in 2015 (+1.1% in the fourth quarter).

The iTraxx Senior Financial index, representing the average spread of financial sector companies with a high credit rating, fell by 18.8 basis points, from 95.6 to 76.8 at the end of the fourth quarter. In 2015, the index increased from 67.4 to 76.8, equivalent to a 9.4 basis points widening of the spread. The improvement in the last quarter of the year is essentially due to the increasing evidence of US economic growth, the partial abating of financial turbulence in China and the new unconventional monetary policy measures implemented by the ECB.

Insurance sector

In 2015 the volume of Non-Life insurance premiums recorded another decrease, while the Life business continued to expand, even if more slowly than in previous years.

There was a 1.5% decrease in activity on the Non-Life business (including cross-border operations), in the first three quarters of 2015, with respect to the same period in 2014. The decline was concentrated in the MV segment, with MV TPL falling by 6.8%: this seems due to the high rate of competition of the sector, as a result of which premiums decreased by more than 6% on average for the year. This decline cannot be explained by the trend of claims frequency, as this recorded a 0.04% increase in the first three quarters of 2015. In the Land Vehicle Hulls business, there was a 3.1% increase in turnover, with support provided by the good performance of the automotive market (+15.7% new vehicle registrations in 2015).
In the Non-MV Non-Life market, premiums increased by 2.9% in the first nine months of 2015 (including cross-border activity): within the segment there are segments that show a significant growth such as Health (+4.9%), General TPL (+5.3%), Legal expenses (+7.1%) and Assistance (+10.2%). The aggregate of representative insurance companies in the European Economic Area recorded an increase in premiums collected equal to 7.4%, against 1.9% growth for Italian and non-EU insurance companies. This confirms the shift of some clients towards specialised operators able to better meet specific requirements in complex management segments, such as civil liability insurance or credit insurance.

Precisely because of the difficult economic background, the propensity to save of Italian households continues to be high: the ISTAT household budget survey shows an 8.49% saving rate in September, virtually stable in the last six quarters.
In this context, the new production of individual Life policies has recorded, in 2015, a 6.4% increase with respect to 2014, for a monetary volume exceeding €113bn (including cross border activity). Different factors have contributed to

this performance, such as the low level of interest rates, resulting from ECB monetary policies, and the search by investors for products that meet their low appetite for risk. The past year has seen a change in the composition of premiums: premiums from traditional class I products fell (-4%), so that the growth of the business hinged on unit linked policies (over €30bn of new premiums, corresponding to a 49.1% increase). Substantial increases were recorded by open pension funds (+37.4%). The success of class III products derives from the choice to focus the offer on a type of policy that can offer investors yields not linked to the low level of interest rates prevailing today. Financial advisors recorded a 22.9% increase in premiums, while the banking and postal channel increased less than the average (+5.3%). Even lower the increase recorded by agency networks: +1.2%.
Net premium income from the Life business, i.e. the difference between premiums and services paid by insurers, is estimated to have been around €45bn in 2015, a value not far from the one recorded in 2014. This is the result of a parallel increase both in gross premiums and charges relating to claims. We note, in this regard, the stabilisation on values of just above 7% of the surrender ratio (the ratio between amounts paid for partial and/or total surrenders and the average total technical provisions) in the first nine months of 2015. As a result, Life technical provisions increased by more than €54bn in the last twelve months reaching a new milestone of €556.8bn at the end of September 2015.

Pension funds

In 2015 the number of subscribers to the different supplementary pension schemes grew substantially.
Looking at disaggregated data by supplementary pension type, we note a substantial increase in the number of subscribers to occupational pension funds, contrary to the trends of previous years. This is due to developments in the construction sector where, due to a contractual automatic consent mechanism, subscriptions have risen from 40,000 to about 530,000. A good performance was also provided by open pension funds and personal pension funds, which continue to report rapid growth. The total number of subscribers of the different supplementary pension schemes was over 7.1m at the end of September 2015.
Funds assigned to services exceeded €135bn, with a 3.2% increase with respect to the previous year.
Again in reference to the first nine months of 2015, average yields of occupational pension funds (1.1%) were just above the revaluation of post-employment benefits (0.9%). The average performance of the other funds was instead below the level guaranteed by post-employment benefits.

Banking sector

At the end of 2015, the Italian banking sector found itself at the centre of a storm because of the rescue of four small banks, carried out in compliance with the new European rules on government subsidies. In the rescue, investors holding shares and junior bonds issued by the banks in financial difficulties incurred losses. The main weakness of the Italian banking sector is the high incidence of bad and doubtful loans on the total of disbursed loans, the legacy of the long recession experienced by Italy. The picture has become more complex at the beginning of 2016, with the coming into force of the Single Resolution Mechanism, which provides for a possible bail-in (losses for shareholders, bondholders and depositors, the latter only for the portion of deposits exceeding €100,000) for the banks in crisis.

In 2015 loans to non-financial companies decreased by 1.8% on the end of 2014, while loans to households increased by 3.9%, partly due to the recovery of activity in the real estate market. The overall stagnation of loans has dragged down also direct deposits, -2%; within this, the component falling most rapidly was that of bond issues (-15.2% on an annual basis).

Funding from abroad increased by 5%, while the securities portfolio lost almost €76bn (-9.5% with respect to December 2014). We note that, despite an overall downsizing of banks' financial investments, the component invested in Italian government securities shows only a modest decrease (-2.7%), around €390bn at the end of 2015.
Also in 2015 there was an increase in bad and doubtful loans, due to deteriorating credit quality: at the end of last year gross bad and doubtful loans were close to €201bn, with a 9.4% increase. Net of impairments, the total was just under €89bn. In 2015, the Italian banking system increased the rate of provisioning for bad and doubtful loans, bringing it to 55.7% (53.8% in 2014).

Rates on new loans, both to households and to the corporate sector, were down: borrowing costs for new loans to non-financial companies went from 2.57% in December 2014 to 1.74% at the end of 2015. The interest rate applied on home purchase loans to households went from 2.83% at the end of 2014 to 2.49% twelve months later. With regard to direct deposits, there was only a slight decrease in the rates paid on newly acquired funds: on term deposits, rates fell from 1.013% in December 2014 to 1.005% a year later; for repurchase transactions the decrease was 6 basis points (from 0.82% to 0.76%).

Real Estate market

According to Land Registry figures, in the third quarter of 2015 the number of real estate transactions in the residential segment recorded a 10.8% increase with respect to the same period of 2014. Positive also the performance of the sales of property for production activities (+2.1%), commercial use (+7.4%) and services (+0.8%).
However unit prices continued to fall in the second half of 2015. Rents (expressed in prices for square metre) also decreased by about 1% both for the residential segment and for the commercial and services segments.
The survey on the Italian housing market, conducted quarterly by the Bank of Italy on a sample of real estate agents questioned on the state of the housing market, shows that a majority expects prices to stabilise, a trend that has lasted for three consecutive quarters. This survey also shows a decrease in the average discount agreed on the original sale price: in the third quarter of 2015 this was equal to 14.9%, against 16.1% twelve months earlier.

Main regulatory developments

Recent legislative changes regarding Solvency II

On **16 June 2015**, the new "Private Insurance Code" ("Codice delle Assicurazioni Private" or CAP) was published in the Italian Official Gazette; this implements Legislative Decree 74 of 12 May 2015, and Directive 2009/138/EC of 25 November 2009, on access and practice of insurance and re-insurance activities (so-called "Solvency II Directive", henceforth "Directive"). The new provisions came in force on 1 January 2016, when the new Solvency II European supervision regime has become effective, the objective of which is to provide a regulatory framework for the safeguard of policyholders. The new regulations focus on risk and on the ability of insurance companies to measure and manage it; they introduce new capital requirements, on the basis of the risks effectively taken, as well as different criteria for the measurement and mitigation of these risks. From a qualitative point of view, these regulations introduce new requirements for the governance of insurance companies, for example, the establishment of an actuarial function with the tasks previously assigned to the actuary in charge of the Life and MV TPL classes, setting assessment criteria for supervisory purposes different from those set for accounting purposes.
Below we review, in chronological order, the main normative documents issued by the competent bodies.

EU Regulation 2015/35 of 10 October 2014 ("Delegated Acts"), published in the EU Official Journal on **17 January 2015**, describing the principles and provisions of the Directive with direct application at the country level. On **2 February 2015** EIOPA published the translation of the first set of Guidelines and Implementing Technical Standards (ITS) in all official languages used in the EU; ITS are standards for the supervisory authorities at the country level, aimed to ensure a uniform application of the new Solvency II regime on the most important issues.

In **March 2015** the following implementing regulations were issued:

- Reg. (EU) 2015/460, with implementing technical standards on the procedure for the approval of internal models, specifically:
    - the procedure for the approval of the requests to use an internal model (both full and in part) to calculate the SCR (Art. 112 of the Directive);
    - the procedure for the approval of the policy to change an internal model (Art. 115 of the Directive).
- Reg. (EU) 2015/461, laying down implementing technical standards for the procedure of adoption of a joint decision on the demand of authorisation for the use of a group internal model (pursuant to Art. 231, par. 2, of the Directive).
- Reg. (EU) 2015/462, on the procedures for the issue of the authorisation to the establishment of Special Purpose Vehicles (SPV) by supervisory authorities.

- Reg. (EU) 2015/498-499-500, concerning the procedures that the supervisory authorities of member states must follow to approve:
  - the use of Undertaking Specific Parameters or "USP" (Reg. (EU) 2015/498);
  - the use of ancillary own-fund items (Reg. (EU) 2015/499);
  - the application of a matching adjustment to the risk-free interest rate term structure, pursuant to Art. 77-*ter* of the Directive (Reg. (EU) 2015/500).

On **29 June 2015**, EIOPA published a document to argue the need for insurance companies to disclose high-quality information and for the adequate use of external auditing services in regard to Solvency II provisions on disclosure.

On **6 July 2015** EIOPA published the second set of Guidelines and Implementing Technical Standards (ITS), required for the completion of the Solvency II regulatory framework, made available for public consultation between December 2014 and February 2015. On **14 September 2015** EIOPA published these Guidelines in all official languages used in the European Union. Specifically, these ITS covered:
- reporting for financial stability purposes;
- extension of the restoration period of capital requirements;
- exchange of information within the supervisory boards;
- application of the Long-Term Guarantee Assessment (LTGA) measures;
- methods to calculate market shares for reporting purposes;
- disclosures to supervisory authorities and markets;
- assessment of assets and liabilities other than technical provisions;
- governance system;
- assessment of own risk profile - ORSA (Own Risk and Solvency Assessment).

On **12 November 2015** another portion of the second set of Implementing Technical Standards (ITS) was published in the Official Journal of the European Union (L. 295/2015). This included the following documents:
- Reg. (EU) 2015/2011 on implementing technical standards with regard to the lists of regional governments and local authorities, exposures to whom are to be treated as exposures to the central government;
- Reg. (EU) 2015/2012 on capital add-ons and the procedures for the notification, calculation and transmission of the related information;
- Reg. (EU) 2015/2013 regulating the standard deviations in relation to health risk equalisation systems;
- Reg. (EU) 2015/2014 on the submission and exchange of information between the different supervisory authorities, in the case of international groups;
- Reg. (EU) 2015/2015 on the procedures for assessing external credit assessments;
- Reg. (EU) 2015/2016 on the calculation of the equity index used for the symmetric adjustment of standard equity capital requirements;
- Reg. (EU) 2015/2017 on the calculation of currency risk (for currencies pegged to the euro) to be considered in the calculation of the solvency capital requirements.

In **October 2015**, exactly one year after starting a public consultation on a series of Guidelines on product management and distribution by the insurance companies, EIOPA also started a new public consultation on a new version of these Guidelines, which also includes some provisions for the companies distributing these products, as well as for the insurance companies themselves. The public consultation ended on 29 January 2016.

On **26 October 2015** EIOPA has published the amended version of some documents concerning disclosure and reporting in the Solvency II context (see EIOPA "Solvency II reporting and disclosure package").

On **2 December 2015** the EU Commission adopted the third set of Implementing Technical Standards (ITS) for Solvency II regarding the procedures, the Quantitative Reporting Templates (QRT), as well as the formats for the transmission of information to the supervisory authorities.

On **31 December 2015** the EU Official Journal L. 347 published the following implementing documents, dealing with issues already covered in the Directive:
- Reg. (EU) 2015/2450 on the templates for the submission of information to the supervisory authorities;
- Reg. (EU) 2015/2451 on the templates and structure of the disclosure of specific information by supervisory authorities;

- Reg. (EU) 2015/2452 on the procedures, formats and templates of the Solvency and Financial Condition Report (SFCR).

IVASS letters to the market on Solvency II

In 2014 and 2015 IVASS provided guidelines for the preparation of ORSA and the preliminary stage. In the second half of 2015, IVASS started to publish regulations implementing EIOPA Guidelines and adapting regulations for the entry into force of Solvency II. The documents published in 2015 are described below.

On **24 March 2015** IVASS published the "Letter to the market on the Publication of EIOPA Guidelines on forward-looking risk assessment systems and related clarifications for Solvency II preparations", which follows the Letter of **15 April 2014** on the forward-looking risk assessment system. The additional guidelines were found to be necessary on the basis of the analysis of the first FLAOR (Forward Looking Assessment of Own Risk) reports sent by insurance companies on 31 October 2014, as well as by the increasingly complex European regulatory framework. Specifically, the forward-looking risk assessment was covered both in the "Delegated Acts" (Regulation (EU) 2015/35), which have a direct application in the Italian context without having to be explicitly adopted in the Italian legal system, and in the EIOPA Guidelines, the latter covering also the capital requirements and the self-assessment of company's risk profile (ORSA).

On **30 March 2015** IVASS then published the "Letter to the market on Reporting Solvency II – Preliminary stage. Further Guidelines on the transmission of information to IVASS" following the 4 December 2014 letter, on the transmission of information to IVASS, where it was specified that the LEI (Legal Entity Identification) code should be used both for the notifications of individual companies and for those of groups. The notifications should be carried out by the Italian company heading the insurance group that is, by the company in charge of the calculation of group solvency. The deadlines for the transmission of the Quantitative Reporting Templates (QRT) were confirmed on that occasion.

On **28 July 2015** IVASS published a "Letter to the market on governance systems and related clarifications for the preparation to Solvency II, with particular reference to the tasks and responsibilities of the actuarial function" and a "Letter to the market on the application of the EIOPA Guidelines on the use of internal models and in particular on the preliminary procedure of the internal models (so-called process of preapplication)".

On **3 August 2015** IVASS also published a "Letter to the market on Solvency II – request for information on the adjustment for loss-absorbing capacity of deferred taxes".

Lastly, on **2 October 2015** IVASS presented the "Letter to the market on Solvency II Reporting – Preliminary stage. Guidelines on the transmission to IVASS of quarterly individual and group information", asking companies to use the new taxonomy published by EIOPA with the corresponding validation rules for the second part of the preparatory activities for Solvency II.

New IVASS Regulations issued in 2015

To implement the Solvency II Guidelines issued by EIOPA at the Italian level, new regulations concerning Solvency II Pillar I financial requirements were issued on 22 December 2015, effective 1 January 2016.

IVASS Regulation no. 10 of 22 December 2015 - dealing with the treatment of the investments requiring advance notification or authorisation, as well as the prerequisites for the exercise of the corresponding IVASS powers, identifying, specifically, unified regulations for investments made by insurance and re-insurance companies and those made by ultimate insurance holding companies or mixed financial holding companies. As a result ISVAP Regulation no. 26 of 4 August 2008 was repealed.

IVASS Regulation no. 11 of 22 December 2015 - regulating the calculation of the minimum solvency capital requirement calculated with the standard formula, through the implementation of EIOPA Guidelines on the use of undertaking specific parameters (USP) and group specific parameters (GSP).
In particular, under the new European supervision regime, if the standard formula for the calculation of the minimum solvency capital requirement does not provide an adequate representation of the risks that the companies or the groups are exposed to, the national supervisory authorities can authorise the replacement of a subset of parameters

defined in the standard formula (pursuant to Art. 218 of the Delegated Acts) with undertaking-specific parameters. The procedure for the authorisation of these specific parameters by IVASS assumes an ongoing dialogue between the company and the supervisory authorities, even before the presentation of the demand.

IVASS Regulation no. 12 of 22 December 2015 - providing guidelines on the calculation of Solvency II minimum solvency capital requirements calculated with internal models (either fully or in part, excluding specific IVASS guidelines). In this Regulation, the supervisory authorities specify the factors taken into account for the purposes of the approval and ongoing authorisation to the use of internal models for the calculation of solvency capital requirements, if these models are believed to be more suited to represent the characteristics of the company and also of the group the company belongs to, if the internal models are used by a group, to encourage the convergence of European supervision practices on the issue.

IVASS Regulation no. 13 of 22 December 2015 - providing guidelines on the procedure to authorise companies to use ancillary equity components to meet capital requirements. These items are contingent and outside the statement of financial position of the company, but if referred to, they would lose their contingent nature and would be considered components of Tier 1 Capital.

IVASS Regulations no. 14, 15 and 16 of 22 December 2015 - providing implementing provisions for the calculation of solvency capital requirements with the standard formula.

IVASS Regulation no. 17 of 19 January 2016 - regulating in details solvency calculation criteria and procedures by groups. This document repeals ISVAP Regulation no. 18 of 12 March 2008, on adjusted solvency assessment, concerning the calculation procedures (and corresponding forms) as well as the capital adequacy at the level of financial conglomerate. According to the EIOPA guidelines implemented by IVASS, the calculation of group solvency requirement pertains to the insurance or re-insurance companies, the insurance holding companies and the Italian mixed financial holding companies that control at least one insurance or re-insurance company with their registered offices in Italy, in a EU member state or in a third country. In addition, the group solvency assessment must be carried out with the "standard" method, based in other terms on the Consolidated Financial Statements; in special cases, it is however possible to use the deduction and aggregation (D&A) method or else a combination of these two methods.

Documents in public consultation, for which the corresponding Regulation had not yet been issued at 31 December 2015

Consultation paper no. 10 of 15 July 2015 - containing the draft Regulation on the identification of Ring-Fenced Funds and the calculation of the solvency capital requirements in the presence of these funds. Specifically, the new European supervision regime, incorporated and integrated by IVASS in the document, clarifies, first of all, the criteria for the identification of Ring-Fenced Funds and the corresponding assets and liabilities, the procedures for the calculation of the adjustments to be made to the equity of the company to reflect the inability to transfer the equity of the Ring-Fenced Fund, as well as the methods and the adjustments to be used in the calculation of the minimum solvency capital requirement of the Ring-Fenced Fund itself and of the company, to reflect the diversification of the risk related to the Ring-Fenced Funds themselves.

Consultation paper no. 17 of 3 August 2015 - concerning the new IVASS provisions on adjustment in the calculation of solvency capital requirements with the standard formula to reflect the ability of technical provisions to absorb losses and deferred taxes.

Consultation paper no. 18 of 7 August 2015 - containing the new rules on the Tier 1 equity components that the insurance and re-insurance companies can use to meet solvency capital requirements. The document, which incorporates and integrates the EIOPA Guidelines, sets the procedures to identify, assess and classify the Tier 1 equity components, the different authorisation procedures for the refunds or redemptions of the core equity components at different Tier levels, as well as the exceptional derogations to the cancellation or postponement of the corresponding distributions.

Consultation paper no. 19 of 11 August 2015 - concerning the new supervisory standards for the calculation of technical provisions.

Consultation paper no. 22 of 13 August 2015 - defining new supervisory standards for the treatment of catastrophe risk in the calculation of health insurance, for the purposes of the calculation of solvency capital requirements with the standard formula.

Consultation paper no. 23 of 13 August 2015 - containing guidelines for the application of the look-through method for the purposes of solvency capital requirement calculations (with the standard formula), which is the approach to be used for collective investment undertakings (UCITS and AIF, Art. 1 Delegated Acts), for other investments specified in Art. 84 Delegated Acts and, more in general, in the case of indirect exposure to market, underwriting and counterparty risk (this method does not apply, instead, to investment in affiliated companies). The application of the look-through method demands the analysis of the risks of each underlying asset.

Consultation paper no. 27 of 23 December 2015 - concerning the implementing guidelines, which incorporate and integrate the new European regulations, on group supervision (including group solvency, monitoring of intragroup transactions, risk concentration and governance). The Regulation repeals ISVAP Regulation no. 15 of 20 February 2008, on "insurance groups".

Consultation paper no. 1 of 4 January 2016 - concerning the "Internal risk assessment and solvency" under Solvency II (so-called "ORSA") to be carried out both in a "current" and "forward-looking" prospective and at least once a year (Art. 306 Delegated Acts). The document refers to the guidelines provided by IVASS for Solvency II preparatory stage on "forward-looking risks assessment and solvency" (so-called FLAOR), that is, the Letters to the market of 15 April 2014 and 24 March 2015 and Measure no. 17 of 15 April 2014 (amending Reg. 20/2008). These interim regulations were consistently integrated by EIOPA Guidelines on ORSA, which require first of all the processes to be adequate and proportional to the organisational structure of the company, in line with the nature, range and complexity of the corresponding risks, as well as, at a later time, a specific policy set by the administrative body consistent with corporate strategies.

Consultation paper no. 2 of 4 January 2016 - regulating the application of the measures on "matching adjustment" and "volatility adjustment", both part of the "Measures for long-term guarantees" (LTGA), as well as of the interim measures on risk-free interest rates and technical provisions, to be used for the calculation of the technical provisions. The IVASS guidelines provided in the document specify the procedures to calculate solvency capital requirements and minimum capital requirements in the case of LTGA, consistent with EIOPA Guidelines.

Consultation paper no. 3 of 27 January 2016 - defining the implementing provisions, at the Italian level, on Solvency II assessment of the assets and liabilities (different from technical provisions), aimed at implementing EIOPA Guidelines on Governance (Pillar II requirements), and on recognition and assessment of assets and liabilities (Pillar I requirements), part of the second set of Solvency II Guidelines, published in Italian on 14 September 2015. Specifically, the supervisory authorities require the use, in governance systems, of adequate organisational and informational controls, including also the recording and assessment of assets and liabilities. The assessment of these for supervisory purposes must be consistent with the mark-to-market principle, reflecting the amount at which the different items could be exchanged, sold or settled between knowledgeable and willing parties in an arm's length transaction. In general, for assets and liabilities other than technical provisions, the regulations allow the use of IAS/IFRS International Financial Reporting Standards, except for some specific cases, specified in the Delegated Acts, where the IAS/IFRS differ.

Consultation paper no. 4 of 27 January 2016 - setting the implementing guidelines on the regular quantitative information to be sent to IVASS for purposes of financial stability and macro-prudential supervision, as well as the corresponding terms and procedures for the transmission of data. The transmission of data must take place at the consolidated level or, for companies that are not part of a group, at the individual level if exceeding a specific threshold, set equal to €12bn for the total assets, or the equivalent in local currency as resulting from the solvency balance sheet.

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

- Decree Law no. 83 of 27 June 2015, converted with Law 132 of 6 August 2015 , has modified, with effect from the tax period at 31 December 2015, the treatment of the "typical" loans of credit and financial institutions and insurance companies, providing on full implementation for the full deduction for IRES and IRAP purposes of the write-downs and impairment losses on receivables to clients recognised by these companies in the year of recognition, as already done for impairment losses on receivables realised by transfer for a consideration. A transitory regime for the first period of application of the new rules has been introduced; the write-downs and impairment losses on receivables recognised, other than the losses realised by transfer for a consideration, which are still fully deductible, will be deductible up to 75 percent of their amount. The remaining 25 percent, together with the residual amount of the components formed up to the year in progress at 31 December 2014, will be deductible in equal instalments over the subsequent ten fiscal years through 31 December 2025. The regulation in question also changes the provisions of Art. 2, par. 55-58, of Decree Law 225, 2010, concerning the transformation in tax credits of the so-called deferred tax assets (DTA), ruling out on full implementation the possibility of making use of the regime of transformation in tax credits of IRES and IRAP DTA recognised and concerning the value of the goodwill and the other intangible assets recognised for the first time in the 2015 financial statements.

- Law 208 of 28 December 2015, containing provisions on the preparation of annual and multi-annual public sector accounts, known as "2016 Stability Act", includes a decrease in the IRES rate from 27.5% to 24% starting from the tax period after the one in progress on 31 December 2016. For the credit and financial institutions considered by Legislative Decree 87/92, a 3.5% IRES surcharge has been introduced, to be settled separately even in the case of participation to a tax consolidation regime, starting at the time the decrease in the IRES rate comes into force, which in practice keeps unchanged the level of IRES tax paid by these institutions.

2015 also saw the issue of the latest Legislative Decrees implementing the principles specified in Law 23 of 11 March 2014 “Delegation of powers to the central government concerning provisions for a fairer, more transparent and growth-oriented tax system” (so-called "Tax Delegation"). The Legislative Decrees are the following:
- Legislative Decree 127/2015 on electronic transmission of VAT transactions;
- Legislative Decree 128/2015 on rule of the law in the relations between tax authorities and tax payers;
- Legislative Decree 147/2015 containing provisions on growth and internationalisation of companies;
- Legislative Decree 156/2015 containing the review of the provisions on tax clarification request and tax disputes;
- Legislative Decree 157/2015 on tax agencies;
- Legislative Decree 158/2015 containing the review of the sanction system;
- Legislative Decree 159/2015 containing measures for the simplification and rationalisation of the provisions on collection;
- Legislative Decree 160/2015 on tax evasion, tax monitoring, re-organisation of the provisions on tax-base erosion.

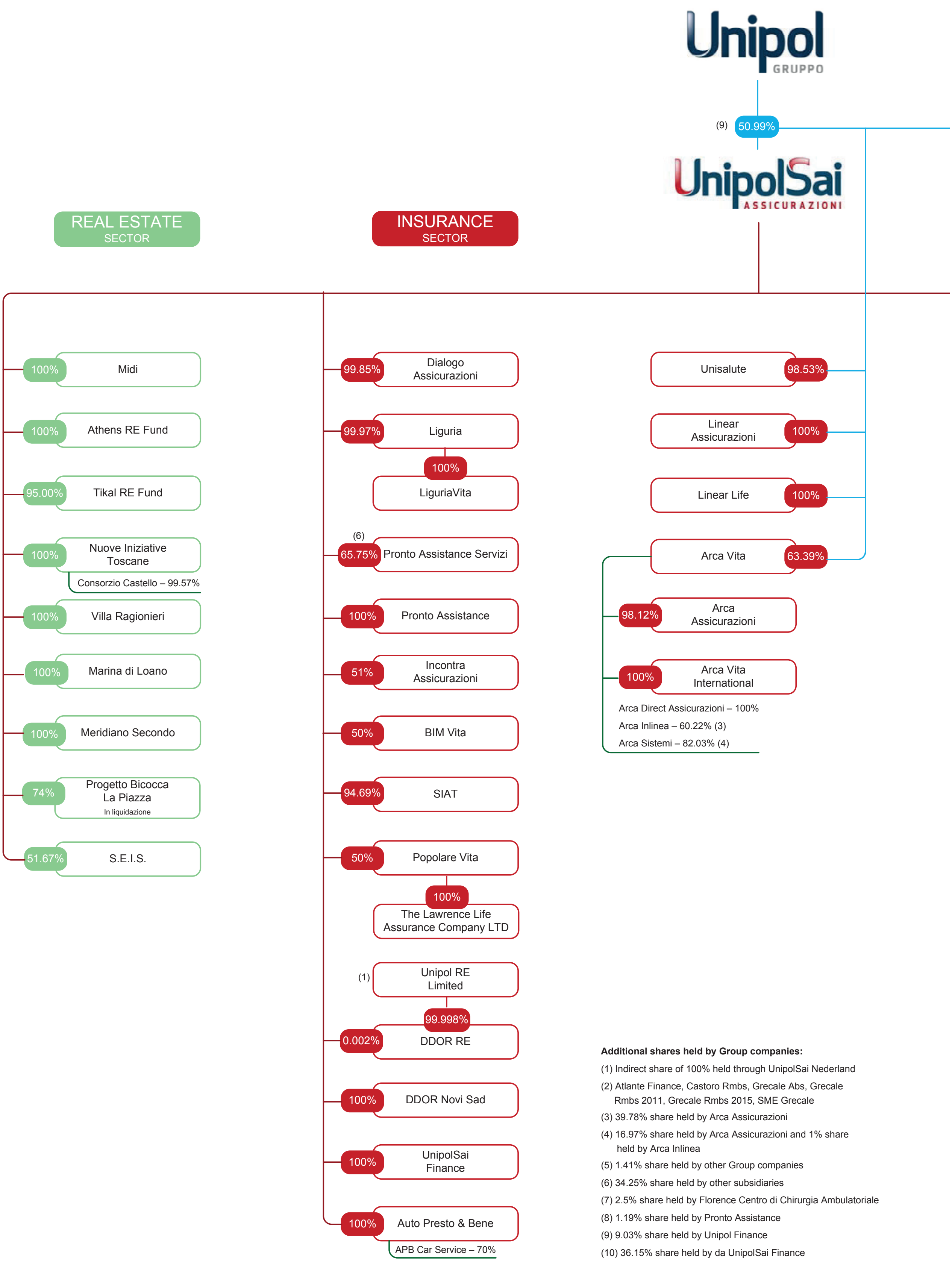
The 2015 consolidated financial statements, in the chapter “Social and environmental responsibility” describes the business model designed by the company, which connects, through Porter’s concept of value chain, the capitals used and generated. These capitals were defined and identified according to the methodology of the International Integrated Reporting Council (IIRC), with the involvement of all managers and heads of department. 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.

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 2015

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

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



Additional shares held by Group companies:

(1) Indirect share of 100% held through UnipolSai Nederland

(2) Atlante Finance, Castoro Rmbs, Grecale Abs, Grecale Rmbs 2011, Grecale Rmbs 2015, SME Grecale

(3) 39.78% share held by Arca Assicurazioni

(4) 16.97% share held by Arca Assicurazioni and 1% share held by Arca Inlinea

(5) 1.41% share held by other Group companies

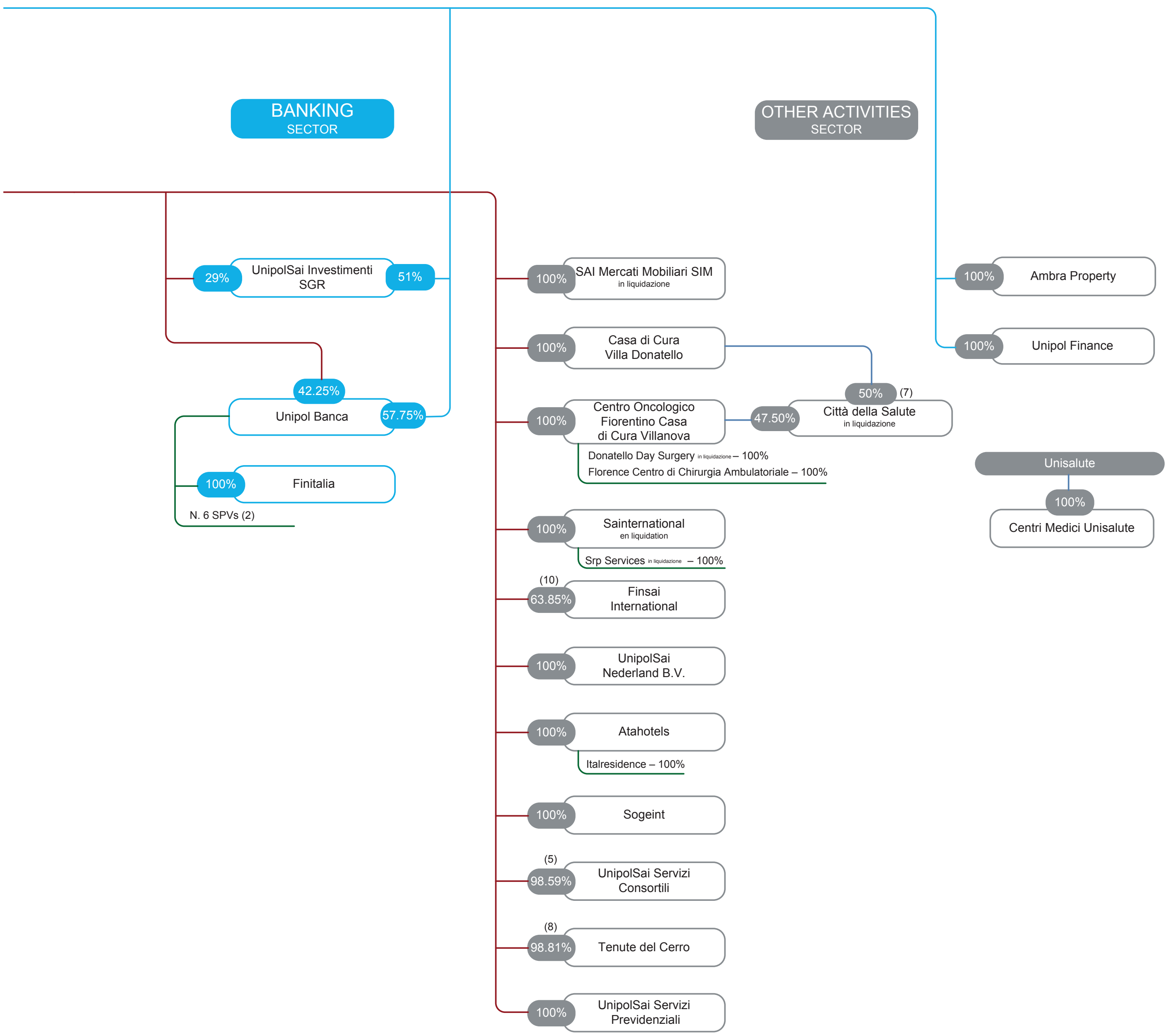
(6) 34.25% share held by other subsidiaries

(7) 2.5% share held by Florence Centro di Chirurgia Ambulatoriale

(8) 1.19% share held by Pronto Assistance

(9) 9.03% share held by Unipol Finance

(10) 36.15% share held by da UnipolSai Finance



BANKING
SECTOR
OTHER ACTIVITIES
SECTOR
29%
UnipolSai Investimenti SGR
51%
42.25%
Unipol Banca
57.75%
100%
Finitalia
N. 6 SPVs (2)
100%
SAI Mercati Mobiliari SIM
in liquidazione
100%
Casa di Cura Villa Donatello
100%
Centro Oncologico Fiorentino Casa di Cura Villanova
47.50%
50%
(7)
Città della Salute
in liquidazione
Donatello Day Surgery in liquidazione – 100%
Florence Centro di Chirurgia Ambulatoriale – 100%
100%
Sainternational
en liquidation
Srp Services in liquidazione – 100%
(10)
63.85%
Finsai International
100%
UnipolSai Nederland B.V.
100%
Atahotels
Italresidence – 100%
100%
Sogeint
(5)
98.59%
UnipolSai Servizi Consortili
(8)
98.81%
Tenute del Cerro
100%
UnipolSai Servizi Previdenziali
100%
Ambra Property
100%
Unipol Finance
Unisalute
100%
Centri Medici Unisalute

1 Management Report

Group highlights

Amounts in €m	31/12/2015	31/12/2014
Non-Life direct insurance premiums	7,883	8,969
% variation	*(12.1)*	*(8.7)*
Life direct insurance premiums	8,593	8,915
% variation	*(3.6)*	*27.7*
of which Life investment products	951	141
% variation	*573.1*	*(16.2)*
Direct insurance premiums	**16,476**	**17,883**
% variation	*(7.9)*	*6.4*
Banking business - direct customer deposits	**10,015**	**10,261**
% variation	*(2.4)*	*(5.0)*
Net gains on financial instruments (*)	**2,147**	**1,697**
% variation	*26.5*	*2.2*
Consolidated profit (loss)	**579**	**505**
% variation	*14.6*	*168.8*
Balance on the statement of comprehensive income	**345**	**1,260**
Investments and cash and cash equivalents	**81,840**	**79,985**
% variation	*2.3*	*7.9*
Technical provisions	63,150	61,895
% variation	*2.0*	*8.8*
Financial liabilities	15,571	15,459
% variation	*0.7*	*(3.6)*
Shareholders' Equity attributable to the owners of the Parent	5,524	5,691
% variation	*(2.9)*	*5.1*
Solvency I ratio	168%	166%
No. staff	13,864	14,223

(*) 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[1]

	classes	31/12/2015	31/12/2014
Loss ratio - direct business (including OTI ratio)	non-life	65.6%	68.0%
Expense ratio - direct business	non-life	27.9%	26.7%
Combined ratio - direct business (including OTI ratio)	non-life	93.5%	94.7%
Loss ratio - net of reinsurance	non-life	66.6%	68.6%
Expense ratio (calculated on premiums earned) - net of reins	non-life	27.3%	25.4%
Combined ratio - net of reins.(*)	non-life	93.9%	94.0%
Premium retention ratio	non-life	95.0%	95.4%
Premium retention ratio	life	99.8%	99.8%
Premium retention ratio	total	97.4%	97.6%
Group pro-rata APE (amounts in €m)	life	473	493
Expense ratio - direct business	life	4.0%	4.0%
Expense ratio - net of reinsurance	life	4.2%	3.9%

(*) with expense ratio calculated on premiums earned

[1] 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 earned premiums.
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 earned premiums.
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

The targets of the 2013-2015 Business Plan have been attained

The year 2015 was the last year covered in 2013-2015 Business Plan, which was drawn up after the acquisition of the Fondiaria-SAI Group in 2012. This was one of the largest and most complex mergers carried out in recent years in Italy, not just in the Italian insurance market. As a result of the merger, this three-year period has seen the Unipol Group strongly engaged in the following activities:

- **Corporate rationalisation:** the number of subsidiaries of the Group has almost been reduced by half since 2012 (from 113 to 65) through consolidation, mergers and liquidations. This has required the initiation of several authorisation procedures. UnipolSai Assicurazioni is today the leading company in the Italian Non-Life insurance market;
- **Disposal of assets**: the Group has fulfilled its commitments to the Antitrust Authority with regard to the sale of investments, reduction of the debt to Mediobanca and disposal of insurance assets, transferring 725 agencies and 470 employees to another insurance group;
- **Convergence of IT systems supporting management processes**: the number of application systems (business and management) used by the Group was reduced by more than half in the three-year period since the beginning of the integration (from 41 to 19). Today approximately 3,000 agencies, spread across the country and organised in 4 Districts, use the same IT systems;
- **Office rationalisation**: the project to rationalise Group offices has reached an advanced stage; a significant reduction in the number of buildings used by the employees of the Group is in progress, which will optimise the logistic and the interaction between employees.

The Unipol Group ends the three-year period covered by the 2013 - 2015 Business Plan having achieved synergies in excess of those identified in the plan, achieved its business objectives, and considerably strengthened its financial position.
The resulting creation of value, the observance of the dividend policy specified in the plan, together with the simplification in terms of listed companies and share categories (from 4 companies and 8 listed share categories to 2 companies and 2 listed share categories) and the increased role of the Group in the Italian insurance sector, have provided our shareholders, in the three-year period in question, with positive performance, well above that reported in the same period by the FTSE MIB index.

Transactions carried out on the share capital of Unipol and UnipolSai

Mandatory conversion of Preference Shares into Ordinary Shares of Unipol Group Finanziario

On 25 February 2015 the Extraordinary Shareholders' Meeting of Unipol Gruppo Finanziario approved the mandatory conversion ("Conversion") of Preference Shares ("Preference Shares") into ordinary Unipol shares ("Ordinary Shares"), based on the following conversion ratio:

- 1 Ordinary Share, with normal dividend rights, for each Preference Share, without equalisation payment.

On 26 February 2015, the Special Shareholders' Meeting of the holders of Preference Shares approved the above resolution passed by the Extraordinary Shareholders' Meeting regarding the Conversion.
The period to exercise the right of withdrawal ended on 17 April 2015: the right of withdrawal was exercised for 3,524 Preference Shares, for a total value of €13,077.56. All shares subject to withdrawal were purchased by the shareholders of Unipol Gruppo Finanziario participating in the rights issue and pre-emption right offer, with settlement carried out on 12 June 2015.

On 29 June 2015, after the ex-dividend (22/06/2015) and payment (24/06/2015) dates for the 2014 period, implementing the aforementioned Shareholders' Meeting resolutions, all 273,479,517 preference shares were converted into 273,479,517 ordinary shares, with the same characteristics as the ordinary shares outstanding at the effective conversion date.

As a result of the conversion, the share capital of Unipol, equal to €3,365,292,408.03, was divided into 717,473,508 ordinary shares with no nominal value.

Mandatory conversion of Class A and Class B savings shares into ordinary UnipolSai shares

On 26 January 2015, the UnipolSai Extraordinary Shareholders' Meeting, and on 27 January 2015 the Special Meetings of the holders of UnipolSai Class A and Class B savings shares, each approved within their area of competence, the mandatory conversion ("Conversion") of Class A savings shares ("Class A Savings Shares") and Class B savings shares ("Class B Savings Shares") into ordinary UnipolSai shares, with the following conversion ratios:

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

The period to exercise the right of withdrawal ended on 27 March 2015: it had been effectively exercised for 67 Class A Savings Shares for a value €15,294.22 and 5,490 Class B Savings Shares for a value €12,286.62. All shares subject to withdrawal were purchased by the shareholders of UnipolSai participating in the rights issue and pre-emption right offer, with settlement on 29 May 2015.

In implementing the aforementioned Shareholders' Meeting resolutions and after the ex-dividend (22/06/2015) and payment (24/06/2015) dates of the dividend related to 2014 period, on 29 June 2015 all 1,276,836 Class A Savings Shares and all outstanding 377,193,155 Class B Savings Shares were converted respectively into 127,683,600 and 377,193,155 ordinary shares, with the same characteristics as the ordinary shares outstanding at the conversion date.
As a result of the conversion, the share capital of UnipolSai remained unchanged at €1,996,129,451.62, divided into 2,780,508,781 ordinary shares, with no nominal value.

Mandatory conversion into ordinary shares of the UnipolSai Assicurazioni 2014-2015 Convertible Loan and resulting change of the share capital of UnipolSai

On 31 December 2015, the conversion, mandatory on maturity, of 1,343 bonds, ISIN IT0005013674, for a nominal value of €134,300,000.00, representing the "Convertible Loan UnipolSai Assicurazioni 2014-2015 6.971%" took place, resulting in the issue of 49,194,135 new UnipolSai ordinary shares with the same characteristics as the ordinary shares outstanding at the conversion date.

The Loan was subscribed as follows:
(i) €134.3m by the lending banks that had approved the debt restructuring agreement of Premafin HP SpA, excluding GE Capital Interbanca SpA, which, due to the merger by incorporation of Premafin HP SpA, Unipol Assicurazioni SpA and Milano Assicurazioni SpA into Fondiaria-SAI SpA (now UnipolSai Assicurazioni SpA), became lenders of UnipolSai Assicurazioni SpA;
(ii) €67.5m by the parent Unipol Gruppo Finanziario SpA, converted on 15 May 2014.

As a result of the conversion, at 31 December 2015, the share capital of UnipolSai went from €1,996,129,451.62 to €2,031,445,960.02, divided into 2,829,702,916 ordinary shares, with no nominal value.

Main corporate rationalisation initiatives of the Group

Merger by incorporation of subsidiaries into UnipolSai

On 29 December 2015, the deed of merger by incorporation of the following companies into UnipolSai was signed: UnipolSai Real Estate, Europa Tutela Giudiziaria, Sai Holding Italia, Systema Compagnia di Assicurazioni, and UnipolSai Servizi Tecnologici.
Pursuant to Art. 2505 of the Civil Code, the merger did not result in a capital increase of the merging company for the swap transaction as the entire share capital of all the companies involved in the merger was already directly held by UnipolSai.
The merger took effect on 31 December 2015, with accounting and tax effects from 1 January 2015.

Transfer of insurance business of Dialogo Assicurazioni to Linear Assicurazioni

Implementing the Dialogo Assicurazioni and Linear Assicurazioni board resolutions adopted on 24 June 2015, the deed for the transfer of the insurance company of Dialogo Assicurazioni to Linear Assicurazioni was signed on 15 December 2015, with effect from 31 December 2015.

Transfer of insurance business of Linear Life to UnipolSai

Implementing the board resolutions adopted by UnipolSai and Linear Life respectively on 17 and 24 June 2015, the deed for the transfer of the insurance business of Linear Life to UnipolSai was signed on 15 December 2015, with effect from 31 December 2015.

Operating performance

The 2015 **income statement and financial position** of the Unipol Group confirm the positive operating performance, in spite of recurring tensions on the financial markets and the persistence of strong competitive pressure in the Non-Life business.

In the **Non-Life business,** premiums were down over the year, reflecting the sale of the former Milano Assicurazioni agencies to Allianz, begun in the second half of 2014 and completed at the end of 2014, and the transfer of the related outstanding portfolio. Competition on tariffs in the MV TPL segment continues to be very keen, as shown by the drop in average market premiums, equal to -7.5% year on year in the third quarter of 2015[2]: this has resulted in a progressive decline in premiums from this business, especially for the Unipol Group as the market leader. In this context, Non-Life premiums for the Group were €7,883m (-12.1% on 2014).
Based on management assessments, the overall decline in Non-Life direct premiums, estimated by excluding the effects of the aforementioned portfolio transfer (hereinafter "*estimated operating figure*"), was approximately -4.9%. Premiums in the MV TPL business were €3,805m, down by 16% on 2014 (*estimated operating figure -8.5%*). A decline was also reported in the Land Vehicle Hulls business with premiums equal to €618m, -8.7% (*estimated operating figure -2.1%*). Although affected by the still weak, albeit slightly improved, macroeconomic background, the Non-MV segment performed better, with premiums equal to €3,459m and an 8% decrease (*estimated operating figure -1.2%*).
Looking at the performance of the Non-Life sector of the main companies of the Group, UnipolSai, which in 2015 took over the companies Systema and Europa Tutela Giudiziaria in a merger with accounting and tax effects from 1 January 2015, contributed a total of €6,998m to consolidated premiums (-12.6% on a like-for-like basis, *estimated operating figure -4.5%*), while Unisalute, which celebrated its 20 year anniversary in 2015, reported premiums of €301m (+11.3% on 2014). At Arca Assicurazioni premiums were essentially in line with the previous year, while the other main companies of the Group in the MV business, such as Linear and Liguria Assicurazioni (taken over by UnipolSai with accounting and tax effects from 1 January 2016), reported a decrease due to the competitive market trends within the sector.
With regard to Non-Life claims, in the MV TPL class, technical indicators for the Group continued to be positive in terms of both claim frequency and control of average costs. In the Non-MV business, after a first quarter affected by the significant material damages caused by an exceptionally severe weather event, the second half of the year saw a clear improvement in claims, also due to anomalous weather conditions in the fourth quarter of 2015, characterised by an almost complete absence of rainfall over large part of the country.
In this context, the Unipol Group reported, at 31 December 2015, a loss ratio for direct business (including the balance of other technical items) of 65.6%, down from the level, 68%, recorded at 31 December 2014, due, in particular, to the stability of the provisions for previous year claims.

Despite the 6% drop in the absolute value of the overheads component, the direct business expense ratio was 27.9%, which can be explained by the decline in premiums and the shift of the sales mix towards Non-MV classes, characterised by higher commissions, and also by the greater impact of variable commissions directly related to technical upgrades.

[2] Source: IVASS, IPER Statistical Bulletin, 26 January 2016

Overall, in 2015, the Group's combined ratio (direct business) was 93.5%, against 94.7% at 31 December 2014.

In the **Life business**, in a market environment characterised by low interest rates, the Group pursued a higher quality production and the containment of financial risks, also in compliance with Solvency II requirements. At 31 December 2015, the premium volume was equal to €8,593m, a significant volume despite a slight decline (-3.6%) with respect to the same period of the previous year. Specifically, with regard to the main companies of the Group operating in the Life business, UnipolSai collected €3,418m in premiums (-7.5%), and the Popolare Vita Group €3,043m (-17%, against a 44.6% increase reported at the end of 2014); premiums collected by Arca Vita and Arca Vita International increased substantially, to a total €1,943m (+46.2% on 2014).
As a result, the volume of new business in terms of pro-quota APE stood, at 31 December 2015, at €473m (€493m at 31/12/2014), of which €242m was contributed by the traditional companies and €231m by the bancassurance companies.

With regard to the management of **financial investments**, in 2015 there were new tensions in the stock markets, especially in the second half of the year, triggered by the slowdown of the Chinese economy, the fall in raw materials prices and, in Italy, the effects of some bank rescues. Despite the repercussions on the credit market, the securities portfolio of the company, characterised by the significant weight of Italian government securities, has steadily appreciated over the year, benefiting from Quantitative Easing, the anti-deflation policy adopted by the ECB. Although aiming to preserve the risk/return profile of the assets and the consistency between assets and liabilities towards the insured, the portfolio produced a significant return in the period in question, about 4.6% of invested assets. This result was in part due to the disposal policy adopted by the Group, resulting from the transactions carried out to increase the diversification of the financial assets and the completion, in the first part of the year, of forward securities sales agreed in 2014.

The **Banking business** benefited from the improvement of the macroeconomic environment and the continued application of a prudent lending policy, which has resulted in a decrease in loans with respect to December 2014. There were the first indications of a decrease in impaired loans, in part due to non-recourse assignments that did not have a significant impact on the income statement. The commercial offer favoured retail customers and SMEs, seeking also to increase cross selling on the insurance customer basis, through the financing of insurance premiums and the sale of banking products through the agency channel. Overall, in 2015, the banking business reported positive net income and a further strengthening of the financial position, despite the expenses incurred in the fourth quarter for the contribution to the Fondo di Risoluzione Nazionale (€16.6m).

With regard to the **Real Estate segment**, the Group continued to focus on the restoration and subsequent development of some properties in the portfolio. Renovation activities during the year were funded by planned property sales, mostly concerning the Porta Nuova area in Milan and the investee Punta di Ferro, which owns a property in Forlì used as a shopping centre. The results of the real estate segment as defined for accounting purposes, including only property companies and their affiliates, were affected by write-downs (about €73m), mostly related to some assets that will be developed in the medium term.

In the **other sectors** in which the Group operates, results gradually improved as a result of cost rationalisation initiatives continued during the year, as well as commercial development activities. We note the profit of about €2m reported by Atahotels, which benefited from increased tourism in Milan during the Expo.

Salient aspects of business operations

The consolidated financial statements at 31 December 2015 ended with a **net profit equal to €579m**, up with respect to €505m reported at 31 December 2014 (+14.6%), net of taxation for the 2015 period for €379m that include net charges for €159m due to the adjustment of the deferred taxes as a result of the reduction of the IRES tax rate from 27.5% to 24% starting with the 2017 tax year.

The **consolidated Solvency margin** at 31 December 2015, calculated according to Solvency I provisions, presented a ratio between available capital and required capital equal to **1.68 times** the required capital, with respect to the final figure of 1.66 at 31 December 2014.

At level of Unipol Banking Group **CET 1** was equal to **18.6%** with respect to the required minimum, which since 2015 was equal to 7.4%.

The Insurance sector contributed €871m to consolidated net profit (€870m in 2014): of this, €636m from the Non-Life business (€699m in 2014, of which €176m of net capital gain from the transfer to Allianz of the insurance business of the former Milano Assicurazioni) and €235m from the Life business (€171m in 2014).

The other sectors in which the Group operated at 31 December 2015 reported the following results:

- the Banking sector reported a profit of €5m (-€83m in 2014), after recognising value adjustments on the credit portfolio for €52m (€206m in 2014);
- the Holding and Other Businesses sector reported a €229m loss (-€235m in 2014);
- the Real Estate Sector, which no longer include the subsidiary UnipolSai Real Estate, merged into UnipolSai – Non-Life sector, reported a loss of €69m (-€46m in 2014, of which -€39m can be attributed to UnipolSai Real Estate).

Among the other important factors that marked the performance of the Group, we note the following:

- **direct insurance premiums**, gross of reinsurance, were equal to €16,476m (€17,883m in 2014, -7.9%). Non-Life direct premiums were €7,883m (€8,969m in 2014, -12.1%), affected in particular by the transfer of the business to Allianz which was carried out in the previous year. Excluding the effect of this transfer, Non-Life premiums are estimated to have fallen by -4.9% (*estimated operating figure*). Life direct premiums were €8,593m (€8,915m in 2014, -3.6%), of which €951m for investment products in the Life business (€141m in 2014);
- **net premiums earned**, net of reinsurance, were €15,261m (€17,766m in 2014), of which €7,634m from the Non-Life business (€9,012m in 2014) and €7,628m from the Life business (€8,754m in 2014);
- **bank direct customer deposits** were €10,015m (€10,261m in 2014, -2.4%);
- **net charges relating to claims**, net of reinsurance, were €13,470m (€15,604m in 2014), of which €4,970m in the Non-Life business (€6,092m in 2014) and €8,501m in the Life business (€9,512m in 2014), including €165m of net gains on financial assets and liabilities at fair value (€421m in 2014);
- the **loss ratio** of the direct Non-Life business was 65.6% (68% in 2014);
- **operating expenses** were €2,804m (€3,025m in 2014). In the Non-Life business they were €2,148m (€2,348m in 2014), in the Life business €364m (€385m in 2014), in the Banking sector €316m (€304m in 2014), in the Holding and Other Businesses €100m (€121m in 2014) and in the Real Estate sector €13m (€10m in 2014);
- the **combined ratio** of the direct Non-Life business (including OTI ratio) was 93.5% (94.7% in 2014);
- **net gains on investments and financial income** from financial assets and liabilities (excluding net gains on financial assets and liabilities at fair value related to the Life business) were €2,147m (€1,697m in 2014);
- **pre-tax profit (loss)** was €958m (€801m in 2014);
- **taxes** for the year represented a net expense of €379m (€294m in 2014). The tax rate for 2015 was 39.6% (36.7% in 2014). The adjustment of deferred taxes to the new 24% IRES tax rate, to be applied from 2017, has required the recognition of a net expense for €159m;
- net of the €307m profit attributable to non-controlling interests, the **profit attributable to the owners of the Parent** at 31 December 2015 was **€272m** (€192m in 2014);

- in the fourth quarter of 2015 gross profit was €92m (€40m in the fourth quarter of 2014);
- the **comprehensive income** amounted to €345m (€1,260m in 2014), despite the decrease in the reserve for gains or losses on available-for-sale financial assets for €253m (increase for €712m in 2014);
- **investments** and **cash and cash equivalents** were equal to €81,840m (€79,985m in 2014);
- **technical provisions** and **financial liabilities** were €78,721m (€77,354m in 2014).

Below is a summary of the consolidated income statement at 31 December 2015, 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 2014.

Condensed Consolidated operating Income Statement broken down by business segment

	Non-Life business			Life business			Insurance Sector		
Amounts in €m	Dec-15	Dec-14	*% var.*	Dec-15	Dec-14	*% var.*	Dec-15	Dec-14	*% var.*
Net premiums	7,634	9,012	*(15.3)*	7,628	8,754	*(12.9)*	15,261	17,766	*(14.1)*
Net commission income			*(244.7)*	10	7	*43.5*	11	7	*50.7*
Financial income/expense (excl. assets/liabilities at fair value)	654	502	*30.4*	1,626	1,485	*9.5*	2,280	1,987	*14.8*
Net interest income	*369*	*424*		*1,220*	*1,232*		*1,589*	*1,656*	
Other gains and losses	*86*	*62*		*68*	*(3)*		*154*	*60*	
Realised gains and losses	*334*	*119*		*299*	*237*		*633*	*356*	
Unrealised gains and losses	*(135)*	*(103)*		*39*	*18*		*(97)*	*(86)*	
Net charges relating to claims	(4,970)	(6,092)	*(18.4)*	(8,501)	(9,512)	*(10.6)*	(13,470)	(15,604)	*(13.7)*
Operating expenses	(2,148)	(2,348)	*(8.5)*	(364)	(385)	*(5.3)*	(2,513)	(2,733)	*(8.1)*
Commissions and other acquisition costs	*(1,688)*	*(1,857)*	*(9.1)*	*(186)*	*(216)*	*(13.8)*	*(1,874)*	*(2,073)*	*(9.6)*
Other expenses	*(461)*	*(491)*	*(6.2)*	*(178)*	*(169)*	*5.6*	*(639)*	*(660)*	*(3.2)*
Other gains and losses	(263)	(64)	*310.2*	(55)	(75)	*(26.4)*	(319)	(139)	*128.5*
Pre-tax profit (loss)	**907**	**1,009**	***(10.1)***	**343**	**274**	***25.4***	**1,250**	**1,283**	***(2.6)***
Income tax	(271)	(311)	*(12.9)*	(108)	(103)	*5.8*	(379)	(413)	*(8.3)*
Profit (loss) from discontinued operations									
Consolidated profit (loss)	**636**	**699**	***(8.9)***	**235**	**171**	***37.1***	**871**	**870**	***0.2***
Profit (loss) attributable to the owners of the Parent									
Profit (loss) attributable to non-controlling interests									

(*) The real estate sector only includes Group real estate companies
At 31/12/2014 the real estate sector included the amounts referring to UnipolSai Real Estate, which merged into UnipolSai – Insurance sector, Non-Life business on 31 December 2015.

Banking Sector			Holding and Other business Sector			Real Estate (*) Sector			Intersegment elimination		Total Consolidated		
Dec-15	Dec-14	% var.	Dec-15	Dec-14	% var.	Dec-15	Dec-14	% var.	Dec-15	Dec-14	Dec-15	Dec-14	% var.
											15,261	17,766	(14.1)
99	108	(8.8)	27	19	44.0				(52)	(55)	84	78	7.4
178	77	130.2	(90)	(45)	(98.5)	(47)	(32)	(48.7)	(174)	(290)	2,147	1,697	26.5
234	255		(52)	(38)		(2)	(2)		(38)	(56)	1,732	1,814	
			(27)	(5)		26	34		(36)	(40)	117	49	
3	78		3			(1)	(1)				637	432	
(59)	(255)		(14)	(2)		(70)	(63)		(100)	(193)	(339)	(599)	
											(13,470)	(15,604)	(13.7)
(316)	(304)	3.9	(100)	(121)	(17.5)	(13)	(10)	33.3	138	143	(2,804)	(3,025)	(7.3)
									42	57	(1,832)	(2,017)	(9.2)
(316)	(304)	3.9	(100)	(121)	(17.5)	(13)	(10)	33.3	95	87	(972)	(1,008)	(3.6)
45	18	153.5	(39)	(160)	(75.4)	(35)	(32)	9.3	88	202	(260)	(112)	132.8
6	**(101)**	**(106.0)**	**(203)**	**(308)**	**34.1**	**(95)**	**(74)**	**(29.4)**			**958**	**801**	**19.6**
(1)	17	(103.9)	(26)	74	(135.5)	27	29	(6.3)			(379)	(294)	29.1
				(1)	(100.0)		(1)	(100.0)				(2)	(100.0)
5	**(83)**	**(106.4)**	**(229)**	**(235)**	**2.6**	**(69)**	**(46)**	**(48.8)**			**579**	**505**	**14.6**
											272	192	
											307	313	

Insurance Sector

Overall the insurance business of the Group reported a **pre-tax profit of €1,250m** (€1,283m at 31/12/2014), of which €907m for the Non-Life sector (€1,009m at 31/12/2014) and €343m for the Life sector (€274m at 31/12/2014).

Investments and cash and cash equivalents of the Insurance sector totalled, at 31 December 2015, €70,295m (€67,354m at 31/12/2014), of which €18,403m in the Non-Life business (€18,555m at 31/12/2014) and €51,892m in the Life business (€48,799m at 31/12/2014).

Financial liabilities amounted to €4,884m (€4,620m at 31/12/2014), of which €1,543m in the Non-Life business (€1,820m at 31/12/2014) and €3,341m in the Life business (€2,800m at 31/12/2014); the increase in the Life business is due mainly to the Financial liabilities for contracts issued by insurance companies where investment risk is borne by policyholders (€2,380m at 31 December 2015 against €1,608m at 31/12/2014).

Total premiums (direct and indirect premiums and investment products) at 31 December 2015 amounted to €16,516m (€17,911m at 31/12/2014), down by 7.8%, which reflects the transfer to Allianz of the portfolio, mainly Non-life, of the former Milano Assicurazione agencies.
Non-Life premiums amounted to €7,921m (€8,995m at 31/12/2014, -11.9%) and Life premiums totalled €8,595m (€8,916m at 31/12/2014, -3.6%).

All Non-Life premiums of Group insurance companies are classified under insurance premiums, as they meet the requirements of the IFRS 4 standard (presence of significant insurance risk).
As for Life premiums, investment products at 31 December 2015, for €951m, related to Class III (Unit- and Index-Linked policies) and Class VI (pension funds).

Consolidated premiums

Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
Non-Life direct premiums	7,883		8,969		*(12.1)*
Non-Life indirect premiums	38		26		*45.4*
Total Non-Life premiums	**7,921**	***48.0***	**8,995**	***50.2***	***(11.9)***
Life direct premiums	7,643		8,773		*(12.9)*
Life indirect premiums	1		1		*(11.9)*
Total Life premiums	**7,644**	***46.3***	**8,775**	***49.0***	***(12.9)***
Total Life investment products	951	*5.8*	141	*0.8*	*573.1*
Total Life premium income	**8,595**	***52.0***	**8,916**	***49.8***	***(3.6)***
Overall premium income	**16,516**	***100.0***	**17,911**	***100.0***	***(7.8)***

The overall premium income for just the fourth quarter of 2015 was €4,403m (€4,528m in the fourth quarter of 2014).

Direct premium income was €16,476m (€17,883m at 31/12/2014, -7.9%), of which €7,883m from the Non-Life business and €8,593m from the Life business.

Direct premium income

Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
Non-Life direct premiums	7,883	*47.8*	8,969	*50.2*	*(12.1)*
Life direct premiums	8,593	*52.2*	8,915	*49.8*	*(3.6)*
Total direct premium income	**16,476**	***100.0***	**17,883**	***100.0***	***(7.9)***

Non-Life business

Total Non-Life premiums (direct and indirect) at 31 December 2015 were €7,921m (€8,995m at 31/12/2014, -11.9%).

Direct business premiums alone were €7,883m (€8,969m at 31/12/2014), down by 12.1%, mainly due to the transfer to Allianz of the portfolio of the former Milano Assicurazioni agencies completed at the end of 2014. The *estimated operating figure* showed a 4.9% decrease, mainly due to the reduction of the average premium in the MV TPL resulting from competition trends in the sector.

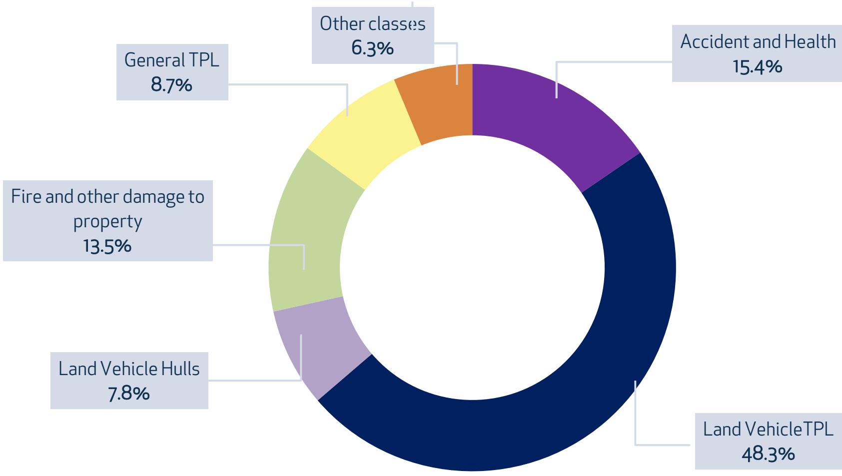
Indirect business premiums were €38m (€26m at 31/12/2014).

The breakdown of the **direct business** for the main classes, with the changes with respect to 31 December 2014, is provided in the following table:

Non-Life business direct premiums income

Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,805		4,532		*(16.0)*
Land Vehicle Hulls (class 3)	618		677		*(8.7)*
Total premiums - Motor Vehicles	**4,423**	***56.1***	**5,209**	***58.1***	***(15.1)***
Accident and Health (classes 1 and 2)	1,216		1,270		*(4.2)*
Fire and Other damage to property (classes 8 and 9)	1,061		1,189		*(10.8)*
General TPL (class 13)	688		761		*(9.6)*
Other classes	495		540		*(8.3)*
Total premiums - Non-M-V	**3,459**	***43.9***	**3,759**	***41.9***	***(8.0)***
Total Non-Life direct premiums	**7,883**	***100.0***	**8,969**	***100.0***	***(12.1)***

% breakdown of Non-Life business direct premiums



In the **MV segment**, premiums of MV TPL were €3.805m, down by 16% on 2014 (*estimated operating figure -8.5%*). A 8.7% decline was also reported in the Land Vehicle Hulls business with premiums equal to €618m (*estimated operating figure -2.1%*).
Although affected by the still weak, albeit slightly improved, macroeconomic background, the **Non-MV segment**, performed better, with premiums equal to €3,459m, an 8% decrease (*estimated operating figure* -1.2%).

Non-Life claims

With regard to Non-Life claims, in the MV TPL class, technical indicators for the Group continued to be positive in terms of both claim frequency and control of average costs. In the Non-MV business, after a first quarter affected by the significant material damages caused by an exceptionally severe weather event, the second half of the year saw a clear improvement in claims, also due to anomalous weather conditions in the fourth quarter of 2015, characterised by an almost complete absence of rainfall over large part of the country.
In this context, the Unipol Group reported, at 31 December 2015, a loss ratio for direct business (including the balance of other technical items) of 65.6%, down from the level, 68%, recorded at 31 December 2014, due in part to the stability of the provisions for previous year claims.

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

Non-life business	Claims experience at 31/12/2015	Claims experience at 31/12/2014
MV TPL (classes 10 and 12)	+66	-79
Land Vehicle Hulls (class 3))	+10	+18
General TPL (class 13)	+16	-52
Other Classes	+155	+187
TOTAL	**+247**	**+74**

The **loss ratio** (for Non-Life direct business alone), including the OTI ratio, was equal to 65.6% (68% at 31/12/2014).
The number of claims reported, without considering the MV TPL class, reported a 2.7% increase, due to the Health class (+9.7%), with decreases in all other classes.

Number of claims reported (excluding MV TPL)

	31/12/2015	31/12/2014	% var.
Land Vehicle Hulls (class 3)	282,866	328,787	*(14.0)*
Accident (class 1)	148,231	152,886	*(3.0)*
Health (class 2)	2,834,554	2,583,836	*9.7*
Fire and Other damage to property (classes 8 and 9)	299,843	366,189	*(18.1)*
General TPL (class 13)	101,294	121,287	*(16.5)*
Other classes	383,746	391,849	*(2.1)*
Total	**4,050,534**	**3,944,834**	***2.7***

With regard to the MV TPL class, where the CARD agreement [3] is applied, cases related to reported "fault" claims (Non-Card, Debtor Card or Natural Card) were 672,843 in 2015, down by 15.4%.
Claims that present at least one Debtor Card claims handling were 396,913, down by 14.5% with respect to the same period of the previous year.
Handler Card claims were 492,507 (including 111,638 Natural Card claims, claims between policyholders at the same company), down by 14.5%. The settlement rate in 2015 was 80.6% against 80.1% in the previous 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 2015 was equal to 84.4% (84.1% in 2014).
The average cost (amount paid plus amount reserved) for claims reported declined in 2015 by 2.2% with respect to the previous year (+1.3% in 2014). The average cost of the amount paid out decreased by 3.6%.

The direct business ***expense ratio*** of the Non-Life sector was equal to 27.9% (26.7% at 31/12/2014), a figure that reflects the decline in premiums and the shift of the sales mix towards Non-MV classes, characterised by higher commissions, and also by the greater impact of variable commissions directly related to technical upgrades.

The ***combined ratio***, based on direct business, was equal to 93.5% at 31/12/2015 (94.7% at 31/12/2014).

Cancellation of the Measure dated 14 November 2012 of the Antitrust Authority

With Measure dated 14 November 2012, the 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 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.
On 26 March 2015 the Antitrust Authority notified a penalty provision with which UnipolSai Assicurazioni was ordered to pay an administrative penalty of €16.9m.
At the end of the hearing of 2 December 2015, the Regional Administrative Court accepted the appeal filed by UnipolSai and entirely repealed the measure of the Antitrust Authority, indicating that it shares nearly all the substantial remarks raised by the Company.

[3] CARD - 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 premiums of the main Group insurance companies

The Non-Life direct premiums of the **UnipolSai Group** totaled €7,334m (€8,424m in 2014, -12.9%, estimated operating figure -5.3%).

UnipolSai Group - Non-life direct premiums

Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,653		4,351		*(16.0)*
Land Vehicle Hulls (class 3)	602		658		*(8.6)*
Total premiums - Motor Vehicles	**4,254**	***58.0***	**5,009**	***59.5***	***(15.1)***
Accident and Health (classes 1 and 2)	877		963		*(9.0)*
Fire and Other damage to property (classes 8 and 9)	1,043		1,172		*(11.1)*
General TPL (class 13)	680		754		*(9.8)*
Other classes	480		525		*(8.5)*
Total premiums - Non-M-V	**3,080**	***42.0***	**3,414**	***40.5***	***(9.8)***
Total Non-life premiums	**7,334**	***100.0***	**8,424**	***100.0***	***(12.9)***

Direct premiums relating to **UnipolSai,** the main company of the Group, which, with accounting and tax effect from 1 January 2015, has incorporated the companies operating in the Non-Life business, Systema and Europa Tutela Giudiziaria, were equal to €6,998m (-12.5%, *estimated operating figure,* including in the 2014 premiums also those of the two incorporated companies, *-4.5%*), of which €4,150m in the MV classes (-14.5%, *estimated operating figure -6.6%*) and €2,848m in the Non-MV classes (-9.4%, *estimated operating figure -1.4%*).

UnipolSai Assicurazioni Spa - Non-Life business direct premiums

Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,563		4,216		*(15.5)*
Land Vehicle Hulls (class 3)	587		640		*(8.4)*
Total premiums - Motor Vehicles	**4,150**	***59.3***	**4,856**	***60.7***	***(14.5)***
Accident and Health (classes 1 and 2)	850		931		*(8.8)*
Fire and Other damage to property (classes 8 and 9)	1,011		1,130		*(10.5)*
General TPL (class 13)	669		739		*(9.5)*
Other classes	318		344		*(7.6)*
Total premiums - Non-M-V	**2,848**	***40.7***	**3,144**	***39.3***	***(9.4)***
Total Non-Life premiums	**6,998**	***100.0***	**8,000**	***100.0***	***(12.5)***

The **MV segment** recorded a sharp contraction in premiums (-14.5%, *estimated operating figure -6.6%*) due to three main factors:
- the sale of the business unit to Allianz;
- the reduction in the average premium, due to the particularly keen competitive environment;
- the drop in the number of contracts in the portfolio in the first quarter, which, however, stopped in the following months.

In the **Non-MV classes** a decrease in premiums (-9.4%, *estimated operating figure -1.4%*) was recorded in all segments due mainly to the sale of the business unit to Allianz, but also to the still critical economic situation in Italy.
Premiums for the Accident and Health classes were down by 8.8% (*estimated operating figure -2.2%*). In particular in the Health class, premiums were down by 5.8% (*estimated operating figure -3%*), as a result of the loss of significant group policies, and actions to clean up the portfolio of individual policies.
The portfolio of Fire class, net of the effect of the Allianz transfer, held its ground, even if special attention had to be given to the exposure to catastrophe risks (-11.6%, *estimated operating figure -0.4%*).
In the TPL class, the decline in premiums (-9.5%, *estimated operating figure -1.7%*) was due both to the sale of the business unit and to a prudent and careful selection of the risks. The market situation is highly competitive, in particular as a result of the activity of non-EU Companies in the segments of professional TPL and health care area.

The Arca Vita Group, with the Non-Life company **Arca Assicurazioni** recorded direct premiums for €103m, basically unchanged with respect to 31 December 2014 (+0.3%), but with a substantial increase in the Non-MV classes (+8.3%) and a decrease in the MV segment (-11.2%), due to a decrease both in the average premium and in the number of policies in the portfolio.

Arca Vita Group - Non-life direct premiums

Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	34		38		*(12.1)*
Land Vehicle Hulls (class 3)	4		4		*(2.2)*
Total premiums - Motor Vehicles	**38**	***36.5***	**42**	***41.2***	***(11.2)***
Accident and Health (classes 1 and 2)	31		30		***4.6***
Fire and Other damage to property (classes 8 and 9)	18		16		***11.7***
General TPL (class 13)	8		7		*11.1*
Other classes	9		8		*12.9*
Total premiums - Non-M-V	**65**	***63.5***	**60**	***58.8***	***8.3***
Total Non-life premiums	**103**	***100.0***	**103**	***100.0***	***0.3***

At 31 December 2015, the **specialist companies** (Linear and Unisalute) recorded direct premiums for €446m (+0.8%).

Unisalute recorded direct premiums for €301m (€270m at 31/12/2014) up by 11.3%, through the development of its core business, essentially consisting of collective coverage for company employees, with an underwriting policy focused on the preservation of long-term profitability.

Among the main new contracts underwritten in 2015 there were those with Banco di Napoli, Cassa Depositi e Prestiti, CONI (Italian National Olympic Committee), IVASS (Italian Insurance Supervisory Authority), Benetton, the Istituto Centrale delle Banche Popolari Italiane (ICBPI) and the Ente Bilaterale Nazionale per gli Studi Professionali (EBRO).

Premiums in the most innovative market segment, long-term care insurance, were equal to €10m. The number of customers was approximately 5.3m, of which approximately 4.3m in the Health class (3.6m at 31/12/2014) and 900,000 in the Assistance class.

In the individual policy sector, Unisalute developed a product offer for the internet channel: Iubilaeum Daily Assistance, Dentista, Diaria plus, Assistenza domiciliare, Fisioterapia, Cuore InSalute, Assistenza domiciliare over 65 and Kasko (sold both directly and through Linear).

We shall mention here that at the Milano Finanza Insurance e Previdenza Awards 2015, UniSalute received for the second year running the prestigious award as Value Company for the Health class.

Linear reported direct premiums for €145m (€172m at 31/12/2014, -15.7%). Due to the unfavourable conditions in the MV TPL market, the relative incidence of other guarantees increased in relation to total premiums from 16.9% in 2014 to the current 18%.

On 31 December 2015, Linear acquired the portfolio of Dialogo Assicurazioni, including approximately 56,000 policies. At the end of 2015, without considering the contribution of Dialogo Assicurazioni, its portfolio included almost 413,000 policies, a 9.9% decrease, with average earned premium down by 6.2%.

Life Premiums

Total Life premiums (direct and indirect) were €8,595m (€8,916m at 31/12/2014, -3.6%). The breakdown of **direct premiums**, which represent almost all the premiums, was as follows:

Life business direct premium income

Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
Premiums					
I - Whole and term Life insurance	5,512	*72.1*	6,231	*71.0*	*(11.5)*
III - Unit-linked/index-linked policies	1,025	*13.4*	1,473	*16.8*	*(30.4)*
IV - Health	1	*0.0*	1	*0.0*	*13.4*
V - Capitalisation insurance	670	*8.8*	599	*6.8*	*11.8*
VI - Pension funds	435	*5.7*	469	*5.3*	*(7.4)*
Total Life business premium income	**7,643**	***100.0***	**8,773**	***100.0***	***(12.9)***
Investment products					
III - Unit-linked/index-linked policies	906	*95.2*	100	*70.5*	*809.9*
VI - Pension funds	45	*4.8*	42	*29.5*	*8.4*
Total Life investment products	**951**	***100.0***	**141**	***100.0***	***573.1***
Total premium income					
I - Whole and term Life insurance	5,512	*64.1*	6,231	*69.9*	*(11.5)*
III - Unit-linked/index-linked policies	1,930	*22.5*	1,572	*17.6*	*22.8*
IV - Health	1	*0.0*	1	*0.0*	*13.4*
V - Capitalisation insurance	670	*7.8*	599	*6.7*	*11.8*
VI - Pension funds	480	*5.6*	511	*5.7*	*(6.1)*
Total Life business direct premium income	**8,593**	***100.0***	**8,915**	***100.0***	***(3.6)***

At 31 December 2015, the premium volume reported was significant, equal to €8,593m, despite a slight decline (-3.6%) with respect to the same period of the previous year. There was an increase in the premiums from Class III (+22.8%) and Class V (+11.8%), while Class I (-11.5%) and Class VI (-6.1%) were down.

In particular the bancassurance channel, consisting of the companies of the Arca Vita Group and the Popolare Vita Group, reported direct premiums for €4,986m, basically in line with the previous year (-0.1%), but with a 46.2% increase for the Arca Group and a 17% decrease for Popolare Vita Group.
UnipolSai, the main company of the Group, reported direct premiums for €3,418m, against €3,696m in 2014 (-7.5%).

At 31 December 2015 new business volume in terms of **APE**, net of third party interests, was €473m (€493m at 31/12/2014, -4%), of which €231m from bancassurance companies and €242m from traditional companies.

The ***expense ratio*** of the Life direct business was equal to 4% (unchanged with respect to 31/12/2014).

Pension Funds

Unipol Gruppo Finanziario retained a leading position in the supplementary pension market, despite keen competition.

At 31 December 2015, UnipolSai managed a total of 21 Occupational Pension Fund mandates (14 of which “with guaranteed capital and/or minimum return”); resources under management were €3,699m (of which €2,807m with guaranteed capital). At 31 December 2014 the Occupational Pension Funds managed a total of 21 mandates (of which 13 mandates “with guaranteed capital and/or minimum return”) and resources under management were €3,719m (of which €2,671m with guaranteed capital).

At 31 December 2015 the assets of the **Open Pension Funds** managed by Unipol Group Finanziario through UnipolSai, Popolare Vita and BIM (Unipol Previdenza, Unipol Insieme, Conto Previdenza, Fondiaria Previdente, Fondo Pensione Aperto Sai, Fondo Pensione Aperto UnipolSai, Fondo Pensione Aperto Popolare Vita, Fondo Pensione Aperto BIM Vita) reached a total of €845m with 45,568 members. At 31 December 2014 these pension funds had total assets of €802m and a total of 45,157 members.

Life premiums of the main Group insurance companies

Life direct premiums of the **UnipolSai Group** were equal to €6,648m (€7,584m at 31/12/2014, -12.3%). The decrease was due in particular to class I traditional policies (-21.1%), which represented 59.5% of total premiums with €3,958m. The classes III Unit- and Index-linked policies (+5.6%) and V Capitalisation Policies were up (+11.9%). The class VI Pension Funds recorded a 6.1% decrease.

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

UnipolSai Group - Life business direct premiums

	Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
I	Whole and term life insurance	3,958	*59.5*	5,016	*66.1*	*(21.1)*
III	Unit-linked/index-linked policies	1,563	*23.5*	1,481	*19.5*	*5.6*
	of which investment products	*539*	*8.1*	*8*	*0.1*	*6743.6*
IV	Health	1	*0.0*	1	*0.0*	*13.4*
V	Capitalisation insurance	645	*9.7*	576	*7.6*	*11.9*
VI	Pension funds	480	*7.2*	511	*6.7*	*(6.1)*
	of which investment products	*45*	*0.7*	*42*	*0.6*	*8.4*
Total life business		**6,648**	***100.0***	**7,584**	***100.0***	***(12.3)***
of which investment products		***584***	***8.8***	***50***	***0.7***	***1077.5***

Direct premiums for UnipolSai alone were equal to €3,418m (€3,696m at 31/12/2014, -7.5%). Class V Capitalisation policies were up with premiums equal to €586m (+6.4%), while a decrease was recorded in Class I Traditional policies with premiums for €2,342m (-11%) and Class VI Pension funds with premiums for €473m (-6.3%).

UnipolSai Assicurazioni Spa - Life business direct premiums

	Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
I	Whole and term life insurance	2,342	*68.5*	2,631	*71.2*	*(11.0)*
III	Unit-linked/index-linked policies	17	*0.5*	9	*0.2*	*85.5*
	- of which investment products	*16*	*0.5*	*8*	*0.2*	*104.9*
IV	Health	1	*0.0*	1	*0.0*	*13.4*
V	Capitalisation insurance	586	*17.1*	551	*14.9*	*6.4*
VI	Pension funds	473	*13.8*	505	*13.7*	*(6.3)*
	- of which investment products	*38*	*1.1*	*35*	*1.0*	*7.1*
Total Life business		**3,418**	***100.0***	**3,696**	***100.0***	***(7.5)***
- of which investment products		***54***	***1.6***	***43***	***1.2***	***24.7***

The bancassurance companies of the UnipolSai Group, **Popolare Vita** and its subsidiary **The Lawrence Life**, collected premiums respectively for €2,517m (€2,982m at 31/12/2014, -15.6%) and €525m (€682m at 31/12/2014, -22.9%). Overall, premiums at the Popolare Vita Group decreased by 17%.

The Life insurance companies of the **Arca Group** (Arca Vita and Arca Vita International) recorded significant growth in premiums (+46.2%, to €1,943m) at 31 December 2015, with respect to the corresponding period of the previous year. The increase was even more important as 2014 had already been characterised by outstanding growth.

Arca Vita Group - Life business direct premium income

	Amounts in €m	31/12/2015	% comp.	31/12/2014	% comp.	% var.
I	I Whole and term life insurance	1,551	*79.8*	1,214	*91.4*	*27.7*
III	Unit-linked/index-linked policies	367	*18.9*	92	*6.9*	*299.7*
	of which investment products	*367*	*18.9*	*92*	*6.9*	*300.1*
V	Capitalisation insurance	25	*1.3*	23	*1.7*	*8.7*
Total life business		**1,943**	***100.0***	**1,329**	***100.0***	***46.2***
	of which investment products	***367***	***18.9***	***92***	***6.9***	***300.1***

Reinsurance

Indirect business

Indirect Non-life and Life premiums at 31 December 2015 were overall €39m (€28m in 2014), of which €38m (€26m in 2014) for the Non-Life business and €1m (€1m in 2014) for the Life business.

Indirect business

Amounts in €m	31/12/2015	% comp.	31/12/2014	% comp.	% var.
Non-Life premiums	38	*96.9*	26	*94.9*	*45.4*
Life premiums	1	*3.1*	1	*5.1*	*(11.9)*
Total indirect premiums	**39**	***100.0***	**28**	***100.0***	***42.5***

Reinsurance ceded

Premiums ceded by the Group were in total €411m (€433m in 2014), of which €395m in the Non-Life business (€412m in 2014) and €16m in the Life business (€21m in 2014).

Premiums ceded

Amounts in €m	31/12/2015	% comp.	31/12/2014	% comp.	% var.
Non-Life premiums	395	*96.1*	412	*95.2*	*(4.2)*
Retention ratio - Non-Life business (%)	*95.0%*		*95.4%*		
Life premiums	16	*3.9*	21	*4.8*	*(21.3)*
Retention ratio - Life business (%)	*99.8%*		*99.8%*		
Total premiums ceded	**411**	***100.0***	**433**	***100.0***	***(5.0)***
Overall retention ratio (%)	*97.4%*		*97.6%*		

At 31 December 2015 the premiums ceded generated an overall positive result for reinsurers, both in the Non-Life and in the Life business.

Unipol Group reinsurance policy

As regards the risks underwritten in the Non-Life classes, the reinsurance strategy adopted by the Group since 2013 has realised synergies and economies of scales by acquiring standardised insurance coverage for all companies of the Group, obtaining not only an increase in overall capacities, but also noticeable cost savings.

The main reinsurance policies taken out by the Group in 2015 were the following:
- excess of loss treaties for the protection of MV TPL, General TPL, Fire (by risk and by event), Theft and Accident, Aircraft TPL, Transport and Bonds portfolios;
- stop loss treaty for Hail risk;
- proportional reinsurance 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, for Bonds and Aviation classes (Accident, Aircraft Hulls and TPL) and for "multi-risk" policies underwritten in the Hail class.

As regards risks in the Life business, with renewals in 2015 Group covers were assigned to two proportional treaties (individual and collective groups) in excess of risk premium, protecting retention with a non-proportional cover by event, for the Life and/or Accident classes.

The Unipol Assicurazioni Division and the Fondiaria and SAI Divisions continue to have separate covers, solely for the specific, and quantitatively modest LTC (long term care) and Weighted Risks (survival) guarantees.

To minimise counterparty risk, reinsurance coverage continued to be spread out and placed with leading professional reinsurers that have been given a high credit rating by major rating agencies, in order to provide a comprehensive and competitive service.

Issue of catastrophe bonds tied to the risk of "Italian earthquakes"

To remain on the subject of reinsurance policy, UnipolSai has successfully held the role of Sponsor for the first issuance of catastrophe bonds tied to the risk of "Italian earthquakes". The **Azzurro 1** bond was issued on 17 June 2015 by the Special Reinsurance Vehicle Ltd Azzurro 1 - subject to Irish laws - in the amount of €200m, with a 2.15% annual coupon and 31 December 2018 final maturity. The issue Regulation provides for the flows of the securities in terms of principal and interest to be modified in relation to the occurrence of determined covered events on the basis of a reinsurance agreement. The bond replaces, to all effects, a reinsurance treaty and protects the company from claims in an amount above €500m until a maximum limit of €700m. For claims below €500m, and above €700m, the traditional reinsurance coverage applies. In fact the structure of the transaction is such that the coverage is activated through the "indemnity trigger per event", a mechanism that reflects the functioning of the traditional reinsurance treaties.

This represents the first transaction that transfers the risk of earthquake in Italy to the capital market. Its launch has been successful, given the high impact of diversification that it involves and has gained participation from all of the main investors in the sector.

Banking Sector

Operating performance of Unipol Banca

Direct deposits at 31 December 2015 were €10bn, down with respect to 2014 (-2.5%) with smaller balances of ordinary customers (-€222m) due mainly to the repayment of securitisation notes for €160m.
Because of the increase in the balances held by the companies of the Unipol Group (+€1.3bn, +14.3%), which were 13.1% of the total of direct deposits (11.2% at 31/12/2014), transactions with Cassa Compensazione & Garanzia decreased (-86.4%). Net of the deposits by Unipol Group companies, direct deposits fell by 4.7%.
The evolution of market rates made fixed-term deposits (time deposits, repurchase agreements, certificates of deposit) less attractive: during the year these lost 57.8% of their stock for a total €605m, of which €204m related to transactions with the Cassa Compensazione & Garanzia. Current accounts increased by 11.1% due to an increase in the funds of the Group and the replacement of the fixed-term transactions with current account deposits. The net balance on bond trading activities with ordinary customers was negative for €66m in 2015; there were also €556m of bonds maturing, which were partly replaced by €476m of newly-issued bonds.

Indirect deposits at 31 December 2015 were equal to €51.2bn, with an increase of 4.3%. Increases were recorded both for the funds of companies of the Unipol Group (+3.2%) and those of ordinary customers (+18.2%).
Funds under custody increased by 23.1% (+€403m) due to the recovery of the markets; assets under management increased by 13.6% (+18.9% funds, +20% Life policies and -27.2% managed portfolios).

At 31 December 2015 **receivables from customers**, including value adjustments, were €10.5bn, down with respect to 2014 (-5.2%). Including also the valuation reserves, receivables were equal to €9.3bn with an annual change of -5.8%. The increase in gross bad and doubtful loans, which had remained high in recent years, was equal to 3.8%. Gross **impaired loans** at 31 December 2015 were €3.9bn, stable with respect to 2014 (-0.1%): this was the result of the review of lending processes begun in 2014 with the twofold objective of making credit collection activities more efficient and preventing exposures from deteriorating, as well as of the non-recourse sale of some impaired loans completed in the second half of the year.
It should be noted that Unipol Banca mitigates its credit risk through the indemnity agreement in place with the holding company Unipol, on a set of non-performing exposures which at 31 December 2015 had a net total value of €832m (€5m on endorsement loans), mostly to counterparties in the real estate sector.
With regard to **concentration risk** in the statement of financial position at 31 December 2015 the item “receivables from customers” included exposures that were deemed to be major because of their concentration of the risk as well as sector of financial activity, which in almost all cases was the real estate sector. These are exposures to 27 economic groups for a total gross exposure of €1,186m, of which €820m classified as bad and doubtful loans, and €366m as other impaired positions; the related valuation reserves were equal to €117m. At 31 December 2014 this portfolio segment included 26 economic groups for a total exposure of €1,206m and valuation reserves of €100m. Most of this portfolio is covered by the aforementioned indemnity agreement.
At 31 December 2015 the coverage rate of total impaired loans (excluding endorsement loans), inclusive of the provisions made by the holding company Unipol, was equal to 44.46%.

At 31 December 2015 the net balance towards the banking system was positive for €163m (negative for €450m at the end of 2014). **Receivables from banks** increased with respect to December 2014 (+73.1%) due to the larger deposits with the Banks’ Mandatory Provision (ROB), to €289m from €92m in 2014. Current accounts and deposits also increased, from €247m in 2014 to €305m in 2015.
With regard to **payables to banks**, we note the repayment on maturity of a €350m portion of the LTRO loan received from the ECB; €415m are still owed to this for the TLTRO loan taken out at the end of 2014. Short positions (interbank, repurchase agreements, overnight deposits) decreased by approximately €10m, to €21m.

With regard to the **income statement** net interest income in 2015 was equal to €198m, with a substantial decrease with respect to 2014 (-9.6%, equal to €21m) for the smaller funds, both from customers and from securities investment, and for the further decrease in rates. Net commission income was equal to €101m, with a 2.7% decline (-€3m with respect to 2014). Net financial income fell to €8m (€78m in 2014) as a result of the smaller volumes invested in securities that have limited the level of market transactions. This figure includes €25m losses for the transfer of some impaired loans covered by the indemnity agreement with Unipol, offset by the refunds received, recognised under Other operating income among Operating expenses. The dividend component was up (+€4m with respect to 2014) for the greater contribution of the subsidiary Finitalia.

Overall **gross operating income** at 31 December 2015 was €308m, down 23.4% with respect to 2014.
The **value adjustments** made to receivables, were equal to €45m at 31 December 2015, down by €149m with respect to 2014 (-76.6%), as a result in particular of the decrease in performing loans that have made possible to reduce the overall adjustments on this class of loans and for the aforementioned reduction in impaired loans. Adjustments on receivables also include write-downs for approximately €3m on a Banca Marche bond classified among receivables from banks The cost of risk, equal to 49 basis points, was down with respect to 2014 (equal to 197.5 basis points). Value adjustments were also made to the available-for-sale assets portfolio for €6m, in connection to another Banca Marche bond (€48m at 31 December 2014).
Operating expenses at 31 December 2015 were €255m, down with respect to 2014 by 4.6% (-€12m). The incidence of operating expenses on gross operating income increased by 16.3 percentage points, from 66.6% in 2014 to 82.9% in 2015.

The **pre-tax result** at 31 December 2015 was basically zero (+€0.5m), against a loss of €113m recorded in 2014.

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

Banking business

Amounts in €m	**31/12/2015**	31/12/2014	*% var.*
Net interest income	234	256	*(8.5)*
Net commission income	99	108	*(8.8)*
Other net financial income	3	76	*(96.7)*
Gross operating income	**335**	**441**	***(23.9)***
Net reversals due to impairment of financial assets	(59)	(254)	*(77.0)*
Net financial income	**277**	**186**	***48.6***
Operating expenses	271	286	*(5.2)*
of which provisions for risks and charges	1	5	
Cost/income	*80.8%*	*64.9%*	*24.6*
Other income (charges)	0	(1)	
Pre-tax profit (loss)	**6**	**(101)**	***(106.0)***

The pre-tax result of the Banking sector at 31 December 2015 was positive for €6m (negative for €101m at 31/12/2014).

Investments and cash and cash equivalents of the Banking sector totalled €11,100m at 31 December 2015 (€11,814m at 31/12/2014).

Financial liabilities amounted to €10,459m (€11,152m at 31/12/2014) and they mainly comprised:
- €538m in subordinated loans (€589m at 31/12/2014);
- €2,842m in debt securities issued (€2,754m at 31/12/2014);
- €6,995m in payables to customers (€6,917m at 31/12/2014);
- €436m in interbank payables (€796m at 31/12/2014).

Real estate Sector

As reported in the section "Management Report", in 2015 a further simplification of the corporate structure of the Group was carried out through the merger by incorporation of UnipolSai Real Estate into UnipolSai Assicurazioni.

On 2 December 2015, the Board of Directors of UnipolSai decided to sell the entire investment in the company Punta di Ferro Srl, the owner of the shopping mall with the same name located in Forlì, to Immobiliare Grande Distribuzione SIIQ SpA (IGD). On 16 December 2015, in execution of the Preliminary Sale Agreement underwritten on 2 December 2015, the entire investment held in the company Punta di Ferro Srl by UnipolSai was sold to IGD for €129m, realizing a capital gain of €7m.

As a result of these extraordinary transactions, the Real Estate Sector, defined to include only property subsidiaries and the companies on which these exercise a significant influence, has undergone a clear retrenchment.

The activities of the Real Estate Sector have continued to focus on the restoration and then development of some properties in the portfolio. With regard to the area in Milan in via Melchiorre Gioia at the corner of via Don Sturzo, owned by the Group, located in an urban redevelopment zone known as "Porta Nuova Garibaldi", design activities are underway for the construction of a new multi-storey building for business use, on which work should start before the end of 2016.

The main **income statement figures of the Real Estate sector** are shown below:

Income Statement - Real Estate Sector

Amounts in €m	**31/12/2015**	31/12/2014	*% var.*
Gains (losses) on financial instruments at fair value through profit or loss	(2)	(1)	*82.6*
Gains on other financial instruments and investment property	49	75	*(35.2)*
Other revenue	7	41	*(82.8)*
Total revenue and income	**55**	**115**	***(52.6)***
Losses on investments in subsidiaries, associates and interests in joint ventures		(3)	*(100.0)*
Losses on other financial instruments and investment property	(95)	(103)	*(8.6)*
Operating expenses	(13)	(10)	*33.3*
Other costs	(42)	(73)	*(42.0)*
Total costs and expenses	**(150)**	**(189)**	***(20.5)***
Pre-tax profit (loss) for the year	**(95)**	**(74)**	***29.4***

Pre-tax result at 31 December 2015 was negative for €95m (-€74m at 31/12/2014, of which -€55m related to the former UnipolSai Real Estate, now incorporated into UnipolSai Non-Life Sector), after carrying out write-downs and depreciation of properties for €95m (€98m at 31/12/2014).

Investments and cash and cash equivalents of the Real Estate sector (including the properties for own business use) were, at 31 December 2015, €920m (€1,855m at 31/12/2014, of which €712m related to the former UnipolSai Real Estate), consisting mainly of investment property for €474m (€1,157m at 31/12/2014) and properties for own business use for €348m (€481m at 31/12/2014).

Financial liabilities were, at 31 December 2015, €203m (€164m at 31/12/2014). The change is due to the fact that the loans granted by the former UnipolSai Real Estate to the subsidiaries Meridiano Secondo and Società Edilizia Immobiliare Sarda, for a total of €41m (€41m at 31/12/2014), as a result of the said merger of UnipolSai Real Estate are allocated, for the active component, to the Non-Life Insurance sector and are no longer offset with the corresponding financial liabilities within the Real Estate sector but between intersectoral relations.

Other property transactions

During the year, activities to sell a portion of the property portfolio continued, and several transactions were carried out on individual properties located throughout the country. We note the sale of the wholly-owned property, used for hotel purposes, located in Milan, via Caldera 21 and the start of the sale of parts of the property development located in Milan, via Bugatti/Tomaselli/Fraschini/Roselli called "Le Terrazze" and the underwriting of a preliminary agrement for the block sale, by the end of 2016, of two buildings in Turin.

The enhancement of the Group's real estate assets has mainly concerned:

- the start of the activities aimed to renovate and develop the property located in Milano via Fara 41 "Torre Galfa", which has been totally vacant since 2001;
- the start of the design stage for the refurbishment of the property Torre Velasca located in Milan, aimed to modernise the building, for both residential and office use;
- start of the work, to be concluded in 2017, on the redevelopment of the property in Milan, via Pantano 26 /Corso di Porta Romana 19, which will partially be used for residential purposes and partially for management offices.

Porta Nuova Project

With reference to the investment in the development project for the area called "Porta Nuova" (the "Project"), in the first quarter of 2015 all shares related to the real estate funds in which the UnipolSai Group had invested through associated companies and other investee companies subject to the Luxembourg law, were sold to Qatar Holding ("QIA").

On 27 February 2015, Hines sgr, the management company of the closed-end real estate investment funds (the "Funds") that own the land and the properties of the Project, announced that the institutional investor QIA would purchase all the shares of the Funds that it did not already own and 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 these. The closing of the transaction took place on 25 March 2015, subject to the approval of some banks financing the Funds, which was later obtained.

Following this sale, the Luxembourg-based selling companies received the first portion of the sales price and used it to repay part of the loans received by the participants in the initiative. At the time of this report, the UnipolSai Group had received partial repayment of a total of €125m for the loans granted in the form of Profit Participating Bonds. It is anticipated that the income generated from the sale will allow the repayment of the entire investment of the Group and perhaps will result in a capital gain, the quantification of which has not been made so far, pending the assessment and analysis on the possible risks associated with the guarantees issued by the purchaser. The outstanding receivables are expected to be collected in three further tranches, in October 2016, July 2023 and April 2025.

Purchase of properties from the Rho Fund

During the last quarter of 2015 UnipolSai purchased 11 properties from the Rho Fund, managed by Idea Fimit Sgr, for €267m, including some buildings used as offices of the Group, contributed in 2009 by the former Fondiaria-SAI Group. The purpose of the transaction was to eliminate the high lease costs given the extended duration of the lease agreements and the corresponding commitments.

Holding and other Businesses Sector

The diversified companies continued to carry out commercial development activities in 2015. These activities, along with restructuring initiatives adopted in previous years and still ongoing, have resulted, in some cases, in a clear improvement on the previous year, despite the continued weakness in the market environment.

With regard to the **hotels segment** Atahotels reported profits for €2m, a significant improvement compared with the corresponding figure of 2014 (-€9m). This result was mostly due to a significant improvement in business operations, which saw an increase in revenue of around €22m, driven by the performance of the hotels in the Milan area, which benefited from the 2015 Milan Expo, and a substantial improvement in operating expenses with respect to 2014 as a result of the rationalisation activities carried out.

Agreements for the acquisition of the "UNA" hotel business
On 22 May 2015, the subsidiary Atahotels SpA and the affiliated UnipolSai Investimenti SGR SpA signed agreements with UNA SpA ("**UNA**") regarding the acquisition, with two separate transactions, of the hotel management unit and the corresponding property portfolio held for hotel purposes, respectively. To be completed, these transactions require, among other things, the approval by the competent authorities and the completion by UNA of the restructuring of debt. The price for the acquisition of the real estate portfolio was €259m. The merger between Atahotels and UNA is expected to produce a leader in the Italian hospitality sector.
After the end of the year, in January 2016, negotiations for the renewal of the lease agreement on some accommodation facilities, rented to Atahotels, owned by the Fondo Antirion Global-Comparto Hotel, were terminated. The facilities will be cleared during the first quarter of 2016.

With regard to the **medical clinics** the two main companies, Centro Oncologico Fiorentino (-€9m estimated at 31/12/2015; -€13m at 31/12/2014) and Villa Donatello (basically breaking even in 2015; -€3m at 31/12/2014) reported better results as a result of the measures implemented in recent years by the UnipolSai Group with a view to cutting costs and developing commercial activities.
With regard to the activities carried out by Centro Oncologico Fiorentino, negotiations are ongoing with the Tuscan Regional government and the local health unit for Central Tuscany to transfer the activities of the Centro Oncologico Fiorentino to public health facilities and set up a new structure called "Integrated Hub for Women's Health".

With regard to **agricultural activities**, the company Tenute del Cerro recorded a loss of €2m (-€1 million at 31/12/2014) after property impairments for €3m, gross of the tax effect. The loss was offset by an 8.4% increase in the value of production.

The **holding company Unipol** reported a €133m profit at 31 December 2015 (140m € at 31/12/2014) and it includes dividends received from the companies of the Group, eliminated in the consolidation process, amounting to €376m (€419m in 2014), as well as write-downs of equity investments in subsidiaries, amounting to €46m, also eliminated in the consolidation process.
In 2015, allocations of €100m were made to provisions for risks on the credit indemnity agreement with the subsidiary Unipol Banca (€196m in 2014). Commission income for the year of €27m was recorded against this agreement (€19m at 31/12/2014).
Interest expense on the bond loans issued were €55m, at 31 December 2015 (€41m at 31/12/2014).

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	**31/12/2015**	31/12/2014	*% var.*
Commission income	27	19	*43.9*
Gains (losses) on financial instruments at fair value through profit or loss	(22)	(1)	*1,614.8*
Gains on other financial instruments and investment property	10	10	*9.3*
Other revenue	284	331	*(14.1)*
Total revenue and income	**299**	**358**	***(16.4)***
Losses on investments in subsidiaries, associates and interests in joint ventures	(6)		*8,159.9*
Losses on other financial instruments and investment property	(72)	(54)	*34.9*
Operating expenses	(100)	(121)	*(17.5)*
Other costs	(324)	(491)	*(34.1)*
Total costs and expenses	**(502)**	**(666)**	***(24.6)***
Pre-tax profit (loss) for the year	**(203)**	**(308)**	***(34.1)***

A pre-tax result at 31 December 2015 was a loss of €203m (-€308m at 31/12/2014); the net loss was €229m (-€235m at 31/12/2014).

At 31 December 2015 the investments and the cash and cash equivalents of the Holding and Other Businesses sector (including properties for own use for €183m) were €1,801m (€1,220m at 31/12/2014). The increase is due mainly to the holding company Unipol that has invested the funds originated by the Public Exchange Offer on the bond loans issued, with concomitant issue of a new bond loan.

Financial liabilities were €1,907m (€1,280m at 31/12/2014) and mainly consist of the following:
- for €1,599m by three senior bond loans issued by Unipol with a total nominal value of €1,616m (€904m at 31/12/2014, for a nominal value of €898m). The increase with respect to 31 December 2014 is due to the outcome of the Exchange Offer promoted by Unipol on two senior unsecured bond loans expiring in 2017 and 2021, and the concomitant issue of a new bond loan expiring in 2025.
- for €268m by loans payable in place with the subsidiary UnipolSai (€268m at 31/12/2014).

Asset and financial management

Investments and cash and cash equivalents

Transactions carried out in 2015

In 2015 investment policies pursued, in a medium-long term perspective, general standards of prudence and preservation of asset quality in accordance with the Guidelines defined in the Group Investment Policy. These objectives have been achieved both through activities geared towards reaching profitability targets consistent with the return profile of the assets and with the trend in liabilities in a multi-year time frame, and by preserving a high-quality portfolio achieved by selecting issuers on the basis of diversification and soundness criteria, giving special attention to the liquidity profile.

The **bond segment** was the main focus of operations, mainly on Italian government bonds and non-government bonds, applying a medium/long-term investment approach.
At 31 December 2015 the exposure to government bonds increased, with respect to 2014, by approximately €415m, due for approximately €400m to purchases of the holding company Unipol and for approximately €15m to net increase of the Insurance sector, with a net positive balance of government bonds for the Life sector equal to €1,675m against a net negative balance for the Non-Life sector where the decrease was approximately €1,660m.

Purchases on the Life portfolio mainly involved fixed rate securities, and were aimed to meet 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 government bonds, which allow the monitoring of minimum guaranteed returns and the coupon reinvestment risk. Hedges were also set in place against the risk of a rise in interest rates, through derivative contracts focused on the specific ALM requirements of some Segregated Funds.

Government bond transactions for the Non-Life segment were characterised by a sharp reduction in exposure and by a fine tuning of maturities in the portfolio. Sales involved medium/long-term fixed-rate securities; repurchases focused on index-linked bonds and to a smaller extent on the very short-term end of the curve (treasury bills and CTZ) or floating rate securities (treasury credit certificates). Derivative contracts were also taken out for the Non-Life portfolio to mitigate the risk of a rise in interest rates.

The non-government component of bonds saw an increase in overall exposure for approximately €1,760m during the year. This increase affected both the Life segment (€940m) and Non-Life segment (€836m). The exposure of the holding company decreased by approximately €16m. Transactions mainly involved financial and industrial securities, both senior and subordinated.

The streamlining of the asset portfolio continued in 2015. There was a €626m overall reduction in exposure to Level 2 and 3 structured bonds.

	31/12/2015			31/12/2014			variation	
Amounts in €m	Carrying amount	Market value	Implied +/-	Carrying amount	Market value	Implied +/-	Carrying amount	Market value
Structured securities - Level 1	5,404	5,387	(17)	3,576	3,750	174	1,828	1,637
Structured securities - Level 2	1,257	1,267	10	1,442	1,410	(32)	(185)	(143)
Structured securities - Level 3	521	499	(22)	962	922	(40)	(441)	(423)
Total structured securities	**7,181**	**7,153**	**(28)**	**5,980**	**6,081**	**101**	**1,201**	**1,072**

In January 2015 the 'Willow' structured security was sold for a total of around €438m with a realized capital gain of over €9m.

The exposure to shares increased, at 31 December 2015, by approximately €90m. This increase was accompanied by the purchase of put options on the Eurostoxx50 index, to mitigate volatility and preserve the value of the portfolio. Transactions were carried out both on individual shares and ETFs (Exchange Traded Funds) representing share indexes.

The portfolio contains securities with good prospects of future profits and high income flow; almost all equity instruments in the portfolio are included in the main European share indexes.
During the second quarter of 2015, the investment in Sorin SpA was sold off as no longer strategic. The countervalue of the transaction was €61m, and it generated capital gains of €34m.

The **exposure to alternative funds**, a category that includes Private Equity Funds and Hedge Funds, was €394m (€404m at 31/12/2014).

Currency transactions were carried out mainly to hedge the currency risk of outstanding equity and bond positions.

The overall Group duration was 5.42 years, a modest increase with respect to the 5.23 years at the end of 2014. The duration in the Group Non-Life insurance portfolio was 3.4 years (3.13 at the end of 2014) and 6.3 years in the Life sector (6.15 at the end of 2014). The duration of the Holding was 0.96 years, down with respect to the end of 2014 (1.05 years) due to the liquidity held in the portfolio.

The fixed rate and floating rate components of the bond portfolio were respectively 79.4% and 20.6%. The government component accounted for approximately 76.2% of the bond portfolio whilst the corporate component accounted for the remaining 23.8%, split into 18.3% financial and 5.5% industrial credit.

90.7% of the bond portfolio was invested in securities with ratings above BBB-. 1.7% of the total bond portfolio had a rating between AAA and AA-, and 3.9% had an A rating.

The exposure to securities with BBB rating was equal to 85.2%, among these Italian government bonds were 69.4% of the total bond portfolio.

At 31 December 2015 **Investments and Cash and cash equivalents** of the Group were €81,840m (€79,985m at 31/12/2014), with the following breakdown by business segment:

Investments and cash and cash cash equivalents - Breakdown by business segment

Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
Insurance sector	70,295	*85.9*	67,354	*84.2*	*4.4*
Banking sector	11,100	*13.6*	11,814	*14.8*	*(6.0)*
Holding and other business sector	1,801	*2.2*	1,220	*1.5*	*47.6*
Real Estate sector	920	*1.1*	1,855	*2.3*	*(50.4)*
Intersegment eliminations	(2,276)	*(2.8)*	(2,259)	*(2.8)*	*0.8*
Total Investments and cash and cash equivalents	**81,840**	***100.0***	**79,985**	***100.0***	***2.3***

The breakdown by investment category was as follows:

Amounts in €m	31/12/2015	% comp.	31/12/2014	% comp.	% var.
Property (*)	3,969	***4.8***	4,010	***5.0***	***(1.0)***
Investments in subsidiaries, associates and interests in joint ventures	90	***0.1***	178	***0.2***	***(49.4)***
Held-to-maturity investments	1,528	***1.9***	2,238	***2.8***	***(31.7)***
Loans and receivables	14,549	***17.8***	14,658	***18.3***	***(0.7)***
Debt securities	*4,530*	*5.5*	*4,414*	*5.5*	*2.6*
Loans and receivables from bank customers	*8,322*	*10.2*	*9,006*	*11.3*	*(7.6)*
Interbank loans and receivables	*594*	*0.7*	*338*	*0.4*	*75.5*
Deposits with ceding companies	*24*	*0.0*	*31*	*0.0*	*(22.4)*
Other loans and receivables	*1,079*	*1.3*	*868*	*1.1*	*24.3*
Available-for-sale financial assets	50,916	***62.2***	48,378	***60.5***	***5.2***
Financial assets at fair value through profit or loss	9,913	***12.1***	9,849	***12.3***	***0.7***
of which held for trading	*407*	*0.5*	*392*	*0.5*	*3.8*
of which at fair value through profit or loss	*9,506*	*11.6*	*9,457*	*11.8*	*0.5*
Cash and cash equivalents	874	***1.1***	674	***0.8***	***29.7***
Total investments and cash and cash equivalents	81,840	***100.0***	79,985	***100.0***	***2.3***

(*) 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 €m	31/12/2015	31/12/2014	% var.
Investment property	(75)	(104)	
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	3	(5)	
Net gains on held-to-maturity investments	74	106	
Net gains on loans and receivables	290	42	
Net gains on available-for-sale financial assets	1,921	2,337	
Net gains on held-for-trading financial assets and at fair value through profit or loss (*)	206	(338)	
Balance on cash and cash equivalents	3	5	
Total net gains on financial assets, cash and cash equivalents	**2,422**	**2,043**	***18.6***
Net losses on held-for-trading financial liabilities and at fair value through profit or loss (*)	(2)	2	
Net losses on other financial liabilities	(274)	(347)	
Total net losses on financial liabilities	**(276)**	**(345)**	***(20.2)***
Total net gains (*)	**2,147**	**1,697**	***26.5***
Net gains on financial assets at fair value (**)	212	513	
Net losses on financial liabilities at fair value (**)	(47)	(92)	
Total net gains on financial instruments at fair value (**)	**165**	**421**	***(60.7)***
Total net gains on investments and net financial income	**2,312**	**2,118**	***9.2***

(*) 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 for which investment risk is borne by customers (index- and unit-linked) and arising from pension fund management

At 31 December 2015 the following write-downs were booked to the income statement: write-downs of Loans and Receivables related to the banking business for €152m (€400m at 31/12/2014) and write-downs due to impairment on financial instruments classified in the Available-for-sale asset category for €45m (€58m at 31/12/2014). Investment property included €38m in depreciation and €97m in write-downs (respectively €41m and €114m at 31/12/2014).

Shareholders' equity

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

Amounts in €m	**31/12/2015**	31/12/2014	*variation in amount*
Share capital	3,365	3,365	
Capital reserves	1,725	1,725	
Income-related and other equity reserves	(426)	(356)	*(70)*
(Treasury shares)	(35)	(36)	*1*
Reserve for foreign currency translation differences	2	2	
Gains/losses on available-for-sale financial assets	589	777	*(188)*
Other gains and losses recognised directly in equity	31	20	*11*
Profit (loss) for the year	272	192	*79*
Total shareholders' equity attributable to the owners of the Parent	**5,524**	**5,691**	***(168)***

The main changes over the year were as follows:
- €126m decrease due to dividend distribution;
- €145m decrease in Income-related and other equity reserves due to the change in the share of participating interests in the UnipolSai Group after the conversion of UnipolSai Class A savings shares into ordinary shares based on an exchange ratio of 100 ordinary shares per 1 Class A share;
- €188m decrease for the decrease in the Provision for gains and losses on available-for-sale financial assets, from €777m at 31 December 2014 to €589m at 31 December 2015. The decrease is due to a change in the participating interest of the UnipolSai Group for €34m and a decrease in the fair value of assets pertaining to the Group for €154m;
- €11m increase due to the increase in the provision for Other gains or losses recognised directly in equity;
- €272m increase due to Group profit at 31 December 2015.

Shareholders' Equity attributable to non-controlling interests was €2,921m (€2,749m at 31/12/2014). The decreases were due to the change in gains or losses recognised directly in equity for €91m and the payment of dividends to third parties for €224m. The increases were due, in particular, to the effect of the conversion of category A savings shares for a total of €179m and the profit for the year attributable to non-controlling interests for €307m.

Treasury shares

At 31 December 2015 ordinary treasury shares held by Unipol and its subsidiaries were equal to 9,593,375 (9,874,831 at 31/12/2014), of which 6,319,814 held directly.

On 1 July 2015 281,456 ordinary shares were allocated to the Managers of the Unipol Group in accordance with the compensation plans based on financial instruments for the period 2010-2012.

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 31/12/2015
Parent balances in accordance with Italian GAAP	**5,586**	**166**	**5,752**
IAS/IFRS adjustments to the Parent's financial statements	276	(68)	208
Differences between net carrying amount and shareholders' equity and profit (loss) for the year of consolidated investments, of which:	(2,319)	554	(1,765)
- Translation reserve	*2*		*2*
- Gains or losses on available-for-sale financial assets	*589*		*589*
- Other gains or losses recognised directly in equity	*14*		*14*
Consolidation differences	1,254		1,254
Difference posted to other assets (property, etc.)	11	(2)	9
Companies measured using the equity method			
Intragroup elimination of dividends	428	(428)	
Other adjustments (securities, etc.)	15	50	65
Consolidated balances - portion attributable to the owners of the Parent	**5,252**	**272**	**5,524**
Non-controlling interests	2,614	307	2,921
Consolidated total	**7,866**	**579**	**8,445**

Technical provisions and financial liabilities

At 31 December 2015, technical provisions were €63,150m (€61,985m at 31/12/2014) and financial liabilities €15,571m (€15,459m at 31/12/2014).

Technical provisions and financial liabilities

Amounts in €m	**31/12/2015**	31/12/2014	*% var.*
Non-Life technical provisions	16,574	17,636	*(6.0)*
Life technical provisions	46,575	44,259	*5.2*
Total technical provisions	**63,150**	**61,895**	***2.0***
Financial liabilities at fair value	**2,658**	**2,277**	***16.7***
Investment contracts - insurance companies	2,380	1,608	*48.0*
Other	278	670	*(58.4)*
Other financial liabilities	**12,914**	**13,182**	***(2.0)***
Investment contracts - insurance companies		7	*(93.8)*
Subordinated liabilities	2,565	2,623	*(2.2)*
Payables to bank customers	5,506	5,717	*(3.7)*
Interbank payables	436	796	*(45.2)*
Other	4,407	4,039	*9.1*
Total financial liabilities	**15,571**	**15,459**	***0.7***
Total	**78,721**	**77,354**	***1.8***

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	**31/12/2015**	31/12/2014	*variation in amount*
Subordinated liabilities issued by UnipolSai	2,027	2,034	*(7)*
Subordinated liabilities issued by Unipol Banca	538	589	*(51)*
Debt securities issued by Unipol Banca	2,480	2,714	*(233)*
Debt securities issued by Unipol	1,593	896	*697*
Other loans	118	132	*(14)*
Total debt	**6,755**	**6,365**	***391***

The increase of €697m **in Debt securities issued by Unipol**, compared to 31 December 2014, is due to the outcome of the Exchange Offer promoted by Unipol on two senior unsecured bond loans with 2017 and 2021 maturity, and the simultaneous issue of a new bond loan with 2025 maturity, the main stages of which are summarised below.

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

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

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

to exchange their Existing Notes with securities representing a new non-convertible unsecured senior bond loan, with a fixed interest rate and 2025 maturity, to be issued by Unipol for listing on the regulated market of the Luxembourg Stock Exchange, under the terms and conditions of the Exchange Offer Memorandum dated 9 March 2015.

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

On the settlement date, 18 March 2015, Unipol issued the new non-convertible unsecured senior bond loan for a total nominal value of €1bn, listed on the Luxembourg Stock Exchange, with a ten-year duration (March 2025 maturity) and a fixed interest rate of 3%. A portion of the new loan, in the amount of €314,437,000, was given in exchange to the holders of Existing Notes.

The total nominal value of the 2017 Notes accepted in exchange pursuant to the relevant Exchange Offer and the final acceptance amount of the 2021 Notes are respectively €99m and €182.6m. Therefore, the outstanding amount after the settlement date of these notes is €298.6m for the 2017 Notes and €317.4m for the 2021 Notes.

With regard to **Other loans of the UnipolSai Group**, equal to €118m (€132m at 31/12/2014), €111m represent the loan taken out by the Closed-End Real Estate Fund Tikal R.E. with Mediobanca acting as Agent Bank (amount substantially unchanged compared to 31/12/2014).

Other information

Human Resources

The total number of Group employees at 31 December 2015 was 13,864 (-359 compared with 2014).

	31/12/2015	31/12/2014	*variation*
Total number of Unipol Group employees	**13,864**	**14,223**	***(359)***
of which on a fixed-term contract	*462*	*401*	*61*
Full Time Equivalent - FTE	13,242	13,563	*(321)*

This includes 147 seasonal staff of Atahotels at 31 December 2015 (111 at 31/12/2014), and foreign company employees (1,383) include 544 agents.

The loss of 359 employees at 31 December 2015 with respect to 31 December 2014 is the result of 320 being hired and 733 leaving, net of the fixed-term or seasonal work relationships started and terminated during the year. Specifically, during the year 228 new employees were hired permanently, with another 164 hired on fixed-term contracts or for seasonal work during the year and counted among the workforce at 31 December 2015. Of the 733 employees who left, 351 made use of the Solidarity Fund, pre-retirement plans and other incentives to leave.

The approach to human resources management 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 among other things supplementary welfare benefits able to adequately meet the new requirements both for products and services.
Group company employees, whether in management and non-management positions, have the opportunity to join a Pension Fund and a Welfare Fund. Different pension and welfare funds are offered, according to the sector and company of origin.
This commitment is enhanced through a constant and continuous offer of services for work-life balance, "Noi Unipol", to help those working for the Group with time and resources management, providing not only employees, but also their families, with valuable solutions and useful support.

Social and environmental responsibility

Sustainability governance

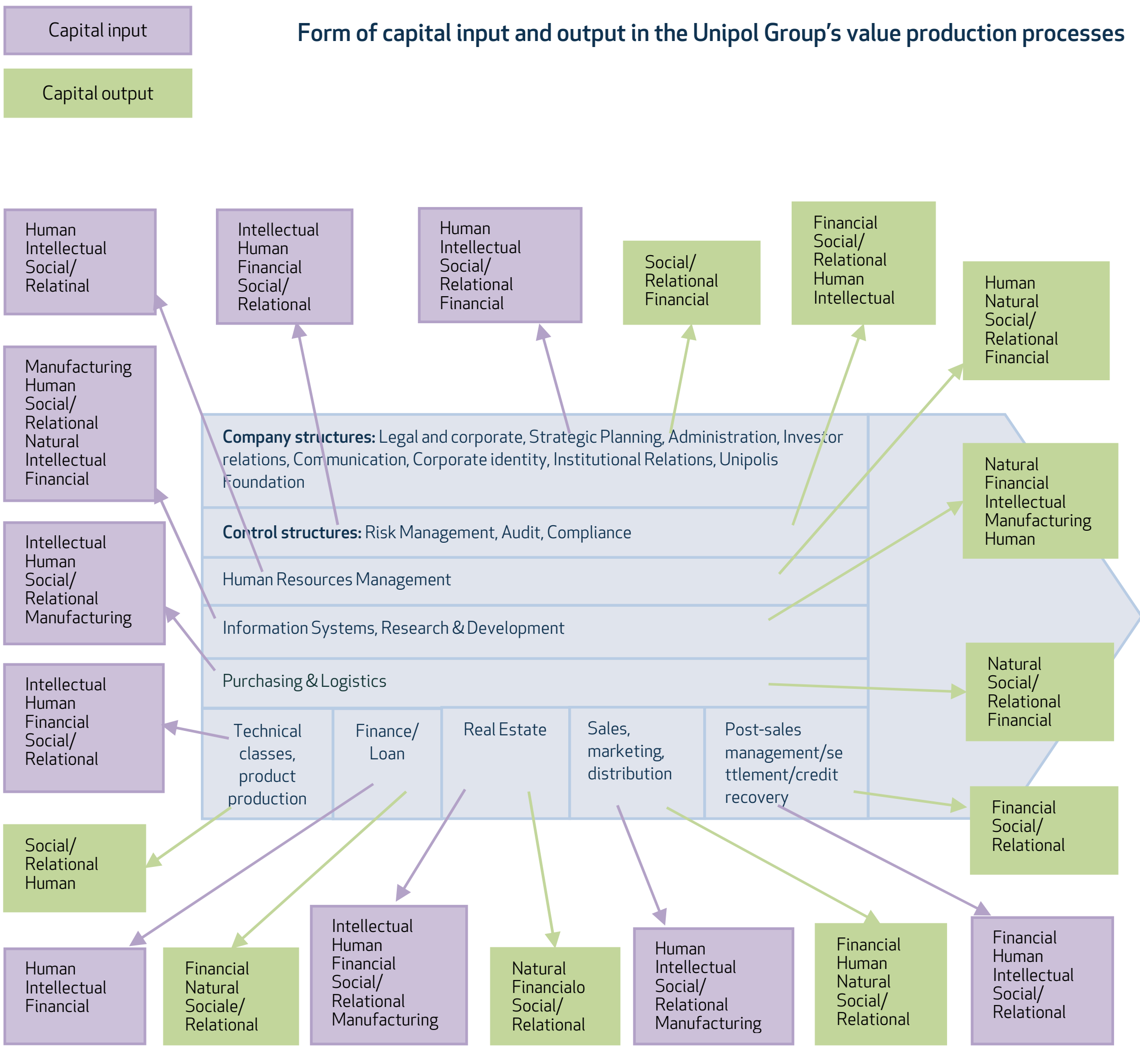
In order to ensure the integration between the business strategy and sustainability values of the Group, Unipol has acquired an ethical and social responsibility governance structure, with the department as a direct staff unit of the Chairman, with a guiding and supervisory role on behalf of the Board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

The Sustainability Committee is one of the committees set up within the Board of Directors, pursuant to the Corporate Governance Code; it also performs the function of Ethics Committee. This Committee carries out investigations, makes suggestions and provides advice on the preliminary activities directed to ensure that the Group's Sustainability targets are fully met.
The Head of Ethics promotes the Code of Ethics and monitors its correct application: together with the corporate structures, the Head of Ethics raises awareness of the values and principles of conduct defined by the Code, and collects and forwards information on 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, approves the strategic objectives, initiatives and subsequent budget commitments.

Unipol's business model

We chose to represent Unipol's business model using the value chain concept, developed by Michael Porter, as this tool clearly highlights the most important functions that characterise the insurance business. The challenge for Unipol is to develop these functions in order to create sustainable value over time, for the benefit of all its stakeholders.
The diagram below shows which forms of capital[4] Unipol enhances by developing its corporate business and which benefits it generates for shareholders, customers, the community, the environment and all key stakeholders.

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



[4] 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, Institutional Relations, Unipolis Foundation	**Human and Intellectual:** strengthening and dissemination of the Group's values and their encoding into governance and control processes, employee skills and knowledge **Social/Relational**: relations with rating companies and investors, supervisory authorities, institutions and associations **Financial:** equity investments	**Financial:** capitalisation support, increasing capital strength **Social/Relational:** transparency and correctness of stakeholder relations, support for a widespread quality of life and social equity, promotion of a culture of legality
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 **Financial:** loans, reserves, capital **Human:** encoding of the Group's values in governance and control processes, employee skills and knowledge **Social/Relational:** relations with universities and research bodies, relations with rating agencies, relations with national and international industry networks, relations with supervisory authorities	**Financial:** increasing capital strength, capitalisation support and correct allocation **Intellectual:** model and process innovation **Human:** spreading of a risk and control culture, development of an innovation culture **Social/Relational:** monitoring of intangible aspects related to reputation with various stakeholders, transparency and fairness in relations with stakeholders
Human Resources management	**Human:** sharing and dissemination of the Group's values, professional and managerial training, employee skills and knowledge **Intellectual:** skills and potential evaluation tools, knowledge transmission models **Social/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 **Financial:** greater operational efficiency **Social/Relational:** corporate social responsibility and company welfare, closer relations between academia and company **Natural:** reduction in resource consumption and emissions
Information Systems, Research & Development	**Intellectual:** IT architecture and solutions **Human:** employee skills and knowledge **Financial:** investments **Manufacturing:** Data Processing Centre, technologies and infrastructures **Social/Relational**: innovation and university networks, partnerships with suppliers **Natural:** energy	**Intellectual:** product innovation, process innovation and technology innovation **Financial:** greater operational efficiency **Manufacturing:** Data Processing Centre with certification of efficiency and reliability (Tier 4), intragroup infrastructure **Human:** people empowerment **Natural:** dematerialisation of processes, reduction in resource consumption and emissions produced
Purchasing & logistics	**Intellectual**: suppliers' register, IT systems and portal **Human**: employee skills and knowledge **Social/Relational**: Partner Day	**Financial:** greater operational efficiency **Social/Relational:** better knowledge and closer, longer-lasting relations with suppliers, promotion of a culture of legality **Natural**: protection of forests, reduction in resource consumption and pollution
Technical classes, product construction	**Intellectual**: product construction procedures, databases, risk assessment models, models and software for the calculation of the value **Human**: employee skills and knowledge **Financial:** portfolio value and features, capital funding value and features **Social/Relational:** relations with academia and research bodies	**Financial:** premiums, expected margins **Intellectual: new** insurance solutions **Social/Relational:** welfare support, protection of purchasing power, increased safety, realisation of aspirations **Human:** increased skills of distribution network
Finance (Insurance)/Loans (Banking sector)	**Intellectual**: investment policy, credit policy, software and database **Financial:** available capital **Human**: employee skills and knowledge	**Financial:** financial strength, balance between medium- and long-term risk and return **Social/Relational:** rating of investments according to ESG criteria (Environmental Social & Governance), ethical pension funds, financial inclusion, support to the development of the local economy (Banking sector), support to the development of an SRI culture among asset managers **Natural**: investments in real assets

Real estate	**Manufacturing:** portfolio properties, rationalisation of offices **Financial:** capital **Social/Relational**: SGR (asset management companies) and other strategic partnerships **Human**: employee skills and knowledge **Intellectual**: certification ISO 55001, LEED certification for environmental compatibility of buildings, 50001 certification, internal management systems and consumption monitoring	**Financial:** greater profitability of resources, capital strengthening **Social/Relational:** requalification of urban space, workplace welfare **Natural**: reduction of water and energy consumption and emissions, obtainment of "white" certificates (energy efficiency certificates)
Sales, marketing, distribution	**Social/Relational**: agency network, company agencies, Member Organisations and Regional Unipol Councils, agreements, banking networks **Intellectual**: training to agency network and branch employees, technical support staff to agencies, interaction with the other Group businesses, Advanced Digital Signature (Firma Elettronica Avanzata, or FEA), digital instruments, Home Insurance, Home banking and online banking **Manufacturing:** branches and agencies	**Financial:** profitability **Human:** qualification of agents and branch employees **Social/Relational:** improvement of the service provided to agents, branches, and customers **Natural**: reduction in resource consumption
After-sales support, settlement/credit recovery	**Intellectual**: Proprietary business IT systems, multichannel access for customers, devices and platforms **Social/Relational:** network of salespeople, financial advisors and agents and channelling of claims to authorised repair shops **Financial:** provision management **Human**: employee skills and knowledge	**Financial:** profitability, transfer of value in the interaction between the different businesses of the Group **Social/Relational:** customer satisfaction and loyalty programmes

Sustainability activities

Three main initiatives concerning ethical and social responsibility were carried out in 2015. Firstly, the 2015 edition of the Code of Ethics was reviewed and approved by the Board of Directors of Unipol and, then, of all investee companies, which strengthens the references to international ethical standards and articulates more accurately the role and conduct of the Directors. In 2016, the Code will be the object of a specific training course.
Secondly, the promotion, development and monitoring of the activities aimed at the implementation of the **2013-2015 Sustainability Plan** continued. These activities included the following:

- start of the *DERRIS* project, funded through the European Life Fund, to define a model of public/private partnership to improve the resilience of industrial areas with a high concentration of SMEs against natural catastrophes due to climate change. The project embodies the commitment taken in the policy "Contribute to the reduction, prevention and management of climate change and natural catastrophes"; it will last three years and develop 10 pilot projects in Italy;
- conclusion of the *UnipolIdeas* project with the participation of the company in two of the eight participating start-ups and with their gradual involvement in the activities of the Group, as part of the policy "Promoting the entry of young people in the workforce, making use of their talent and entrepreneurial spirit". This commitment was strengthened with the creation of *UnipolSai FutureLab*, which provides crowdfunding support for innovative start-ups in the fields of mobility, sharing economy, culture and the environment, supporting a total of 23 projects in 2015;
- launch of the *PerGiocoNonPerAzzardo* campaign to raise awareness among the public of the risk of indiscriminate and addictive gambling and give concrete form to the commitment to "Provide support to the local economy, in partnership with the other social parties, to test and consolidate processes of innovation with a high social value". Different approaches (exhibitions, competitions, shows) were used, which were publicised through the social networks and involved mainly young people. The campaign will continue in 2016. The activities of the *Eos, Conoscere l'Assicurazione* program continued: among these, the activities addressed to the schools, involving 28 classes in 2015; the activities addressed to UnipolSai customers through the publication of special tutorial videos delivered with the newsletter "Utile a sapersi"; the activities more generally addressed to online readers through the dedicated section on the websites Lamiafinanza.it and Lamiaprevidenza.it.

With regard to reporting activities, to better meet the expectations of stakeholders, in particular investors and rating agencies specialised in SRI (Socially Responsible Investing) finance, it was decided to summarise the available information and prepare a single **Sustainability Report of the Unipol Group** for 2015, containing datasheets for the main companies, starting with UnipolSai.

The structure of the report remains the one required by the GRI4 Standard, while the scope of consolidation will go beyond the segments to be organised into sectors (insurance, banking, agricultural, hotel). The development of the materiality matrix continued, with the involvement of all managers and heads of department to identify issues of strategic importance for the organisation and with the direct engagement of the other stakeholders to identify their priorities. This Report was subject to assurance by the independent auditors PWC in accordance with GRI4 Standard.

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.
New projects were added, within the partnership with Legambiente **Bellezza Italia**, a campaign to undertake the restoration and revitalisation of neglected areas of Italy and hand them over to the local communities on completion. During the year, initiatives were carried out at the Villaggio E.V.A. in l'Aquila and the Capoprati Park in Rome, in addition to the four projects supported through crowdfunding.

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

- setup of an **Emerging and reputational risks monitor** for the Unipol Group has led in 2015 to the preparation of a report on the ten emerging risks and the definition of the corresponding scenarios;
- a company welfare programme, **NoiUnipol,** which has led to the activation of "free time" and family support services to help employees achieve a work-life balance, is now operational at the offices of Milan and Turin, with some services available also in Rome and Verona;
- a number of initiatives were organised by company volunteer groups at the main offices: food collections, food parcels in partnership with the Stop Hunger Now association, and the redecoration of a reception centre of the Consortium Farsi Prossimo;
- the model of selection and evaluation of financial investments with high social impact in real assets, as defined by the Investment Policy, was specified.

Lastly, the Sustainability Committee of the Board of Directors examined and evaluated the activities carried out throughout the entire year, and provided its opinion on the process adopted and on the main sustainability decisions taken by the Group

Main environmental impacts

The environmental impacts of the Group's activities are divided, according to internationally accepted 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 are not under the control of the company.
As regards direct impacts, improvement initiatives focused in particular on reducing energy consumption, and, subsequently, greenhouse gas emissions, water consumption, waste production, and paper consumption. Where consumption could not be further reduced, the Group's activity was aimed at the promotion of good practices and conduct that contribute to reduce overall environmental impact, for example the purchase of 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 at monitoring the impacts in a structured manner, as well as reducing them. At the end of this process, management identified the practical initiatives to be adopted to intervene in the areas identified and implement the policies selected.
Waste generated during Group activities mainly consists of office material. In recent years, a significant initiative has been undertaken to reduce the production of waste and to differentiate the collection and disposal process. The following are currently object of differentiated collection: toner cartridges and printer materials, 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 continue to implement a dematerialisation process 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.

With regard to real estate, we continue to monitor energy consumption at the properties owned, which in 2015 was extended to all instrumental properties, and was further extended the sample of the properties on which the ISO50001 energy certification was obtained.
The Group's new single Data Processing Centre was inaugurated: this has achieved a significant reduction in energy consumption, while ensuring a high performance, as guaranteed by the TIER4 certification.

CO_2 emissions [tCO_2 eq] - Unipol Group

Scope 1	9,005
Scope 2	47,211
Total	**56,216**

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 continues to improve employees' commuting, promoting car pooling through a dedicated portal, and bike sharing by making electric bicycles available to employees at the Bologna offices, encouraging the use of public transport by subsidising the purchase of annual tickets and making available shuttles between the offices. Other initiatives are raising the awareness and information of suppliers with the addition to the register of suppliers of requirements in terms of environmental and social impact and the management process adopted to reduce and/or mitigate it.

Group sales network

To support the activities of the Group's sales network, training was provided in 2015 to the entire sales network, aimed at meeting training obligations, but, most importantly, 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 training methods adopted by the Group were distance-learning (including webinars) and traditional classroom-based training. The first method makes possible the prompt authorisation to the intermediation of existing and new products, as well as refresher training in accordance with industry legislation.

In 2015, a total of 215,662 hours of training were provided to agencies, involving 51,371 participants. For the secondary network, a total of 629,691 hours were provided in 2015, involving 260,460 participants. A total of 55,047 hours were provided to Corporate Agencies, involving 22,228 participants.
As regards the contents of the training, in addition to information on legislative and product developments, managerial training was again offered, enriched with technical training on the use of digital tools.

UnipolSai Group: at 31 December 2015 3,484 agencies were in operation, of which 3,140 of UnipolSai (at 31/12/2014, the agencies were 3,595, of which 3,184 of UnipolSai), with 5,326 agents (5,522 at 31/12/2014). UnipolSai Assicurazioni also places Life products through the branches of Unipol Banca.
The main bancassurance companies of the Group place 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 Assicurazioni through Unicredit Group.

Arca Group: the bank branches active at 31 December 2015 with direct distribution agreement (mainly of the BPER and BPSO Group) were 3,082 (2,430 branches at 31/12/2014), those of the banks intermediated by the reference local agency (Assicura) were 838. With regard to the other distribution channels, Arca Assicurazioni and Arca Vita operate with marginal volumes through some brokers and the Arca Direct Assicurazioni Executive Agency.

Linear: operates in the MV business by phone (call centre) and online.

Unisalute: operates in the health and assistance business mainly through collective bargaining with companies. The company has specialist departments for this type of work, with special competencies, which operate directly or in partnership with brokers and agencies. In the sector of individual policies Unisalute operates through a network of 167 agencies (162 in 2014), all with a UnipolSai mandate, and by direct phone and online marketing.

Unipol Banca: in 2015 a total of 20 branches were closed due to consolidation within the same area or neighbouring areas; therefore, at 31 December 2015, the distribution network consisted of the following:

- 271 bank branches, of which 144 integrated with insurance agencies and 127 traditional (in 2014 291 banking branches, of which 153 integrated with insurance agencies);
- 276 financial advisors with mandate (344 in 2014);
- 1,865 agency points of sale authorised to sell banking products (1,805 in 2014).

Customers

The Unipol Group believes customer service is a key element of its 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, for both insurance and banking products, and experimenting with innovative sales channels.
The two most critical aspects of customer relations in the area of insurance, banking and financial services are the availability of complete information and the allocation of costs. As regards the first matter, Unipol has been working for several years to reduce the informational imbalance that characterises the relationship between company and policyholders, by personalising the offer, improving information brochures and developing supplementary channels. The Albero project and the review of the brochures are two products with this objective.

In seeking to respond adequately to new needs expressed by customers and/or the market and, at the same time, strongly promote correct behaviour among consumers, the Group develops and offers a number of products of high social and/or environmental value. By their nature, all insurance products have a social value, in that they represent a response to the welfare and protection needs of the customers.
In the Life protection business, the products with a particularly high social value include TCM UnipolSaiSmart and FormulaFacile, UnipolSai Risparmio Giovane, and UnipolSai Autonomia.
In Non-Life protection business, the following have a significant social and environmental value:

- restoration of original conditions (flood, earthquake, compensation in kind to companies);
- safeguard of purchasing power (monthly fractioning, welfare protection, premium protection, and zero-rate financing);
- public welfare integration (Health and some policies in the Accident business, such as guarantees for comatose conditions);
- support to new entrants to the labour market (the Smart Activity products, in particular the offer to start-ups and new self-employed);
- containment of environmental impact (products offering protection of solar panel systems).

In 2015 the insurance customers of the companies of the Unipol Group, despite a 1.6% decrease, were 10.5m, excluding Unisalute policyholders.

IT services

In line with plans, in 2015 the Group's IT Services continued the activities specified in the 2013-2015 Three-year Plan. At UnipolSai, the main company of the Group, the following activities were completed:

- rollout of the new agency unified technology infrastructure that has led in about one year to the automation of more than 3,200 agencies and sub-agencies of the networks of the former Fondiaria-SAI group. Approximately 1,300 new sub-agencies were computerized and more than 14,000 new on-line integrated multimedia workstations were installed;
- migration of the Non-Life portfolios onto the target system of the Unipol Group and migration of a portion of the Life portfolios related to individual policies. The migration of the Life portfolios related to collective policies shall be carried out in 2016;
- start of the new “Liquido” claims system on the whole network of managers, claims handlers, and agencies of the former Unipol Assicurazioni; its use was also extended to the company Linear, while the extension to the network of the former Fondiaria-SAI/Milano Assicurazioni is in progress.

Other initiatives included:

- creation of the new apps of UnipolSai and Unisalute and the corresponding new service *“In Più la Tua Salute”*, in

support of the development of the multichannel strategy of the Group;
- new General Class Fast Quote Calculator, which generates multi-offer quotes in real time on the basis of limited input data;
- new IT system for the management of car fleets, which will be made available to all agencies at the end of the pilot stage next year;
- support to the business team setting up the new IT company of the Group, Alfaevolution Technology, both in the definition of operational solutions and in the technologies, in particular preparing the new Group infrastructure for the management of Big Data (Big Data Hub);
- extension of the "pilot schemes" of the mobile sales and Advanced Digital Signature (Firma Elettronica Avanzata, or FEA) solution, the development of the new Knowledge Management system for the management of helpdesk tickets and the management and development of Electronic Payments integrated with UnipolSai systems, which is expected should be completed next year;
- the completion of the project of convergence towards a single Group system (SAP) of the administrative/management platforms of 38 companies, of which 24 operational since 2015, and 14 since 1 January 2016;
- several changes required by regulatory developments were also made and several activities were carried out involving the Life, Non-Life, and Commercial businesses, with new products and new tariffs added to the price list. Changes to the portfolio and the advertising campaigns were also outlined through the introduction of new functions on the CRM.

The construction of the new Group data centre in Bologna was completed: on the basis of its design and construction criteria, the centre was awarded the "*Tier IV Constructed Facility and Design Documents*" certification from the Uptime Institute, which recognises it as one of the best in its category (2 centres in Italy and 27 in the world).
Since April, the systems at the data centres in Bologna have been progressively moved to the new data centre; the migration of the systems used at other offices is in progress and should be completed by the end of 2016.

Activities involving specialist companies and other companies of the Group included:
- Pronto Assistance Servizi: in preparation for the insourcing of IMA, scheduled for the first half of 2016, in November 2015 the call centre infrastructure was redesigned and migrated on that of the Group. The adjustments required by the PASGATE application platform are being carried out, and will continue in 2016.
- Linear Assicurazioni: in 2015 the company carried out activities for its re-positioning on the market also by revamping its website. Claim management was moved to the new Liquido claim systems and activities towards the integration of Dialogo Assicurazioni were carried out. The IT infrastructure is being redesigned to better support the changes in the workloads and the business model.
- Unisalute: the websites have been revamped, the UnipolSai and Liguria Assicurazioni health claims have been moved to the systems of the company and new functions for the call centre were developed. As already mentioned, the new version of the Unisalute app was released: this is linked to the UnipolSai App on which the new function "*In più la tua Salute*" has been made available and integrated with the Unisalute systems to support the multichannel strategy of the Group. Work continues to integrate on SAP the Premium Cycle of Unisalute, with a view to redesign the accounting process.
- Unipol Banca: in 2015, the update of the technology used for the equipment at branches and ATMs continued; the updates should be completed respectively in 2015 and 2016. The second half of the year also saw the start of preliminary activities towards the adoption of Advanced Digital Signature, scheduled for 2016.
- AtaHotels: the new ERP was activated in January 2015 and it has then been integrated with the portal for the management of travel expenses of Group employees, to improve the integration between the administrative-accounting processes of the different structures and the management controls. The application and technology solutions were reviewed to support the acquisition of Una Hotels.
- Finitalia: the integration with the Life and Claims Systems of UnipolSai and Unisalute for the loan applications was improved and the certified digital signature was introduced to automate the process of online loans authorisation.
- Arca: the integration with the different applications of distributing banks continues to be improved to support bancassurance activities. The new management platform of the contact centre was completed and will support the bank sales network and the end customers. Work has started on the integration with the parent in the SAP system, which is scheduled to start at the beginning of 2016.

Transactions with related parties

The "Procedure for related party transactions" (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 6 August 2015 with effect from the same day.The Procedure is published on Unipol's website (**www.unipol.it**), in the section "Corporate Governance/ Related party transactions".
The Procedure defines the rules, methods and principles that ensure the transparency and substantive and procedural fairness of the transactions with related parties executed by Unipol, either directly or through its subsidiaries.

No transactions "of major relevance" with related parties took place in 2015 and neither did any transaction 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 the first half of 2015, already in part described in this report, are as follows:
- sale of 51% of UnipolSai Investimenti Sgr by UnipolSai to the holding company, Unipol;
- sale of insurance business of Dialogo Assicurazioni to Linear Assicurazioni;
- purchase of the insurance company Linear Life by UnipolSai;
- merger by incorporation into UnipolSai of subsidiaries (Europa Tutela Giudiziaria, SAI Holding Italia, Systema Compagnia di Assicurazioni, UnipolSai Real Estate and UnipolSai Servizi Tecnologici);
- sale of the entire investment held by UnipolSai in Punta di Ferro to IGD;
- sale by UnipolSai, to Immobiliare Grande Distribuzione – Società di Investimento Immobiliare Quotata SpA ("IGD") of 20% of UnipolSai Investimenti SGR; subsequent termination by mutual agreement of the investment agreement between UnipolSai and IGD and and repurchase resolution, by UnipolSai, of the investment in UnipolSai Investimenti SGR, previously sold;
- purchase by UnipolSai of 11 properties from Rho Fund, managed by Idea Fimit SGR.

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

Establishment by the parent Unipol of the tax regime for the group taxation of income (so called "tax consolidation") for the three year period 2015-2017, in its capacity as consolidating company.
Starting from 2015 and for the three year period 2015-2017, a single tax consolidation regime was established with Unipol as consolidating company and all companies of the Unipol Group as consolidated companies, thus discontinuing the tax consolidation regime with the holding company Finsoe, which, at the conclusion of the conversion of the preference shares of Unipol into ordinary shares, had brought its investment in the ordinary share capital of Unipol below 50%, as well as two other independent tax consolidation regimes established by UnipolSai and Arca Vita.

Report on corporate governance and ownership structures pursuant to Art. 123-bis, Legislative Decree 58 of 24 February 1998.

The information required by the Art. 123-bis, Legislative Decree 58 of 24 February 1998, amended by Art. 5 of Legislative Decree 173 of 3 November 2008, is included 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 operated by Borsa Italiana S.p.A.

The Annual Report on Corporate Governance is available in the Corporate Governance Section on the Company's website (www.unipol.it).

Disclosure about Solvency II prudential supervision

In 2015, the Unipol Group completed the preparations to ensure compliance with the new Solvency II prudential supervision regulations, which had started in 2009.
In particular, during the year the operating and control governance organisations of the Unipol Group, under the coordination of the Chief Risk Officer Department, completed activities that made it possible to obtain the Supervisory Authority's authorisation (IVASS Measure of 2/2/2016, both for the Unipol Group and the company UnipolSai) to use the Standard Formula approach based on Undertaking Specific Parameters ("USP"), to establish solvency from 1 January 2016 onwards. Specific parameters are used for the purposes of quantifying the tariff-setting and provision risks of the Unipol Group and the company UnipolSai, with reference to the segments of Non-Life insurance and reinsurance obligations indicated below:
Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles;
Segment 4, Proportional insurance and reinsurance against fire and other damage to property;
Segment 5, Proportional insurance and reinsurance on general TPL.

The aforesaid authorisation of the Supervisory Authority was obtained as a result of the definition of an assessment method that is more suitable to identify the real risk profile of the Group and the Company. As a consequence of this authorisation process, the controls related to risk assessment were further strengthened, with respect to the provisions for the application of the Standard Market Wide Formula.
In addition, it should be noted that adoption of the USP method will enable the Group to manage more effectively the internal allocation of capital. In this regard, UnipolSai, with the other main companies of the Group, continues to work to complete the pre-application stage of the risk modules included in its Partial Internal Model.

Within the scope of the project to comply with the new prudential regime, the Unipol Group focused on the European regulatory requirements and on the additional national specifications relating to the implementation of an effective governance system, which allows a sound, prudent management of the activity with particular attention to the risk management system. The corporate policies required by the regulations and adopted by the Group and the individual companies to ensure the effectiveness of the system are an integral part of this system. These policies ensure that the operating structures and the corporate control functions, as well as the management of the individual recipient companies fully share the operating procedure for the risk management system.

In 2015, work continued on the project for the implementation of the quantitative and qualitative supervisory reports, the "Quantitative Reporting Templates - QRTs". In this stage, the IT infrastructure was completed and processes and procedures were tested and the Solvency II supervisory reports prescribed in the interim stage for 2015 were produced and sent to IVASS.

While awaiting the entry into force of the Solvency II regime, the guidelines related to the "interim measures", published by EIOPA and transposed by IVASS with the publication of the Letter to the Market of 15 April 2014 and of 24 March 2015, provided for Insurance Groups and Companies to carry out the exercise called ***"FLAOR" (Forward Looking Assessment of Own Risks based on the ORSA principles***, EIOPA-CP-13/009, interim measures).
The FLAOR Report for the year 2014, a single document for the Group and all insurance companies in the Group, containing the description of the methods for the current and prospective assessment of risks and the results of the assessments for the Group and the individual Companies, was submitted to the review of the Parent's Board of Directors during the meeting on 18 June 2015. The Parent Unipol then sent the FLAOR report to IVASS on 30 June 2015.

With reference to the **Own Risk and Solvency Assessment ("ORSA")** process, the Unipol Group is carrying out with reference to 2015, the self-assessment of its own risks and ongoing solvency in order to guide operating and decision-making business procedures. ORSA assesses the procedures adopted to manage the risks inherent to the business and the corresponding current and prospective capital needs of the Unipol Group and each Company of the Group itself. The Consultation Document no. 1/2016 issued by IVASS on 4 January 2016 requires insurance Companies to send the 2016 ORSA report no later than 31 May 2016, after being approved by the Board of Directors.

With specific reference to the indicators of consolidated solvency at 31 December 2015, calculated according to the new Solvency II regulations, in force since 1 January 2016, it should be pointed out that the ratio between admissible capital and required capital is approximately 1.5. This Solvency II ratio thus determined was calculated by using Group specific parameters for the business lines previously specified and using the Standard Market Wide Formula for the remaining business lines.

Significant events after the reporting period

Merger by incorporation into UnipolSai of Liguria Assicurazioni and Liguria Vita

On 25 January 2016 the deed of merger by incorporation of Liguria Assicurazioni and Liguria Vita into UnipolSai Assicurazioni was underwritten, with legal effects from 31 January 2016 and accounting and tax effects from 1 January 2016.

As a result of the merger coming into force on 31 January 2016, 12,525 new UnipolSai ordinary shares, with the same characteristics of outstanding ordinary shares, were issued to Liguria shareholders other than the merging company UnipolSai.
The share capital of UnipolSai therefore went from €2,031,445,960.02, consisting of 2,829,702,916 ordinary shares, to €2,031,454,951.73, consisting of 2,829,715,441 ordinary shares.

Lease agreements to Atahotels of some accommodation facilities not renewed

In January 2016, negotiations for the renewal of the lease agreement on some accommodation facilities, owned by the Fondo Antirion Global-Comparto Hotel and formerly by ENPAM, currently rented by Atahotels, were terminated. The facilities will be cleared during the first quarter of 2016.

Start of AlfaEvolution Technology

Effective on 1 March 2016, the company AlfaEvolution Technology, established on 28 December 2015, started operations relating to the management of the ITC services ("black boxes") connected to insurance policies, through which the Group intends to achieve the following strategic objectives:
- providing analysis to support the calculation of tariffs and ensure greater effectiveness in the MV TPL claims settlement processes;
- monitoring changes in the technological standard of the devices, steering the selection of suppliers and models, with the concurrent improvement of cost efficiency;
- improving the quality of customer service.

The Company will operate in the main sectors of insurance telematics (MV, Home, Health) to offer its services not only to UnipolSai but to all the Group's insurance companies.

Business outlook

Despite signs of a modest economic recovery, tension on the stock markets have increased in the first part of the current year, triggered by the slowdown of the Chinese economy and the ongoing decline in oil prices, and later amplified, not just in Europe, by concerns about the health of the banking systems. Despite the ECB's attempt to reassure the markets about the solidity of European banks and the continuation of the Quantitative Easing policy previously adopted, these tensions have had a negative impact also on the credit markets and, to a lesser extent, on government bonds. In these conditions of high market volatility, the objective of financial management continue to be the asset-liability matching, optimising the risk-return profile of the portfolio and pursuing selectively an adequate diversification of the risks.

With regard to the trends of the business sectors in which the Group operates, there are no significant events to report.

In the Non-Life business, even if the market remains strongly competitive, the Group is carrying out sales initiatives aimed at expanding production. In the first months of 2016, the technical performance remains positive, in line with the trends observed in 2015.

In the first months of 2016, the Life segment continued to perform well in a market context characterised by low interest rates that increase the appeal of traditional Life products; to contain the risks and the corresponding capital absorption, these products are marketed alongside multi-segment products with a non-guaranteed investment component.

The Banking business continues to pursue a prudent lending policy, directing business largely at retail customers and SMEs.

Excluding unforeseeable events also connected with the reference context, the consolidated operating result is expected to remain positive in 2016. Work on the new 2016-2018 Business Plan continues and the plan will be presented by next May.

Bologna, 10 March 2016

The Board of Directors

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Consolidated Financial Statements at 31 December 2015

Tables of Consolidated Financial Statements

Statement of Financial Position

Assets

	Amounts in €m	31/12/2015	31/12/2014
1	**INTANGIBLE ASSETS**	**2,071.0**	**2,133.2**
1.1	Goodwill	1,581.9	1,581.9
1.2	Other intangible assets	489.1	551.2
2	**PROPERTY, PLANT AND EQUIPMENT**	**1,757.0**	**1,521.6**
2.1	Property	1,619.1	1,364.2
2.2	Other tangible assets	137.9	157.4
3	**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**897.4**	**988.4**
4	**INVESTMENTS**	**79,346.6**	**77,946.0**
4.1	Investment property	2,350.2	2,645.6
4.2	Investments in subsidiaries, associates and interests in joint ventures	90.0	177.8
4.3	Held-to-maturity investments	1,528.4	2,238.0
4.4	Loans and receivables	14,549.2	14,657.7
4.5	Available-for-sale financial assets	50,915.8	48,378.1
4.6	Financial assets at fair value through profit or loss	9,913.1	9,848.8
5	**SUNDRY RECEIVABLES**	**3,214.6**	**3,594.0**
5.1	Receivables relating to direct insurance business	1,593.5	1,691.9
5.2	Receivables relating to reinsurance business	80.7	95.0
5.3	Other receivables	1,540.5	1,807.1
6	**OTHER ASSETS**	**1,612.2**	**1,769.8**
6.1	Non-current assets or assets of a disposal group held for sale	16.5	9.4
6.2	Deferred acquisition costs	86.9	75.6
6.3	Deferred tax assets	919.5	1,043.5
6.4	Current tax assets	53.6	119.9
6.5	Other assets	535.7	521.4
7	**CASH AND CASH EQUIVALENTS**	**874.4**	**674.4**
	TOTAL ASSETS	**89,773.3**	**88,627.3**

Statement of Financial Position

Shareholders' equity and liabilities

	Amounts in €m	31/12/2015	31/12/2014
1	SHAREHOLDERS' EQUITY	8,444.5	8,439.8
1.1	**attributable to the owners of the Parent**	**5,523.6**	**5,691.2**
1.1.1	Share capital	3,365.3	3,365.3
1.1.2	Other equity instruments		
1.1.3	Capital reserves	1,724.6	1,724.6
1.1.4	Income-related and other equity reserves	(426.0)	(355.6)
1.1.5	(Treasury shares)	(34.7)	(35.7)
1.1.6	Reserve for foreign currency translation differences	2.4	2.5
1.1.7	Gains or losses on available-for-sale financial assets	589.1	777.4
1.1.8	Other gains or losses recognised directly in equity	31.1	20.3
1.1.9	Profit (loss) for the year attributable to the owners of the Parent	271.8	192.3
1.2	**attributable to non-controlling interests**	**2,921.0**	**2,748.6**
1.2.1	Share capital and reserves attributable to non-controlling interests	2,206.4	1,971.9
1.2.2	Gains or losses recognised directly in equity	407.6	463.8
1.2.3	Profit (loss) for the year attributable to non-controlling interests	307.0	312.9
2	PROVISIONS	550.1	643.2
3	TECHNICAL PROVISIONS	63,149.6	61,894.8
4	FINANCIAL LIABILITIES	15,571.4	15,459.4
4.1	Financial liabilities at fair value through profit or loss	2,657.8	2,277.1
4.2	Other financial liabilities	12,913.6	13,182.2
5	PAYABLES	917.7	933.0
5.1	Payables arising from direct insurance business	146.9	153.7
5.2	Payables arising from reinsurance business	87.6	44.1
5.3	Other payables	683.2	735.2
6	OTHER LIABILITIES	1,139.9	1,257.2
6.1	Liabilities associated with disposal groups		0.1
6.2	Deferred tax liabilities	49.4	101.7
6.3	Current tax liabilities	42.4	28.2
6.4	Other liabilities	1,048.1	1,127.2
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	89,773.3	88,627.3

Income Statement

	Amounts in €m	31/12/2015	31/12/2014
1.1	Net premiums	15,261.4	17,766.0
1.1.1	*Gross premiums earned*	*15,683.1*	*18,214.3*
1.1.2	*Earned premiums ceded to reinsurers*	*(421.8)*	*(448.3)*
1.2	Commission income	117.2	116.8
1.3	Gains and losses on financial instruments at fair value through profit or loss	369.4	84.3
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	17.6	7.7
1.5	Gains on other financial instruments and investment property	3,036.2	3,421.1
1.5.1	*Interest income*	*1,988.1*	*2,109.2*
1.5.2	*Other income*	*178.5*	*179.7*
1.5.3	*Realised gains*	*754.7*	*833.9*
1.5.4	*Unrealised gains*	*114.9*	*298.2*
1.6	Other revenue	560.3	857.8
1	**TOTAL REVENUE AND INCOME**	**19,362.0**	**22,253.7**
2.1	Net charges relating to claims	(13,635.7)	(16,024.8)
2.1.1	*Amounts paid and changes in technical provisions*	*(13,825.2)*	*(16,272.8)*
2.1.2	*Reinsurers' share*	*189.5*	*248.0*
2.2	Commission expense	(33.0)	(38.4)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(14.1)	(13.1)
2.4	Losses on other financial instruments and investment property	(1,097.0)	(1,382.1)
2.4.1	*Interest expense*	*(264.5)*	*(304.8)*
2.4.2	*Other charges*	*(53.8)*	*(101.0)*
2.4.3	*Realised losses*	*(303.1)*	*(336.3)*
2.4.4	*Unrealised losses*	*(475.5)*	*(640.0)*
2.5	Operating expenses	(2,804.0)	(3,024.7)
2.5.1	*Commissions and other acquisition costs*	*(1,831.7)*	*(2,016.6)*
2.5.2	*Investment management expenses*	*(87.4)*	*(71.6)*
2.5.3	*Other administrative expenses*	*(884.9)*	*(936.5)*
2.6	Other costs	(820.2)	(969.5)
2	**TOTAL COSTS AND EXPENSES**	**(18,403.9)**	**(21,452.5)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**958.1**	**801.2**
3	Income tax	(379.4)	(293.8)
	PROFIT (LOSS) FOR THE YEAR AFTER TAXES	**578.7**	**507.4**
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		(2.2)
	CONSOLIDATED PROFIT (LOSS)	**578.7**	**505.2**
	of which attributable to the owners of the Parent	*271.8*	*192.3*
	of which attributable to non-controlling interests	*307.0*	*312.9*

Comprehensive Income Statement

Amounts in €m	31/12/2015	31/12/2014
CONSOLIDATED PROFIT (LOSS)	**578.7**	**505.2**
Other income items net of taxes not reclassified to profit or loss	**15.0**	**(7.3)**
Change in the shareholders' equity of the investees	8.6	2.4
Change in the revaluation reserve for intangible assets		
Change in the revaluation reserve for property, plant and equipment		(0.0)
Gains and losses on non-current assets or disposal groups held for sale		
Actuarial gains and losses and adjustments relating to defined benefit plans	6.3	(8.7)
Other items	0.0	(1.0)
Other income items net of taxes reclassified to profit or loss	**(248.7)**	**762.6**
Change in the reserve for foreign currency translation differences	0.1	(4.0)
Gains or losses on available-for-sale financial assets	(252.6)	712.3
Gains or losses on cash flow hedges	3.8	54.2
Gains or losses on hedges of a net investment in foreign operations		
Change in the shareholders' equity of the investees		
Gains and losses on non-current assets or disposal groups held for sale		
Other items		
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	**(233.8)**	**755.3**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (EXPENSE)	**345.0**	**1,260.5**
of which attributable to the owners of the Parent	*94.2*	*893.6*
of which attributable to non-controlling interests	*250.8*	*366.8*

Statement of Changes in Shareholders' equity

	Amounts in €m	Balance at 31/12/2013	Changes to closing balances	Amounts allocated	Adjustments from reclassification to profit or loss	Transfer	Changes in investments	Balance at 31/12/2014
Equity attributable to the owners of the Parent	Share capital	3,365.3						3,365.3
	Other equity instruments							
	Capital reserves	1,724.6						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**		**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			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**		**530.7**	**(44.3)**	**(292.4)**	**487.6**	**2,748.6**
Total		**7,481.0**		**1,622.1**	**(103.5)**	**(559.8)**		**8,439.8**

		Balance at 31/12/2014	Changes to closing balances	Amounts allocated	Adjustments from reclassification to profit or loss	Transfers	Changes in investments	Balance at 31/12/2015
Equity attributable to the owners of the Parent	Share capital	3,365.3						3,365.3
	Other equity instruments							
	Capital reserves	1,724.6						1,724.6
	Income-related and other equity reserves	(355.6)		150.5		(76.4)	(144.6)	(426.0)
	(Treasury shares)	(35.7)		0.9				(34.7)
	Profit (loss) for the year	192.3		205.8		(126.3)		271.8
	Other comprehensive income (expense)	800.2		124.7	(266.7)	(1.0)	(34.6)	622.6
	Total attributable to the owners of the Parent	**5,691.2**		**482.0**	**(266.7)**	**(203.7)**	**(179.2)**	**5,523.6**
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	1,971.9		89.9			144.6	2,206.4
	Profit (loss) for the year	312.9		218.3		(224.2)		307.0
	Other comprehensive income (expense)	463.8		76.9	(167.7)		34.6	407.6
	Total attributable to non-controlling interests	**2,748.6**		**385.0**	**(167.7)**	**(224.2)**	**179.2**	**2,921.0**
Total		**8,439.8**		**867.0**	**(434.4)**	**(427.9)**	**(0.0)**	**8,444.5**

Statement of Cash Flows (indirect method)

Amounts in €m	31/12/2015	31/12/2014
Pre-tax profit (loss) for the year	**958.1**	**801.2**
Change in non-monetary items	**39.2**	**2,359.6**
Change in Non-Life premium provision	(104.9)	(430.3)
Change in claims provision and other Non-Life technical provisions	(888.1)	(305.1)
Change in mathematical provisions and other Life technical provisions	1,880.6	3,356.2
Change in deferred acquisition costs	(11.2)	(0.5)
Change in provisions	(93.1)	109.0
Non-monetary gains and losses on financial instruments, investment property and investments	141.4	110.5
Other changes	(885.6)	(480.1)
Change in receivables and payables generated by operating activities	**375.3**	**(460.8)**
Change in receivables and payables relating to direct insurance and reinsurance	149.4	116.2
Change in other receivables and payables	225.9	(577.0)
Paid taxes	**(340.5)**	**(416.9)**
Net cash flows generated by/used for monetary items from investing and financing activities	**280.2**	**(421.0)**
Liabilities from financial contracts issued by insurance companies	742.7	(30.8)
Payables to bank and interbank customers	(320.2)	(961.6)
Loans and receivables from banks and interbank customers	371.8	362.1
Other financial instruments at fair value through profit or loss	(514.1)	209.3
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**1,312.4**	**1,862.1**
Net cash flow generated by/used for investment property	(26.7)	11.6
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures	214.7	1.9
Net cash flow generated by/used for loans and receivables	(101.2)	627.7
Net cash flow generated by/used for held-to-maturity investments	709.5	678.0
Net cash flow generated by/used for available-for-sale financial assets	(1,954.0)	(3,217.6)
Net cash flow generated by/used for property, plant and equipment and intangible assets	(343.2)	(68.7)
Other net cash flows generated by/used for investing activities	179.4	71.5
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	**(1,321.5)**	**(1,895.7)**
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)
Dividends distributed attributable to the owners of the Parent	(126.3)	(120.3)
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	(223.5)	(172.8)
Net cash flow generated by/used for subordinated liabilities and equity instruments	(50.3)	23.3
Net cash flow generated by/used for other financial liabilities	608.5	130.3
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	**208.3**	**(151.8)**
Effect of exchange rate gains/losses on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT 1 JANUARY	675.3	860.7
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	199.1	(185.4)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	874.4	675.3

(*) 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

3 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 pension funds, in compliance with the provisions of Art. 9 of Legislative Decree 124 of 21 April 1993 and subsequent amendments.
It also carries out real estate and banking activities, and to a lesser extent, hospitality, 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 IAS/IFRS standards 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 closing date of the financial statements.

The consolidated financial statements consist 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, concerning the layout of the Consolidated Financial Statements of insurance and reinsurance companies that are required to adopt international accounting standards.

The information requested by 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, materiality and truthfulness 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 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 the 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 2015 have been drawn up by combining the figures of the Parent Unipol and those of the 64 direct and indirect subsidiaries (IFRS 10). At 31 December 2014 a total of 74 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 (33 companies), are measured using the equity method (IAS 28) or maintained at the carrying amount. At 31 December 2014, a total of 40 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 2014 and other transactions

Changes in the consolidation scope:

- on 8 January 2015, following the conclusion of the liquidation procedure, the subsidiary Atavalue Srl in liquidation was cancelled from the Register of Companies;;
- on 15 January 2015, following the conclusion of the liquidation procedure, the associate Soaimpianti Srl, in liquidation was cancelled from the Register of Companies;
- on 10 February 2015, following the conclusion of the liquidation procedure, the associate Omega 2004 SpA in liquidation was cancelled from the Register of Companies;
- on 18 June 2015, following the conclusion of the liquidation procedure, the subsidiary Saint George Capital Management S.A. in liquidation was cancelled from the Register of Companies;
- on 30 June 2015, Unipol Banca sold the entire investment (100%) held in its subsidiary Nettuno Fiduciaria Srl to Koros Srl, at the price of €0.2m;
- On 20 July 2015 the merger by incorporation of the company Assicoop Siena SpA into the company Assicoop Firenze SpA took effect; at that time Assicoop Firenze SpA changed its name into Assicoop Toscana SpA. Following the merger, UnipolSai Finance SpA holds 46.77% of Assicoop Toscana SpA shares;
- on 10 September 2015 and 21 December 2015 UnipolSai Assicurazioni SpA sold a total of 420,980 shares of the associate Consulenza Aziendale per l'Informatica SCAI SpA ("SCAI") to the company itself, for a total consideration of €1.3m. As a result the investment has fallen from 30.07% to 9.02%. The third and last tranche will be sold by 30 April 2016 for a total consideration of €541k;
- on 19 November 2015 the entire 40% investment held by UnipolSai Real Estate Srl in Sviluppo Centro Est Srl in liquidation was sold for a €4k consideration;
- on 12 December 2015 the associate CampusCertosa Srl in liquidation held by Unipol Banca was cancelled from the Register of Companies;
- on 16 December 2015 UnipolSai Assicurazioni SpA sold its entire investment (100%) in the subsidiary Punta di Ferro Srl to IGD, for a €129.4m consideration;
- on 28 December 2015, the company Alfaevolution Technology SpA (held 100% by UnipolSai Assicurazioni SpA) was established, with registered office in Bologna, Via Stalingrado no. 37, and share capital of €5m. The company's purpose is the management of telematic services related to insurance policies;
- on 28 December 2015 the company Sim Etoile Sas in liquidation, with registered office in Paris, fully owned by UnipolSai Assicurazioni SpA, was cancelled from the Register of Commerce;

- on 28 December 2015 the company Sailux SA in liquidation, fully owned by UnipolSai Assicurazioni SpA, was cancelled from the Register of Commerce and Companies of Luxembourg;
- on 29 December 2015 the company Sofigea Finanziaria per Gestioni Assicurative Srl was cancelled from the Register of Companies;
- on 31 December 2015 the merger by incorporation into UnipolSai Assicurazioni SpA of the subsidiaries Europa Tutela Giudiziaria SpA, SAI Holding Italia SpA, Systema Compagnia di Assicurazioni SpA, UnipolSai Real Estate Srl and UnipolSai Servizi Tecnologici SpA took effect. Accounting and tax effects of the transaction were backdated to 1 January 2015.

We also note the following transactions that have not changed the scope of consolidation:

- On 28 January 2015, the sale to IGD of a stake equal to 20% of the share capital of UnipolSai Investimenti SGR (100% held by UnipolSai) was finalised. The sale had been authorised by the Bank of Italy on 2 December 2014, and had been agreed in the investment agreement signed by UnipolSai and IGD on 7 August 2014 as part of a partnership project to achieve common business objectives. In addition, on 17 June 2015, fulfilling the request by the Bank of Italy aimed at making the set-up of the Unipol Banking Group compliant with the new regulations applicable to banking groups pursuant to Circular no. 285 issued by the Bank of Italy on 17 December 2013, after obtaining the authorisations required by law, UnipolSai transferred to the Parent Unipol a stake equal to 51% of the share capital of UnipolSai Investimenti SGR.
  On 17 December 2015, the Board of Directors of UnipolSai resolved the termination by mutual agreement of the investment agreement entered into on 7 August 2014 between UnipolSai and IGD and the buy-back, by UnipolSai, of the equity investment, amounting to 20% of the share capital, held by IGD in UnipolSai Investimenti SGR. The agreed price for the buy-back of the equity investment was equal to the exercise price of the option to buy, i.e. €4.2m, with the addition of the pro rata amount of the undistributed profit realised by UnipolSai Investimenti SGR in the period between 28 January 2015 and the date of sale of the investment. The buy-back is conditional to the authorisation of the Bank of Italy
- on 9 April 2015 the company Isi Insurance Direct Srl, 100% held by Arca Assicurazioni SpA, was placed in liquidation;
- Città della Salute Scrl and SRP Service, subsidiaries of UnipolSai Assicurazioni SpA, were placed in liquidation on 8 and 28 May 2015, respectively;
- on 15 May 2015, the subsidiary Gruppo Fondiaria-SAI Servizi changed its name to UnipolSai Servizi Consortili;
- on 24 June 2015, UnipolSai Finance increased its investment in the associate Assicoop Bologna SpA through the purchase of 9.79% of the company's share capital from the associate Pegaso Finanziaria SpA at a price of €1.9m. The percentage of investment now held by UnipolSai Finance is therefore 50%;
- following the mandatory conversion of Class A savings shares into ordinary shares, with a conversion ratio of 1 to 100, performed by the subsidiary UnipolSai Assicurazioni SpA, the direct investment held by Unipol fell from 54.38% to 51.91%. The investment held by the subsidiary Unipol Finance into UnipolSai fell, in turn, from 9.63% to 9.19%;
- on 3 August 2015, 139 shares of Ddor Novi Sad were purchased, bringing the direct holding to 100% of the share capital of this company;
- on 12 August 2015 the company Sai Mercati Mobiliari – Società di intermediazione Mobiliare SpA, 100% held by UnipolSai Assicurazioni SpA, was placed in liquidation;
- on 24 November 2015 Unipol Gruppo Finanziario S.p.A. bought from the subsidiary Sai Mercati Mobiliari in Liquidation the entire holding (0.02%) of UnipolSai Servizi Consortili (nominal €1,040.00) for €7k;
- on 9 November 2015 the change in company name of Service Gruppo Fondiaria-Sai Srl to UnipolSai Servizi Previdenziali Srl (acronym USSP Srl) was recorded at the Register of Companies;
- on 9 November 2015 the share capital of the associate Penta Domus SpA was reduced to €4,267,786, divided into 4,267,786 shares with nominal value of €1. The investment held by UnipolSai Assicurazioni SpA, equal to 1,052,366 shares, remained unchanged in percentage terms at 24.66%;
- on 17 December 2015 Italresidence Srl sold the entire stake held (100%) in Ital H&R Srl to UnipolSai Assicurazioni for a €64k consideration;

- On 31 December 2015, the conversion, mandatory on maturity, of 1,343 bonds, ISIN IT0005013674, for a nominal value €134,300,000.00, representing the "Convertible Loan UnipolSai Assicurazioni 2014-2015 6.971%" took place, resulting in the issue of 49,194,135 new UnipolSai ordinary shares with the same characteristics as the ordinary shares outstanding at the conversion date.

Reporting date

The reporting date for the consolidated financial statements is 31 December 2015, which is also the reporting date for the separate financial statements of the Parent Unipol. All the consolidated companies closed their financial statements at 31 December with the exception of the associate Pegaso Finanziaria SpA, which closed its 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 banking sector companies 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 IAS/IFRS standards, as applied by the Parent Unipol and approved by the Boards of Directors of the companies concerned. The companies in the Unipol Banca Group drew up separate financial statements according to IAS/ IFRS standards. Since 2015 also the company The Lawrence Life, subject to Irish laws, has drawn up separate financial statements according to IAS/IFRS standards, while UnipolRe applies local Irish standards that, at the end of 2015, did not differ from IAS/IFRS standards.

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 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 corresponding share of 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 small subsidiaries, for which the equity method is used. Five special-purpose companies were also consolidated on a line-by-line basis. These were the vehicles used by Unipol Banca to carry out securitisations which, although not subsidiaries, are consolidated as set forth 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.
Ancillary acquisition costs are recognised in the income statement during the year in which the costs are incurred or the services provided.

Under IFRS 10.23 changes in investments in subsidiaries that do not lead to a 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 2015.

Companies measured using the equity method

When this method is used the carrying amounts of the investment is adjusted to the corresponding 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 intragroup transactions

The amounts receivable and payable between companies included in the consolidation scope, the gains and losses related 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 during the preparation of consolidated financial statements.

Segment reporting

Segment reporting is provided according to the provisions of IFRS 8 and structured on the basis of the major business segments in which the Group operates:
- Non-Life insurance business;
- Life insurance business;
- Banking business;
- Real estate business;
- Holding and Other Businesses.

With regard to the Real Estate segment, we note that as a result of the merger by incorporation into UnipolSai Assicurazioni of the company UnipolSai Real Estate, included until 31 December 2014 in the Real Estate segment, the assets, the liabilities and the income statement of this company at 31 December 2015 are included in the Non-Life Insurance segment.

Segment reporting is carried out by separately consolidating the accounting items for the individual subsidiaries and associates that belong to each identified segment, eliminating intragroup balances between companies in the same segment and cancelling, where applicable, the carrying amount of the investments against the corresponding portion of shareholders' equity.
In the column "Intersegment eliminations", the intragroup balances between companies in different sectors are cancelled.

This rule does not apply in the following cases:
- investment relations between companies in different sectors, since 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;
- collected dividends, eliminated in the sector of the company that collects the dividend;
- realised profits and expenses, since the elimination takes place directly in the sector of the company that realises the capital gain or loss.

No segment reporting based on geographical area has been provided since the Group operates mainly at the national level and there appears to be no significant diversification of risks and benefits, for a given type of business activity, based on the economic situation of the individual regions.

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

2. Main accounting standards

New accounting standards

Amendments to IFRS 3, IFRS 13 and IAS 40 - 2011 – 2013 Annual Improvement Cycle

In December 2014, Regulation (EU) 1361/2014 was approved, endorsing amendments approved by the IASB on the following accounting standards:

- IFRS 3 "Business Combinations" The amendment makes clear the exclusion of all types of joint arrangements from the standard scope.
- IFRS 13 "Fair value measurement criteria" IFRS 13, paragraph 52, restricts the fair value measurement based on net value to the financial assets and liabilities within the scope of IAS 39 (or IFRS 9). This amendment also clarifies that the above-mentioned measurement option also refers to agreements which are within the scope of IAS 39 (or IFRS 9), but do not meet the definition of financial assets and liabilities provided by IAS 32 "Financial Instruments":
- IAS 40 "Investment property". The amendment makes clear that IFRS 3 and IAS 40 do not rule each other out. The amendments to the accounting standard also specify the cases in which the interest in a property owned by a lessor through an operating lease can be classified by the entity as investment property.

The amendments to IFRS 3, IFRS 13 and IAS 40 must be applied from 1 January 2015.

IFRIC 21 - Levies

The IFRIC 21 interpretation, published on 20 May 2013, identifies 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 L175 of 14 June 2014, applies to financial years beginning on or after 17 June 2014 (therefore, with reference to the Unipol Group beginning from 2015).

The application of the new accounting standards had no significant impact on the consolidated financial statements at 31 December 2015.

New accounting standards which have still not entered into force

The documents published by the International Accounting Standard Board listed below could be significant for the Group, but are still not applicable since they have not been endorsed yet by the European Union by EFRAG or do not yet apply.

IFRS 9 - Financial instruments

At the end of July 2015 the IASB issued the final version of IFRS 9 "Financial instruments", which replaces the previous versions published in 2009 and 2010. The new standard winds up a process to gradually reform the current IAS 39, through 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 their classification and measurement methodology. The new impairment model, based on the concept of expected loss, is aimed at guaranteeing a more immediate recognition of losses compared to the current IAS 39 "incurred loss" model. Lastly, the rules concerning hedging sets out to ensure greater alignment between accounting representation of the hedges and the risk management policies. As of today, the standard is scheduled to come into force on 1 January 2018, except for cases referred to in the next paragraph.

ED 2015/11 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"

In September 2015 the IASB has announced its intent to start consultations on some transitional measures related to the implementation schedule for IFRS 9 "Financial instruments", in connection to the ongoing review of the IFRS standard on "Insurance contracts" ("IFRS 4 Phase II"), to manage the mismatch deriving from the different effective dates of IFRS 9 and IFRS 4 Phase II. On this point, on 9 December 2015 the IASB made available for public consultation the Exposure Draft 2015/11 "*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*", containing a proposal to deal with the possible accounting consequences of the application of IFRS 9 before the new standard for insurance contracts is applied.
Specifically, the IASB has provided two transitional solutions for the insurance sector, both optional:

i) the "*deferral approach*" that provides for a deferral of the implementation of IFRS 9, until 1 January 2021 at the latest, for entities that carry out "predominantly" insurance activity (the predominance of the insurance activity must be established on the basis of the ratio of insurance liabilities and total liabilities for the entities);
ii) the "*overlay approach*", which requires the application of IFRS 9 from 1 January 2018 allowing however the reclassification, from income statement to other components of comprehensive income, of the difference between the amount recorded in the income statement of some financial instruments measured at fair value recognised in the income statement pursuant to IFRS 9 and the amount that would have been recognised in the income statement for the same financial instruments on the basis of IAS 39 standard.

The consultation period for this Exposure Draft ended on 9 February 2016.

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation

The Regulation (EU) 2015/2231 of 2 December 2015, issued by the EU Commission and published in the Official Journal L317 of 3 December 2015, approves the amendments made to the two accounting standards, which make clear that methods based on revenues cannot be used to calculate amortisation/depreciation. In fact, revenues reflect the methods for generating future economic benefits arising from the activity of the company owning the goods subject to amortisation/depreciation and 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 revenue-based methods for determining the amortisation of intangible assets 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 Regulation (EU) 2015/2173 of 24 November 2015, which transposes the amendments to IFRS 11 "Joint Arrangements", provides clarifications on the issue 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 accounting rules established by IFRS 3 for business combination (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 IFRS 10 and IAS 28 - Sale or contribution 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 with the equity method, are recognised only within the limits of the third-party interest. IAS 28 was amended 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 fully recognised.
These amendments were supposed to be applied on a forward looking basis, starting from the financial statements of the years starting on (or after) 1 January 2016, but the IASB itself has decided, in January 2015, to postpone their coming into force as some inconsistencies with some paragraphs of IAS 28 were identified. To this purpose, during the project on the "*Elimination of gains or losses arising from transactions between an entity and its associate or joint venture*", on 10 August 2015, the IASB published ED/2015/7 "Effective date of the amendments to IFRS 10 and IAS 28" where it proposes to postpone indefinitely the mandatory application of the amendments to the two principles while waiting for the amendments that might originate from the current IASB project on the "equity method". The period for the presentation of comments ended on 9 October 2015.

Amendments to IAS 19 - Defined benefit plans: employee contributions

Regulation 2015/29, approved by the Commission on 17 December 2014, was published in the Official Journal of the European Union in January 2015. This Regulation endorses amendments made on 21 November 2013 by the IASB to IAS 19 "Employee benefits". The amendments to IAS 19 allow companies to recognise the contributions made by employees or third parties to defined benefit plans against the service cost for the year in which the contributions are paid. The right is granted for contributions that are independent from the number of years of service, and therefore are related to the services the employee has provided in the year the contributions are paid. The amendments apply mandatorily from the first accounting period beginning on or after 1 February 2015 (therefore, with reference to the Unipol Group as from the 2016 accounting period).

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, excluding for contracts falling within the field of application of IAS 17 "Leasing", insurance contracts and financial instruments. IFRS 15 identifies a five-step process to define the timing and amount of revenues to recognise (1. Identify the contract(s) with a customer; 2. Identify the performance obligations in the contract; 3. Set the transaction price; 4. Allocate the transaction price; 5. Recognize revenue when the performance obligation is satisfied). The date the standard was scheduled to go into effect was 1 January 2017. On 19 May 2015, however, the IASB published the *Exposure Draft* 2015/2, containing the proposal to postpone for one year, to 1 January 2018, the first mandatory application of IFRS 15, with early application being allowed in any case.

IFRS 16 – Leases

On 13 January 2016 the IASB issued IFRS 16 "Leases", which defines the accounting requirements for the recognition, evaluation and presentation of lease agreements. IFRS 16 will come in force on 1 January 2019 although early application is allowed for the entities that already apply IFRS 15 "Revenue from contracts with customers". IFRS 16 replaces IAS 17 and the corresponding interpretations.

Amendments to IAS 12

On 19 January 2016 the IASB issued an amendment to IAS 12 "Income taxes". The amendments concern the recognition of credits for deferred tax assets from unrealised losses and define the procedures of recognition of the deferred taxes assets for debt instruments measured at fair value. These amendments must be applied from 1 January 2017. Early application is however allowed.

Amendments to IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 24, and IAS 38 - 2010-2012 Annual Improvement Cycle

EU Regulation 28/2015, issued by the Commission on 17 December 2014 and published in the Official Journal on 9 January 2015, amending EU Regulation 1126/2008, implements the 2010-2012 Annual Improvement Cycle of the international accounting standards approved by the IASB on 12 December 2013: the objective of this is to deal with issues needed to address inconsistencies identified in the IFRS or provide non-urgent terminology clarifications. The main amendments concern:

- IFRS 2 “Share-based payments” Amendments were made to the definitions of “vesting conditions” and “market conditions” and the additional definitions of “performance condition” and “continuation of employment condition” were provided;
- IFRS 3 “Business Combinations” The amendment clarifies that a potential consideration within IFRS 3, classified as a financial asset or a liability, must be re-measured at fair value at the close of every accounting period and the changes in fair value must be recognised in the income statement or else among the elements of Comprehensive Income Statement on the basis of the requirements of IAS 39 (or IFRS 9);
- IFRS 8 “Operating segments”. The amendments require entities to provide information on the assessments made by management in the application of the aggregation criteria of operating segments including a description of the aggregated operating segments and the economic indicators considered when assessing whether these operating segments have similar economic characteristics;
- IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible assets” on revaluation models. The amendments have eliminated the inconsistencies in the recognition of accumulated depreciation/amortisation when tangible or intangible assets are revalued. The amendments clarify that the gross carrying amount must be adjusted in a way consistent with the revaluation of the carrying amount of the assets and that the accumulated depreciation/amortisation must be equal to the difference between the gross carrying amount and the carrying amount net of the impairments recognised;
- IAS 24 “Related Party Disclosures”. It was clarified that if the services of the Key Managers are provided by a legal (and not natural) person, this entity must be treated in any case as a Related Party.

The amendments are applied to annual periods beginning on or after 1 February 2015 (and therefore, for the UnipolSai Group, from 2016).

Amendments to IFRS 5, IFRS 7, IFRS 8, IAS 19 and IAS 34 - 2012-2014 Annual Improvement Cycle

On 15 December 2015 the Regulation EU 2015/2343 was approved: this validates the amendments to some international standards within the annual process of improvement of these, which must be applied to annual periods beginning on or after 1 January 2016. The document refers to the following standards:

- IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. The amendment introduces specific guidelines to the standard for the case in which an entity reclassifies an asset from “Held for Sale” to “Held for distribution” (or viceversa), or when the requirements for the classification of an asset as “Held for distribution” are not met;
- IFRS 7 “Financial Instruments: Disclosures”. The amendments regulate the introduction of additional guidelines to clarify whether a “service contract” represents a residual involvement in an asset sold for the purposes of the information required for assets sold;
- IAS 19 “Employee benefits”. This document introduces some amendments to IAS 19 to clarify that the high-quality corporate bonds used to calculate the discount rate for employee benefits should be in the same currency used for the payment of the benefits;
- IAS 34 “Interim financial reporting”. The amendments are aimed at clarifying the requirements when the information required is presented in the interim financial statements. The IASB clarifies that the additional information required may be included in the notes to the interim financial report or else may be included, with specific cross-references, in other sections of the publication that in turn includes the interim financial report prepared in agreement to IAS 34, on condition that this publication is made available at the same time and in the same way required for the interim financial report.

IAS 1 - Presentation of Financial Statements

EU Regulation 2015/2406 of 18 December 2015 has implemented the amendments to IAS 1 published by the IASB on 18 December 2014 to provide clarifications on the disclosure elements that may be perceived as impeding a clear and intelligible preparation of the financial statements. The main amendments are as follows:

- Materiality and aggregation: a company should not make information confusing by aggregating or disaggregating it and the considerations on materiality apply to financial statements, explanatory notes and specific IFRS disclosure requirements. It was also clarified that "non-significant" information should not be provided even if expressly required by a specific IFRS;
- Explanatory notes: it was specified that the entities have some flexibility in the definition of the layout of the explanatory notes and guidelines were provided on how to arrange these notes systematically.

The amendments introduced by the document must be applied to annual periods beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28

On 18 December 2014, the IASB published the document "Investment Entities: Applying the Consolidation Exception", which follows the publication of the Exposure Draft 2014/2 published on 11 June 2014, with the amendments concerning the exemption from consolidation requirements granted to investment entities. The document specifies that a holding company, in its turn subsidiary of an investment entity, is not required to prepare consolidated financial statements even if the investment entity measures the subsidiaries at fair value, pursuant to IFRS 10 and with a disclosure pursuant to IFRS 12. Before the amendment, according to paragraph 4(c) iv) of IFRS 10, a holding company was not required to prepare consolidated financial statements on condition that its holding company, or an intermediate holding company, prepared consolidated financial statements pursuant to IFRS. After the amendment, the exemption from the preparation of consolidated financial statements is extended to intermediate holding companies, in their turn subsidiaries of an investment entity, even if the latter measures its subsidiaries at fair value instead of consolidating them.
The amendments to the IFRS 10, to the IFRS 12 and to IAS 28 will be applied starting with the financial statements for periods beginning on or after 1 January 2016; early application is allowed.

The accounting standards and the most significant criteria used in drawing up the consolidated financial statements are described 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, the only intangible assets that may be capitalised are those that can be identified and controlled by the company and from which the company will derive future financial benefits.

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 calculated 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 the development and implementation of IT systems, including customisation of the corresponding software, amortised over five or ten years according to its 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 it is tested for impairment at least once a year, or each time there is any indication of impairment; if the impairments are proved to be durable, they are recognised in the income statement and cannot be reversed in later years.

2 Property, plant and equipment - IAS 16 and 17

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

For the recognition and measurement of 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 taken out 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 applies to properties that are instrumental by nature, such as hotels, shopping centres, and office buildings.
If the recoverable amount of the property is estimated to exceed the carrying amount, no depreciation is applied. For the Group this is the case with residential property. In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

The improvement and conversion costs 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 calculated at least once a year by means of expert appraisals provided by independent 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 standard 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 the bonds that the Group intends and is in a financial position to hold to maturity, for example most of the fixed-rate 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 agreements 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 paragraph 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. After the initial recognition, receivables are measured at 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.
The use of 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 equal 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; the losses expected on the loan are instead not considered. After the initial recognition, for the whole life of the loan, the amortised cost continues to be determined by applying the effective interest rate set 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 as a result of which the loan has in practice stopped bearing interest (for instance, due to insolvency proceedings).

The amortised cost method is applied only to loans with an original term of at least eighteen months, on the assumption that in the case of shorter loans the application of 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 and revocable loans are therefore measured at their historical cost.

On the reporting date for each set of annual or interim financial statements, the loans are assessed to identify those for which there is objective evidence of impairment due to events that have occurred after their initial recognition.

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 guidelines. 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, which is recognised in the income statement.
The original value of the loans is reinstated in later 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 been recognised 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 categories 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 the receivables. 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. 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 with respect to 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 using 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, UCITS units, and investments deemed to be of strategic importance (less than 20% of the share capital, of commercial or corporate strategic importance).

Impairment policy for financial assets adopted by the Unipol Group

IAS 39, paragraph 58, provides for companies to carry out assessments on each reporting date whether there is 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, a regular impairment test must be carried out. 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 as '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' judgement, whenever annual or interim financial statements must be prepared under IAS, provided that the meaning is determined in a reasonable manner and complies with paragraph 61 of IAS 39.

The Group has defined as "significant" a reduction of more than 50% in the market value of available-for-sale financial assets with respect to the initial recognised value and as "prolonged" the permanence of market value at levels below the initially recognised amount for more than 36 months.

Therefore, for **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.

For **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 Risk Management Department, so that the latter can carry out the assessments within its competence on the need to recognise an impairment 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 measured at fair value such as investments related 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. For hedging transactions IAS 39 sets out cumbersome and complex rules to assess, by preparing appropriate documentation, 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 outstanding at 31 December 2015.

All derivatives are placed in the category "Financial assets at fair value through profit or loss".

Reclassifications of financial assets

If an available-for-sale financial asset is transferred to the held-to-maturity investments category, 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 shareholders' 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 are 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 after 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 activities. This financial management is characterised, in relation to the Group's business sector, by a special degree of complexity, which requires, under certain circumstances, the subscription of financial assets with specific characteristics (e.g. in terms of maturity, creditworthiness and payoff) that are not always easy to find on the 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 Group classifies and records the bonds issued by SPVs based on the instructions provided in IAS 39, deeming the circumstance that they have been issued by SPVs irrelevant[5], in consideration of the fact that the SPV is, in fact, 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. The 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 within it.

Therefore, 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, an entity must only consolidate an SPV in the event the entity exercises control over it pursuant to IFRS 10, paragraphs 6 and 7.

The Group, with regard to bonds issued by SPVs in the portfolio at 31 December 2015, 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 notes issued by the SPV and can only dispose of these autonomously, as it does not have the power to dispose of the financial instruments held by the vehicle. It is reasonable to infer, from these considerations, that the Group holds no form of control of the SPVs pursuant to 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, 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 as a result of 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, characteristics identical to those of the notes cancelled as a result of 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

[5] Issues from SPVs made as part of securitisations 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 Unipol Banca ("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 securitization SPVs. The notes issued and subscribed by Unipol Banca were not recorded under assets in the financial statements as they were not offset with the corresponding notes issued by the securitisation 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 the investment in a subsidiary consolidated using the line-by-line method must be sold within the time limit set 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 intragroup 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 related 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 applied at the end of the year or on the rates that are expected to be applied in the future according to the information available at the end of the financial year.

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

Deferred tax assets and liabilities, distinguished by type of tax, are offset at the level of single Group company or at the consolidated level, within the limits of the scope of the new tax consolidation agreement, set up by Unipol that has replaced the previous tax consolidation agreements set up by Finsoe, UnipolSai and Arca Vita.

6.4 Current tax assets - IAS 12

This item includes assets related to current taxation.

6.5 Other assets

Among other things, this item includes prepayments and accrued income and deferred commission expense for investment contracts with no discretionary participation feature, as these are additional costs incurred to acquire the contract, 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 consolidation reserves.

1.1.5 Treasury shares

This item includes the equity instruments of the company that prepares the consolidated financial statements owned by the company itself and by the consolidated companies. The item has a negative sign. 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 be charged 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.

As for the Non-Life sector, all the policies in the portfolio at 31 December 2015 were classified as insurance contracts.

As for the Life sector, the principal criteria used to classify Life products as insurance policies were:

- the presence of significant insurance risk, i.e. the reasonable expectation 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 to identify the presence of significant insurance risk are as follows:
    - above 10% the contract is an insurance contract;
    - under 5% the contract is a financial contract;
    - between 5% and 10% specific product analysis 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 continues to be an insurance contract until 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 Art. 10 of ISVAP Regulation no. 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 no. 16.
The total amount allocated to this provision is sufficient to meet costs arising from the portion of risk pertaining to later 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 calculated 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 sufficient to meet the claims to be settled and the related direct expenses and settlement expenses.
The figures calculated 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 no. 21 of 28 March 2008, as amended.

Mathematical provisions

The mathematical provision for direct insurance is calculated 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 related 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, 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 benchmark funds at the calculation date.
For Pension Funds, and particularly, for those 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 having to integrate 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 meet the 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 no. 21.

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

<u>Supplementary provisions based on demographics (Art. 50 of ISVAP Regulation no. 21)</u>
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 against the risk of mortality in Class III insurance contracts (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 Class III and Class VI insurance contracts, 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 no. 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 required by IFRS 4 was also carried out to verify that the technical provisions are adequate to cover the present value of future cash flows related to insurance contracts.
The test was performed by projecting the cash flows and taking into account the following elements:
- guaranteed services by guarantee line, projected on the basis of contractual conditions;
- trend in the existing portfolio relating to recurring payment aspects, contract expiry, 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 the income statement depending on whether the losses or gains in question are recognised in the shareholders' equity or 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 related 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 banks, 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

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

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

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 yield 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, the deferred taxes recalculated in accordance with the new rates are recognised, despite being prior year items, under Income tax in the income statement or under the 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 section 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 related 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 related 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 fees pertaining to the year, related to Life assurance contracts classified as financial liabilities. In the case of unit-linked policies, in particular, acquisition fees for 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 measured 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 it includes 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, as well as the amount of the changes in technical provisions related to contracts that fall within the scope of IFRS 4, net of amounts recovered and outwards reinsurance.

2.2 Commission expense

This item includes commission expense for financial services received. It includes commission expense arising from the 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 related 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 related to insurance contracts, investment management expenses, other administrative expenses and depreciation (overheads and personnel expenses that are not allocated to losses related to claims, insurance contract acquisition expenses or investment management expenses).

2.6 Other costs

This item mainly includes other net technical charges related 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 related to property, plant and equipment and intangible assets, not allocated to other cost items.

3 Income tax for the year

Pursuant to Art. 117 et seq. of Presidential Decree 917/1986, for the years 2015-2016-2017, the Parent Unipol has chosen the IRES tax consolidation regime, as consolidating company, with UnipolSai and other subsidiaries, meeting legal requirements, taking part as consolidated companies. Unipol has signed an agreement with these companies regulating the financial and procedural aspects governing the regime in question, recognising in its financial position the effects of the transfer of the IRES taxable income of the consolidated companies, calculated pursuant to the law, keeping into account the applicable consolidation adjustments and the tax credits accrued.

Tax for the year is calculated according to current tax regulations and recognised among costs for the year on an accrual basis and represents:

- the charges/income for current taxes;
- the amounts of deferred tax assets and liabilities arising during the year and usable in future years;
- for the portion due for the year, the deduction of deferred tax assets and liabilities generated in previous years;

Deferred tax assets and liabilities are calculated on the basis of the temporary differences (arisen or 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. IRAP for the year is also recognised under Income tax.

Foreign currency transactions - IAS 21

Items expressed in foreign currencies are treated 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 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 time of the transaction.
Non-monetary elements measured at fair value in a foreign currency are translated using the exchange rates applicable on the time 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 item 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 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 some accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.
As regards the 2015 financial statements, it is believed that the assumptions made are appropriate and, therefore, that the financial statements have been drafted clearly and give a true and fair view of the statement of financial position, income statement and statement of cash flows.

In order to formulate reliable estimates and assumptions, reference has been made to past experience, and to other factors considered reasonable for the category in question, based on all available information. However, we cannot exclude that changes in these estimates and assumptions may have a significant effect on the statement of financial position and income statement as well as on the potential assets and liabilities reported in the financial statements for disclosure purposes, if different elements emerge with respect to those considered originally.

The estimates mainly concern:
- technical Life and Non-Life provisions;
- assets and liabilities measured 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 guidelines to the measurement at 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) gathers 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 calculation 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 as "Held-to-maturity investments".

Fair value measurement criteria

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

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

In compliance with IFRS 13, the market price is used to determine the fair value of financial instruments, in the case of instruments traded in liquid and active markets (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, valuations by counterparty or valuations at the carrying amount in connection with some 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.

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

For UCITS the Net Asset Value is the source used.

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

The list of the main models used within the Unipol Group for Mark to Model pricing of financial instruments is provided below:
- Securities and interest rate derivatives:
- Discounted cash flows;
- Black;
- Black-Derman-Toy;
- Hull & White 1, 2 factors;
- Libor Market Model;
- Longstaff & Schwartz;
- Kirk.

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

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

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

The main observable market parameters used to perform 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 those cases when, even on the basis of the results of the Scoring Model, it is not possible to measure an instrument using the Mark to Market method, the fair value is obtained on the basis of Mark to Model type valuations. The different valuation models referred to above are chosen according to the instrument characteristics.

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

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

As regards unlisted UCITS, Private Equity Funds and Hedge Funds, the fair value is calculated as the Net Asset Value at the financial statement date provided directly by the fund administrators.

With reference to the portfolio of loans to bank customers, the fair value is calculated 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 provided by independent experts, in compliance with current legal provisions.

Counterparty valuations

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

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

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

For structured bonds, the valuation of elementary components follows the criteria defined above for the calculation of fair value, which makes provision for use of Mark to Market valuation if available, or Mark to Model approach or counterparty price in the case in which the Mark to Market-type price is not available.
Bonds issued by a Special Purpose Vehicle secured by collateral and whose flows paid are generated by an interest rate swap contract in place between the vehicle and the swap counterparty (usually the arranger of the transaction) are considered structured SPV bonds. The measurement of SPV-type structured 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 follows the criteria defined previously for the calculation of the fair value, which makes provision for the use of the Mark to Market approach if available, or the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.
The valuation of interest rate swap agreements provides for the discounting of future cash flows on the basis of the different discount curves, which depend on the existence of a collateralisation agreement (Credit Support Annex) between the vehicle and swap counterparty. In particular, if the derivative contract is collateralised using available securities included in the SPV's assets, the future cash flows of the interest rate swap agreement are discounted using the EONIA discount curve; while if there is no collateralisation agreement, use is made of CVA (Credit Valuation Adjustment), DVA (Debit Valuation Adjustment) and FVA (Funding Valuation Adjustment), as appropriate.

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 establishes a fair value hierarchy based on the degree of discretionary power used, giving priority to the use of observable market parameters, as these are representative of 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 to ensure that these prices can be used in 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 the fair value of which is obtained with 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, if 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

Process for fair value measurement on a recurring basis
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 stages 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 the Risk Management Department of Unipol Gruppo Finanziario, using 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, that is, 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.

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

In compliance 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 usually not exchanged, the calculation 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 and interest component. 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 are 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 assumed 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 in compliance with the provisions of the applicable legislation. The approach to assigning appraisal mandates is based on the non-exclusive assignment of assets; there is usually 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	31/12/2015	31/12/2014	*variation in amount*
Goodwill	**1,581.9**	**1,581.9**	***(0.0)***
resulting from business combinations	1,581.6	1,581.6	*(0.0)*
other	0.3	0.3	*(0.0)*
other intangible assets	**489.1**	**551.2**	***(62.1)***
portfolios acquired as a result of business combinations	312.5	402.4	*(89.9)*
software and user licences	154.9	125.5	*29.3*
other intangible assets	21.7	23.3	*(1.6)*
Total intangible assets	**2,071.0**	**2,133.2**	***(62.1)***

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

Amounts in €m	31/12/2015	31/12/2014	*variation in amount*
Unisalute Spa	3.9	3.9	
Compagnia Assicuratrice Linear Spa	17.1	17.1	
UnipolSai Assicurazioni Spa	1,423.9	1,423.9	
Arca Vita Spa	136.6	136.6	
Total goodwill resulting from business combinations	**1,581.6**	**1,581.6**	***(0.0)***

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 €489.1m (€551.2m in 2014), is composed primarily of the residual value of the Life and Non-Life portfolios acquired, equal to €312.5m (€402.4m in 2014), and costs incurred for purchasing software, licences, consultancy and the customisation of software programs for €154.9m (€125.5m in 2014).
In relation to the item "Portfolios acquired as a result of business combinations", the decrease with respect to 31 December 2014, amounting to €89.9m, is due for €51m to amortisation for the year of values of the Non-Life portfolios acquired (€74m at 31/12/2014) and €38.8m on the Life portfolios (€47.1m at 31/12/2014).

2. Property, plant and equipment

At 31 December 2015 property, plant and equipment, net of accumulated depreciation, amounted to €1,757m (€1,521.6m in 2014), €1,619.1m of which was property for own use (€1,364.2m in 2014) and €137.9m was other tangible assets (€157.4m in 2014).

Properties for own use

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2014	**1,550.1**	**(185.9)**	**1,364.2**
Increases	330.7		330.7
Decreases	(42.1)		(42.1)
Depreciation for the year		(29.3)	(29.3)
Other changes in provisions		(4.4)	(4.4)
Balance at 31/12/2015	**1,838.8**	**(219.6)**	**1,619.1**

The increases included €257.9m of properties purchased from the Rho fund, while the decreases included €20m in write-downs effected on the basis of the updated appraisals drafted by independent experts (€30.5m at 31/12/2014).

The current value of properties for own use, €1,711.6m, was based on independent expert appraisals.

Other tangible assets

Amounts in €m	Office furniture and machines	Movable assets entered in public Registers	Plant and equipment	Total
Balance at 31/12/2014	**341.4**	**5.7**	**219.2**	**566.4**
Increases	20.3	0.1	11.7	32.0
Decreases	(21.0)	(0.5)	(9.3)	(30.8)
Balance at 31/12/2015	**340.7**	**5.3**	**221.6**	**567.6**
Accumulated depreciation at 31/12/2014	**239.2**	**4.5**	**165.3**	**409.0**
Increases	25.8	0.2	6.1	32.1
Decreases	(9.4)	(0.5)	(1.6)	(11.5)
Accumulated depreciation at 31/12/2015	**255.7**	**4.2**	**169.8**	**429.7**
Net amount at 31/12/2014	**102.2**	**1.3**	**53.9**	**157.4**
Net amount at 31/12/2015	**85.0**	**1.2**	**51.8**	**137.9**

3. Technical provisions - Reinsurers' share

The balance of the item at 31 December 2015 amounted to €897.4m (€988.4m at 31/12/2014). Details are set out in the appropriate appendix.

4. Investments

At 31 December 2015, total investments (investment property, equity investments and financial assets) amounted to €79,346.6m (€77,946m in 2014), broken down as follows:

Amounts in €m	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
Investment property	2,350.2	***3.0***	2,645.6	***3.4***	***(11.2)***
Investments in subsidiaries, associates and interests in joint ventures	90.0	***0.1***	177.8	***0.2***	***(49.4)***
Financial assets (excl. those at fair value through profit or loss)	67,400.2	***84.9***	65,665.6	***84.2***	***2.6***
Held-to-maturity investments	*1,528.4*	*1.9*	*2,238.0*	*2.9*	*(31.7)*
Loans and receivables	*14,549.2*	*18.3*	*14,657.7*	*18.8*	*(0.7)*
Available-for-sale financial assets	*50,915.8*	*64.2*	*48,378.1*	*62.1*	*5.2*
Held-for-trading financial assets	*406.8*	*0.5*	*391.9*	*0.5*	*3.8*
Financial assets at fair value through profit or loss	9,506.3	***12.0***	9,456.9	***12.1***	***0.5***
Total Investments	79,346.6	***100.0***	77,946.0	***100.0***	***1.8***

4.1 Investment property

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2014	**2,791.1**	**(145.5)**	**2,645.6**
Increases	39.5		39.5
Decreases	(311.7)		(311.7)
Depreciation for the year		(42.9)	(42.9)
Other changes in provisions		19.7	19.7
Balance at 31/12/2015	**2,518.9**	**(168.7)**	**2,350.2**

The decreases mainly refer for €126.4m to the property owned by the former subsidiary Punta di Ferro, which is no longer included in the consolidation scope consequently to the sale of the interest and for €97.1m to write-downs (€113.5m in 2014). Sales amounted to €30.3m (€40.8m in 2014).

The current value of Investment property, €2,462.2m, was based on independent expert appraisals.

4.2 Investments in subsidiaries, associates and interests in joint ventures

At 31 December 2015, Investments in subsidiaries, associates and interests in joint ventures amounted to €90m (€177.8m in 2014). The decrease is mainly attributable to the partial repayment of the Profit Participating Bonds issued by the associates Garibaldi and Isola.

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	31/12/2015	*% comp.*	31/12/2014	*% comp.*	*% var.*
Held-to-maturity investments	**1,528.4**	***2.3***	**2,238.0**	***3.4***	***(31.7)***
Listed debt securities	1,271.8		1,925.5		*(34.0)*
Unlisted debt securities	256.6		312.4		*(17.9)*
Loans and receivables	**14,549.2**	***21.6***	**14,657.7**	***22.3***	***(0.7)***
Unlisted debt securities	4,529.5		4,414.3		*2.6*
Loans and receivables from bank customers	8,322.3		9,005.6		*(7.6)*
Interbank loans and receivables	593.9		338.5		*75.5*
Deposits with ceding companies	24.0		30.9		*(22.4)*
Other loans and receivables	1,079.5		868.5		*24.3*
Available-for-sale financial assets	**50,915.8**	***75.5***	**48,378.1**	***73.7***	***5.2***
Equity instruments at cost	69.8		73.7		*(5.2)*
Listed equity instruments at fair value	503.5		827.5		*(39.1)*
Unlisted equity instruments at fair value	178.4		286.5		*(37.7)*
Listed debt securities	47,733.5		44,650.9		*6.9*
Unlisted debt securities	853.5		1,321.6		*(35.4)*
UCITS units	1,577.1		1,218.0		*29.5*
Held-for-trading financial assets	**406.8**	***0.6***	**391.9**	***0.6***	***3.8***
Listed equity instruments at fair value	0.1		0.0		*30.6*
Unlisted equity instruments at fair value	0.0		0.0		*(0.3)*
Listed debt securities	81.3		125.2		*(35.0)*
Unlisted debt securities	113.9		105.7		*7.8*
UCITS units	31.2		45.6		*(31.8)*
Derivatives	180.4		115.4		*56.3*
Total financial assets	**67,400.2**	***100.0***	**65,665.6**	**100.0**	***2.6***

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

Amounts in €m	31/12/2015	% comp.	31/12/2014	% comp.	% var.
Financial assets at fair value through profit or loss	**9,506.3**	**100.0**	**9,456.9**	***100.0***	**0.5**
Listed equity instruments at fair value	175.1	1.8	158.3	*1.7*	10.6
Listed debt securities	3,670.1	38.6	3,636.5	*38.5*	0.9
Unlisted debt securities	673.3	7.1	1,640.5	*17.3*	(59.0)
UCITS units	4,737.5	49.8	3,859.5	*40.8*	22.7
Derivatives			18.3	*0.2*	(100.0)
Other financial assets	250.3	2.6	143.8	*1.5*	74.1

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 Section 5 “Other information” of these notes to the financial statements.

5. Sundry receivables

Amounts in €m	31/12/2015	31/12/2014	% var.
Receivables relating to direct insurance business	1,593.5	1,691.9	*(5.8)*
Receivables relating to reinsurance business	80.7	95.0	*(15.1)*
Other receivables	1,540.5	1,807.1	*(14.8)*
Total sundry receivables	**3,214.6**	**3,594.0**	***(10.6)***

Other receivables included:

- tax receivables amounting to €735.9m (€573m at 31/12/2014);
- payments made by UnipolSai as cash collateral to safeguard derivatives totalling €119.7m (€384.6m at 31/12/2014);
- trade receivables amounting to €171.1m (€156.5m at 31/12/2014);
- substitute tax receivables on the mathematical provisions totalling €211.3m (€166.7m at 31/12/2014).

At 31 December 2014 receivables due from Allianz deriving from the business unit transfer financial situation for €174.4m.

6. Other assets

Amounts in €m	31/12/2015	31/12/2014	% var.
Non-current assets or assets of a disposal group held for sale	16.5	9.4	*76.4*
Deferred acquisition costs	86.9	75.6	*14.8*
Deferred tax assets	919.5	1,043.5	*(11.9)*
Current tax assets	53.6	119.9	*(55.3)*
Other assets	535.7	521.4	*2.7*
Total other assets	**1,612.2**	**1,769.8**	***(8.9)***

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 2015, Cash and cash equivalents amounted to €874.4m (€674.4m at 31/12/2014).

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	31/12/2015	31/12/2014	*variation in amount*
Share capital	3,365.3	3,365.3	
Capital reserves	1,724.6	1,724.6	
Income-related and other equity reserves	(426.0)	(355.6)	*(70.4)*
(Treasury shares)	(34.7)	(35.7)	*0.9*
Reserve for foreign currency translation differences	2.4	2.5	*(0.1)*
Gains/losses on available-for-sale financial assets	589.1	777.4	*(188.3)*
Other gains and losses recognised directly in equity	31.1	20.3	*10.8*
Profit (loss) for the year	271.8	192.3	*79.5*
Total shareholders' equity attributable to the owners of the Parent	**5,523.6**	**5,691.2**	***(167.6)***

At 31 December 2015, the Parent Unipol's share capital was €3,365.3m fully paid-up and was made up of 717,473,508 ordinary shares (at 31/12/2014, the share capital was composed of 443,993,991 ordinary shares and 273,479,517 preference shares).
As already recalled in the Management Report, on 29 June 2015 preference shares were converted into ordinary shares, based on the conversion ratio of 1 ordinary share out of 1 preference share.

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 were as follows:
- a decrease of €126.3m due to dividend distribution;
- a decrease of €144.6m of the Income-related and other equity reserves due to the change in the share of participating interests in the UnipolSai Group after the conversion of UnipolSai Class A savings shares into ordinary shares based on an exchange ratio of 100 ordinary shares per 1 Class A share;
- a decrease by €188.3m owing to the decrease in the Provision for gains and losses on available-for-sale financial assets, from €777.4m at 31 December 2014 to €589.1m at 31 December 2015. The decrease is due to a change in the participating interest of the UnipolSai Group for €34.1m and to a decrease in the fair value of assets pertaining to the Group for €154.2m;
- an increase of €10.8m owing to the increase in the provision for Other gains or losses recognised directly in equity;
- an increase by €271.8m as a result of the Group profit at 31 December 2015.

Shareholders' Equity attributable to non-controlling interests amounted to €2,921m (€2,748.6m at 31/12/2014). Decreases are related to changes in Gains or losses recognised directly in equity, amounting to €90.8m and the payment of dividends to third parties, amounting to €224.2m. In particular, increases are related to the effect of the conversion of Class A savings shares, for an overall amount of €179.2m and the profit for the period attributable to non-controlling interests, amounting to €307m.

Treasury shares or quotas

At 31 December 2015, the ordinary treasury shares held by Unipol and its subsidiaries totalled 9,593,375 (9,874,831 at 31/12/2014), of which 6,319,814 shares were held directly and 3,273,561 held by the following subsidiaries:

- UnipolSai Assicurazioni held 3,108,860;
- Unisalute held 51,244;
- Linear Assicurazioni held 14,743;
- Arca Vita held 80,148;
- Arca Assicurazioni held 18,566.

On 1 July 2015, 281,456 ordinary shares were allocated 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 €550.1m at 31 December 2015 (€643.2m at 31/12/2014) 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 €67.1m. 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 €145.4m. 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.
As regards the civil cases, after the official technical expertise was lodged and the examination of the reports concluded at the hearing of 5 February 2015, two of the counterparties involved for minor amounts expressed their willingness to reach a compromise agreement to settle the dispute. The compromise deeds were finalised in April 2015, and the parties waived any mutual request and/or claim.
As regards cases of a more relevant amount and a case of a minor amount, on 8 June 2015 the partial judgments were published in which the Court of Bologna rejected all requests filed by plaintiffs with respect to the Bank. As regards the counterclaims filed by the Bank for payment of the amounts due by the claimants related to their current accounts at the bank, the Court adjourned the cases for pre-trial examination stating that the expert, in his reports, gave a generic opinion on the correctness of the calculation of the amounts due to the Bank, without specifying whether he assessed that the calculation was correct from a strictly mathematical point of view. With separate order, the Court of Bologna therefore adjourned the cases for pre-trial examination and summoned the expert once again to clarify whether he assessed the correctness, from a strictly mathematical point of view, of the amounts related to overdrafts quantified in the Bank current accounts; the expert was also asked to calculate interest at legal rate as from the closing of the current accounts. The expert's document was filed by the set term of 28 October 2015: except for minor malfunctioning, the court-appointed expert essentially confirmed the adequacy of the credit rights claimed by the Bank as a counterclaim. At the hearing of 19 November 2015 the President Rapporteur set this board hearing for the final discussion on 8 March 2016.
In the meanwhile the counterparties proposed the challenge against the non-definitive judgement published in June 2015 by the Court of Bologna. At the first instance hearing for the case of considerable amount, held on 1 March 2016, the Bank insisted for the rejection of the opposing challenges, objecting to the inadmissibility of the new claims and opposing arguments. The Court postponed the hearing of 4 April 2017 to clarify the conclusions. For the

case of lower amount being challenged, having acknowledged the requests to reject the opposing appeal and the objections of inadmissibility of the new claims, the Court postponed the hearing of 17 April 2018 to clarify the conclusions.

Relations with the Tax Authorities

Unipol

The IRES and IRAP dispute is still pending for the tax periods between 2005 and 2007 of the former Aurora Assicurazioni, merged by incorporation into Unipol in 2007, pertaining mostly to findings relating to specific insurance provisions. For the dispute concerning the years 2005 and 2006, a court hearing will be scheduled at the Supreme Cassation Court, while for the dispute concerning 2007, a hearing will be scheduled by the provincial tax commission as a result of the appeal of the Tax Authorities against the ruling in favour of the Company issued by the provincial tax commission. The provisions made at 31 December 2015 are believed to be adequate against the risks arising from these disputes.

UnipolSai

In 2015 the Tax Police of Piedmont started an audit for the tax period 2012 of the former Fondiaria-SAI with reference to some typical items in the insurance financial statements, extending the assessment to the previous tax periods 2010 and 2011 and to 2013. In the last quarter of the year the issue related to the period 2010 was settled by adhering to the report on findings drafted by the assessors. Provisions for risks were allocated that were deemed suitable to face the liabilities that may emerge in relation to the years that may potentially subject to audit.

The Regional Tax Authority of Piedmont had 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 some directors, including the chairman Jonella Ligresti and the chief executive officer Fausto Marchionni, and to some sponsorship costs. The initiative originated from the report of the Regional Tax Authority of Tuscany that had already carried out similar research for the previous years. In the previous years the Company had settled the tax periods from 2004 to 2008 and had settled the period 2009 in the first half of 2015. There are residual risks provisions for the fees paid in the years 2011 and 2012 to the former chairperson of Fondiaria-SAI Jonella Ligresti, deemed suitable to face the liabilities that may derive from the assessment.

Amounts deemed sufficient for facing the risks below have been allocated to the financial statements.

- the risks arising from developments in the dispute regarding the treatment of technical outwards reinsurance items, already started towards the former Aurora Assicurazioni for the years 2005 and 2006 (now assigned to Unipol), then extended to the tax periods 2007-2009 assigned to the former Unipol Assicurazioni as a result of the transfer of the former Aurora Assicurazioni business unit to the former Unipol Assicurazioni;
- the risks deriving from possible VAT-related findings for the years 2011 to 2013 deriving from the merged company Premafin.

In connection with an assessment notice regarding IRPEG and ILOR for the year 1991 concerning the merged Fondiaria Assicurazioni, still pending at the Supreme Cassation Court as a result of the appeal filed by the Company, the liability in case of unfavourable outcome is entirely covered by the special provision.

Arca Assicurazioni

After a general audit conducted in 2013 by the Veneto Regional Tax Authority for the years from 2008 to 2011, in 2015 the IRAP and VAT assessment notices regarding the year 2010 were received. IRAP was defined through a settlement proposal, while a dispute for VAT was commenced. The previous years had been settled for IRES purposes while a dispute regarding IRAP and VAT claims has been commended. The accounts report sufficient provisions to face the expected charges.

Auto Presto & Bene

In 2012, 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. During 2015 a similar settlement concerned the tax period 2010 while for the residual periods 2011 and 2012, the accounts report sufficient provisions to face the related charges.

As regards the assessment notices regarding VAT on active and passive coinsurance contracts entered into with other companies in the insurance sector, notified by the Group Companies for the year 2015 and previous years, all duly challenged with the competent tax commissions, taking into account the prevalent favourable jurisprudence on these matters, no provisions have been allocated.

Proceedings in progress with the Antitrust Authority

On 26 March 2015, upon conclusion of the Investigation I/744 started with Order of 14 November 2012, the Antitrust Authority (AGCM) sanctioned UnipolSai and Assicurazioni Generali for 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 pecuniary penalty charged to UnipolSai amounted to €16.9m and was paid with reservations by the Company in order to avoid the legal surcharges imposed in case of late payment.
The Company challenged the decision before the Regional Administrative Court of Lazio which accepted the appeal filed by the Company and cancelled the sanction on 2 December 2015.

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. At 31 December 2015, 6 proceedings were still pending, 4 of which before the Supreme Cassation Court, one proceeding for which the term for resumption before the Milan Court of Appeal is about to expire following the decision of the Cassation, and another proceeding for which the term for the challenge before the Cassation Court are about to expire following the ruling of the Milan Court of Appeal.

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 five judgments filed so far, 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.

All the Supreme Cassation Court judgments pronounced between 2012 and 2015 indicate a different legal stance adopted by the Supreme Cassation 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 Cassation 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 Cassation 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.
Special provisions were provided with respect of the above-mentioned legal disputes. The amounts were deemed as adequate.

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

In 2015, the activities related to the agreement with Visconti Srl, in charge of the arrangements with creditors of Im.Co. and Sinergia, were continued.
The main effects of this agreement are: the 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 (now incorporated in UnipolSai) and the settlement as a compromise of the dispute with the Municipality of Milan. On 18 February 2016, the execution of the arrangements contained in the agreements with Visconti Srl was completed.
UnipolSai currently has a residual receivable of the nominal amount of €102m from ASA Srl deriving from a contracts for future purchases (at the time signed by former Milano Assicurazioni) and regarding a real estate complex in Rome, Via Fiorentini for which the most suitable recovery initiatives are being assessed. The receivable is recognised in the financial statements at 31 December 2015 for the net amount of about €28m, consequently to total write-downs of €74m, €25m of which recognised in 2015.

Dispute with the Municipality of Milan

UnipolSai was 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 and for which Im.Co. issued declarations of indemnity in favour of Premafin. For further details, reference is made to descriptions in the Financial Statements at 31 December 2014.
Following the endorsement of Im.Co.'s agreement and in execution of the agreement finalised with Visconti Srl, in December 2015 a settlement agreement was concluded with the Municipality of Milan (and with Visconti Srl), consequently to which the mentioned areas were transferred to the same Municipality and both parties abandoned the judgement, which was thus dismissed.

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. It 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 above mentioned 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. It 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 above mentioned capacity.

Fondiaria-SAI and Milano Assicurazioni (currently 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 provided for the payment of the fines, and also filed an appeal against Mrs. Ligresti. Mr. Erbetta directly paid the penalty imposed on him. In any case, UnipolSai challenged the decision before the Court of Appeal of Bologna, which rejected the appeal on 6 March 2015. The Company, assisted by its lawyers, challenged the decision before the Supreme Cassation Court.

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 and Boats TPL class. 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). On 9 September 2015 the Regional Administrative Court rejected the appeal of the Company, which challenged the ruling before the Council of State, which has not set a date for the hearing for the discussion yet.

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 Measure 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 Measure no. 3001 of 12 September 2012 (the "IVASS Measure"), 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) served the writ of summons and on 24 November 2015 the first hearing was held, at the end of which the Judge set the terms to file the reply briefs for the parties.

Castello Area

On 27 October 2015 the Florence Court of Appeal, partly amending the judgement issued on 6 March 2013 by the Court of Florence, convicted all the defendants in the criminal proceeding regarding the urbanisation of the Castello Area (Florence). The Court of Appeal, on the contrary, confirmed the absolving ruling of the Court with regard to UnipolSai as it deemed the appeal filed by the Prosecutor's Office of Florence inadmissible for the part regarding the Company.
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 Art. 5 and Art. 25 of Legislative Decree 231/2001 in relation to the offence set out in Art. 319 and Art. 321 of the criminal code, which punishes the crime of corruption by a public official.
The judgement of the Court of Appeal sentenced for corruption the public administrators, the professionals and the representatives of Fondiaria-SAI who were the defendants in the case.
The terms to challenge the ruling before the Supreme Cassation Court are still applicable.

Other ongoing criminal proceedings

With reference to facts attributable to the previous management of Fondiaria-SAI and Milano Assicurazioni, 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". At 31 December 2015 a total number of 2,265 subjects had been admitted as 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. no. 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. A total number of 2,265 subjects were admitted as parties in these proceedings to demand compensation for damages caused by the offences. The civil claimants filed summons requests of the civilly liable party UnipolSai (former 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.
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. It is worth noting that, during the hearing held on 12 June 2015, the Public Prosecutor's Office changed both charges. In particular: at charge 1) the amount was modified of the alleged "sub-reservation" of item "Claims provision" recorded in the 2010 financial statements of Fondiaria-SAI; at charge 2) the manipulation was added on Milano Assicurazioni shares, with reference to the alteration of economic-financial results disclosed in the 2010 consolidated financial statements of Milano Assicurazioni.
At the hearing held on 17 July 2015, the position of Mr. Emanuele Erbetta was removed following the acceptance of the plea bargaining request of 3 years of imprisonment and €200k of fine, not payable based on the ne bis in idem principle with the Consob fine charged to the same person, which became irrevocable due to the waive of the appeal before the Supreme Cassation Court against the appeal judgment of the

Court of Appeal of Turin. The Court will decide on the plea bargaining request at the hearing scheduled on 19 July 2016.
At the hearing of 24 July 2015, the Court rejected, with order, the statement of lack of territorial jurisdiction raised by the defence of Jonella Ligresti following the change of charges. The Court then rejected the acquittal request, as per Art. 129 of the Italian Code of Criminal Procedure, lodged by the defence of Ambrogio Virgilio, based on the amended law on the offences of false corporate communications introduced by Law no. 69 of 27 May 2015, as the assumptions were deemed as groundless.
With reference to the previous communications, it is pointed out that, with the preliminary hearing concluded, the discussion of the parties has stated, for which additional hearings have been scheduled until April 2016.

(b) Criminal Case (Gen. Criminal Records Reg. no. 24630/2013) pending before the Court of Turin, Judge of Preliminary Hearings Office, against Benito Giovanni Marino, Marco Spadacini and Antonio D'Ambrosio, judged with summary procedure, ended with an acquittal judgement in favour of the defendants on 10 November 2014. The Public Prosecutor lodged an appeal against the judgement.

(c) The Criminal Case (Gen. Criminal Records Reg. no. 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 Art. 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. At the hearing of 28 April 2015, the Court lifted its reservation previously cast and accepted the exclusion request filed by the defence of UnipolSai, thus removing the Company from the trial as liable party. The decision of the Court upheld the defence arguments according to which the alleged acts charged to Salvatore Ligresti were not performed while exercising his managerial duties in the former Premafin Finanziaria SpA. Therefore, the Company is not liable as regards any damage to be paid to shareholders.

It is also pointed out that, on 16 December 2015, in the criminal proceeding Gen. Criminal Records Reg. no. 14442/14 (former Gen. Criminal Records Reg. no. 24630/13), with the defendants Gioacchino Paolo Ligresti, Pier Giorgio Bedogni and Fulvio Gismondi accused of false corporate communications (Art. 2622 of the Civil Code), market manipulation (Art. 185 of the Consolidated Law on Finance) and, for Fulvio Gismondi only, false official statement in certificates (Art. 481 of the Italian Criminal Code), as well as with UnipolSai as allegedly liable pursuant to Art. 25-sexies of Legislative Decree no. 231/2001 of unlawful administration in relation to the stock market manipulation offence against the former Company senior managers (moved from the Public Prosecutor's Office in Milan to the Court of Milan following the declaration of lack of territorial jurisdiction of 18 March 2014 made by the Court of Turin), the Preliminary Investigations Judge read the operating part of the judgement with which the defendants were acquitted because the fact does not exist and a decision was issued not to proceed against the administrative liable party UnipolSai.
The reasons for the decision have not been published yet.

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 "likely";
(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	31/12/2015	31/12/2014	*% var.*
Non-Life premium provisions 3,028.8	2,912.0	3,028.8	
Non-Life claims provisions 14,585.6	13,619.6	14,585.6	
Other Non-Life technical provisions	42.8	21.7	
Total Non-life provisions	**16,574.3**	**17,636.0**	***(6.0)***
Life mathematical provisions	34,946.7	32,776.5	
Provisions for amounts payable (Life business)	845.7	432.9	
Technical provisions where the investment risk is borne by policyholders and arising from pension fund management	7,131.2	7,854.4	
Other Life technical provisions	3,651.6	3,195.0	
Total life provisions	**46,575.2**	**44,258.7**	***5.2***
Total technical provisions	**63,149.6**	**61,894.8**	***2.0***

4. Financial liabilities

Financial liabilities amounted to €15,571.4m at 31 December 2015 (€15,459.4m at 31/12/2014).

4.1 Financial liabilities at fair value through profit or loss

The item, which amounted to €2,657.8m (€2,277.1m at 31/12/2014), is broken down as follows:

- Financial liabilities held for trading totalled €266m (€669.6m at 31/12/2014);
- Financial liabilities designated at fair value through profit or loss totalled €2,391.7m (€1,607.6m at 31/12/2014). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders, which do not contain a significant insurance risk borne by the Group (some types of Class III, Class V and Class VI contracts).

4.2 Other financial liabilities

Amounts in €m	31/12/2015	31/12/2014	*% var.*
Subordinated liabilities	2,564.7	2,622.9	*(2.2)*
Liabilities from financial contracts issued by insurance companies	0.5	7.5	*(93.8)*
Deposits received from reinsurers	216.0	296.5	*(27.2)*
Debt securities issued	4,073.1	3,609.8	*12.8*
Payables to bank customers	5,505.7	5,717.0	*(3.7)*
Interbank payables	436.1	795.9	*(45.2)*
Other loans obtained	111.9	121.5	*(7.9)*
Sundry financial liabilities	5.6	11.2	*(49.4)*
Total other financial liabilities	**12,913.6**	**13,182.2**	***(2.0)***

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.	Q
UnipolSai	€261.7m	tier II	2023	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€400.0m	tier I	2023	every 6 months	6M Euribor + 180 b.p. (***)	NQ
UnipolSai	€100.0m	tier II	2025	every 6 months	6M Euribor + 180 b.p. (***)	NQ
UnipolSai	€150.0m	tier II	2026	every 6 months from 14/07/2016	6M Euribor + 180 b.p. (*) (***)	NQ
UnipolSai	€50.0m	tier II	2026	every 6 months from 14/07/2016	6M Euribor + 180 b.p. (*) (***)	NQ
UnipolSai	€750.0m	tier I	in perpetuity	every 3 months from 18/06/2024	fixed rate 5,75% (**)	Q
Unipol Banca	€14.9m	tier II	2017		fixed rate 4,4%	NQ
Unipol Banca	€83.6m	tier II	2017		3M Euribor + 20 b.p.	NQ
Unipol Banca	€7.0m	tier II	2017		fixed rate 4,8%	NQ
Unipol Banca	€62.3m	tier II	2017		3M Euribor + 30 b.p.	NQ
Unipol Banca	€24.7m	tier II	2019		fixed rate 4,5%	NQ
Unipol Banca	€49.2m	tier II	2019		fixed rate 4,5%	NQ
Unipol Banca	€297.5m	tier II	2019		quarterly average 3M Euribor + 640 b.p.	NQ

(*) 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.

(***) since September 2014, in application of the contractual clauses ("Additional Costs Clauses"), 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 (additional spread) equal to 71.5 basis points, which increases the previous spread (thereby raising the total spread from 1.80 to 2.515 basis points) provided for in the Loan Agreements.

The Subordinated liabilities of the UnipolSai Group amounted to €2,026.5m at 31 December 2015 (€2,033.7m at 31/12/2014), whilst Unipol Banca outstanding subordinated liabilities totalled €538.2m (€589.2m at 31/12/2014).
With reference to the convertible loan, issued by UnipolSai on 24 April 2014, with nominal value of €134m, it is specified that, on 31 December 2015, the expiry date, all of the 1,343 bonds were mandatorily converted. On the same date 49,194,135 new ordinary shares of UnipolSai Assicurazioni were issued, with the same characteristics as the outstanding ordinary shares.
At 31 December 2014, with regard to the mentioned loan, in accordance with IAS 32.15, the item "Other financial liabilities" includes only the component classifiable as financial liability for €5.3m.

The item **Interbank payables** included €415m in subsidised loans obtained by Unipol Banca through participation in the ECB's LTRO auctions (€765m at 31/12/2014), having repaid €350m at maturity in 2015.

Debt securities issued - Other loans obtained - Sundry financial liabilities

At 31 December 2015, **debt securities issued by Unipol**, net of intragroup subscriptions, totalling €1,592.7m (€896.2m at 31/12/2014) were related to three senior unsecured bonds listed on the Luxembourg Stock Exchange, with a total nominal value of €1,616m (€898m at 31/12/2014):

- €299m of nominal value, 5% fixed rate, 7 year duration, maturity in 2017 (€398m of nominal value at 31/12/2014);
- €317m of nominal value, 4.375% fixed rate, 7 year duration, maturity in 2021 (€500m of nominal value at 31/12/2014);
- €1,000m of nominal value, 3% fixed rate, 10 year duration, maturity in 2025.

The increase of €696.5 compared to 31 December 2014 is attributable to the outcome of the Exchange Offer promoted by Unipol on two senior unsecured bond loans expiring in 2017 and 2021, and the simultaneous issue of a new bond loan expiring in 2025.

The **outstanding debt securities issued by Unipol Banca** amounted to €2,480.3m (€2,713.6m at 31/12/2014).

With regard to **Other loans obtained** and **Sundry financial liabilities,** totalling €117.6m (€131.9m at 31/12/2014), €110.7m 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 31/12/2014). The loan, originally for €119m, was granted for the purchase of property and improvements. The cost of the loan was 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.

5. Payables

Amounts in €m	31/12/2015	31/12/2014	*% var.*
Payables arising from direct insurance business	**146.9**	**153.7**	***(4.4)***
Payables arising from reinsurance business	**87.6**	**44.1**	***98.5***
other payables	**683.2**	**735.2**	***(7.1)***
Policyholders' tax due	173.4	175.9	*(1.4)*
Sundry tax payables	63.4	120.1	*(47.2)*
Trade payables	201.6	208.8	*(3.5)*
Post-employment benefits	83.3	97.7	*(14.8)*
Social security charges payable	43.0	43.0	*0.0*
Sundry payables	118.5	89.6	*32.2*
Total payables	**917.7**	**933.0**	***(1.6)***

6. Other liabilities

Amounts in €m	31/12/2015	31/12/2014	*% var.*
Current tax liabilities	42.4	28.2	*50.3*
Deferred tax liabilities	49.4	101.7	*(51.4)*
Liabilities associated with disposal groups		0.1	*(100.0)*
Commissions on premiums under collection	100.8	112.7	*(10.5)*
Deferred commission income	17.8	2.0	*771.4*
Accrued expense and deferred income	12.0	2.4	*393.9*
Other liabilities	917.5	1,010.1	*(9.2)*
Total other liabilities	**1,139.9**	**1,257.2**	***(9.3)***

The item 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".

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

Valori in milioni di euro

Amounts in €m	**31/12/2015**	31/12/2014	*% var.*
Non-life earned premiums	**8,039.3**	**9,439.6**	***(14.8)***
Non-Life written premiums	7,920.9	8,994.9	*(11.9)*
Changes in Non-Life premium provision	118.4	444.7	*(73.4)*
life written premiums	**7,643.9**	**8,774.8**	***(12.9)***
Non-life and life gross earned premiums	**15,683.1**	**18,214.3**	***(13.9)***
Non-life earned premiums ceded to reinsurers	**(405.5)**	**(427.7)**	***(5.2)***
Non-Life premiums ceded to reinsurers	(394.9)	(412.2)	*(4.2)*
changes in Non-Life premium provision - reinsurers' share	(10.7)	(15.5)	*(31.2)*
life premiums ceded to reinsurers	**(16.2)**	**(20.6)**	***(21.3)***
Non-life and life earned premiums ceded to reinsurers	**(421.8)**	**(448.3)**	***(5.9)***
Total net premiums	**15,261.4**	**17,766.0**	***(14.1)***

1.2 Commission income

Amounts in €m	**31/12/2015**	31/12/2014	*% var.*
Commission income from banking business	95.1	97.2	*(2.1)*
Commission income from investment contracts	19.0	15.8	*20.7*
Other commission income	3.1	3.8	*(19.5)*
Total commission income	**117.2**	**116.8**	***0.4***

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

Amounts in €m	**31/12/2015**	31/12/2014	*% var.*
Net gains/losses:			
from held-for trading financial assets	205.5	(338.2)	
from held-for trading financial liabilities	(1.5)	1.7	
from financial assets/liabilities at fair value through profit or loss	165.4	420.7	
Total net income/expenses	**369.4**	**84.3**	***338.4***

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

These totalled €17.6m (€7.7m at 31/12/2014).

1.5 Gains on other financial instruments and investment property

Amounts in €m	31/12/2015	31/12/2014	% var.
Interest	**1,988.1**	**2,109.2**	***(5.7)***
on held-to-maturity investments	69.0	103.7	*(33.4)*
on loans and receivables	459.0	509.1	*(9.8)*
on available-for-sale financial assets	1,454.2	1,485.9	*(2.1)*
on sundry receivables	3.0	5.5	*(45.2)*
on cash and cash equivalents	2.9	5.2	*(44.5)*
Other income	**178.5**	**179.7**	***(0.7)***
from investment property	95.2	97.5	*(2.4)*
from available-for-sale financial assets	83.2	82.2	*1.2*
Realised gains	**754.7**	**833.9**	***(9.5)***
on investment property	4.0	4.7	*(15.2)*
on held-to-maturity investments	5.0	2.7	*83.1*
on loans and receivables	10.8	54.5	*(80.1)*
on available-for-sale financial assets	734.4	769.2	*(4.5)*
on other financial liabilities	0.4	2.7	*(83.9)*
Unrealised gains and reversals of impairment losses	**114.9**	**298.2**	***(61.5)***
on available-for-sale financial assets	31.8	270.4	*(88.2)*
on other financial assets and liabilities	83.1	27.9	*198.3*
Total item 1.5	**3,036.2**	**3,421.1**	***(11.3)***

1.6 Other revenue

Amounts in €m	31/12/2015	31/12/2014	% var.
Income from non-current assets held for sale	0.2	296.8	*(99.9)*
Sundry technical income	95.7	99.6	*(3.9)*
Exchange rate differences	11.1	28.1	*(60.6)*
Extraordinary gains	52.2	46.4	*12.6*
Other income	401.0	386.9	*3.6*
Total other revenue	**560.3**	**857.8**	***(34.7)***

In 2014 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.

COSTS

2.1 Net charges relating to claims

Amounts in €m	31/12/2015	31/12/2014	% var.
Net charges relating to claims - direct and indirect business	**13,825.2**	**16,272.8**	***(15.0)***
Non-life business	**5,156.5**	**6,324.9**	***(18.5)***
Non-Life amounts paid	6,256.7	6,819.5	
changes in Non-Life claims provision	(972.8)	(352.9)	
changes in Non-Life recoveries	(126.7)	(141.8)	
changes in other Non-Life technical provisions	(0.8)	0.1	
life business	**8,668.7**	**9,947.8**	***(12.9)***
Life amounts paid	6,594.1	6,461.7	
changes in Life amounts payable	421.8	(16.2)	
changes in mathematical provisions	2,185.3	3,130.0	
changes in other Life technical provisions	196.8	130.5	
changes in provisions where the investment risk is borne by policyholders and arising from pension fund management	(729.3)	241.8	
Charges relating to claims - reinsurers' share	**(189.5)**	**(248.0)**	***(23.6)***
Non-life business	**(186.8)**	**(233.4)**	***(19.9)***
Non-Life amounts paid	(243.3)	(271.7)	
changes in Non-Life claims provision	55.6	31.9	
changes in Non-Life recoveries	0.8	6.5	
life business	**(2.7)**	**(14.6)**	***(81.8)***
Life amounts paid	(22.2)	(37.6)	
changes in Life amounts payable	1.1	1.1	
changes in mathematical provisions	18.3	21.8	
Total net charges relating to claims	**13,635.7**	**16,024.8**	***(14.9)***

2.2 Commission expense

Amounts in €m	31/12/2015	31/12/2014	% var.
Commission expense from banking business	14.5	20.6	*(29.5)*
Commission expense from investment contracts	10.4	8.2	*26.4*
Other commission expense	8.1	9.6	*(15.7)*
Total commission expense	**33.0**	**38.4**	***(14.1)***

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

At 31 December 2015 these totalled €14.1m (€13.1m at 31/12/2014).

2.4 Losses on other financial instruments and investment property

Amounts in €m	**31/12/2015**	31/12/2014	*% var.*
Interest:	**264.5**	**304.8**	***(13.2)***
on other financial liabilities	263.1	301.4	*(12.7)*
on payables	1.5	3.4	*(56.8)*
other charges:	**53.8**	**101.0**	***(46.7)***
from investment property	38.8	48.6	*(20.3)*
from available-for-sale financial assets	4.7	4.7	*(0.6)*
from cash and cash equivalents	0.3	0.4	*(39.1)*
from other financial liabilities	10.1	47.1	*(78.5)*
Realised losses:	**303.1**	**336.3**	***(9.9)***
on investment property	0.3	2.9	*(89.3)*
on held-to-maturity investments	0.0	0.7	*(100.0)*
on loans and receivables	30.4	123.7	*(75.4)*
on available-for-sale financial assets	271.1	207.6	*30.6*
on other financial liabilities	1.3	1.4	*(2.9)*
Unrealised losses and impairment losses:	**475.5**	**640.0**	***(25.7)***
on investment property	134.8	154.4	*(12.7)*
on loans and receivables	233.9	427.5	*(45.3)*
on available-for-sale financial assets	106.8	58.0	*84.1*
Total item 2.4	**1,097.0**	**1,382.1**	***(20.6)***

Interest on other financial liabilities amounting to €263.1m relates in particular to interest expenses accrued on bonds issued by Group companies (subordinated and non-subordinated), €120.5m of which relating to the banking sector. At 31 December 2014 they totalled €301.4m, of which €173.7m relating to the banking sector.

At 31 December 2015 the unrealised losses and impairment losses totalled €475.5m (€640m in 2014), due to write-downs of loans and receivables attributable to banking activities for €227.4m (€427.5m at 31/12/2014), write-downs due to impairment of financial instruments recognised as available-for-sale assets (shares and UCITs) for €44.9m (€58 million at 31/12/2014), write-downs on investment property for €97.1m (€113.5m at 31/12/2014), carried out on the basis of updated valuations performed by independent experts, and to property depreciation for €37.6m (€40.9m in 2014).

2.5 Operating expenses

Amounts in €m	**31/12/2015**	*% comp.*	31/12/2014	*% comp.*	*% var.*
Insurance sector	2,512.6	*89.6*	2,733.0	*90.4*	*(8.1)*
Banking sector	315.8	*11.3*	304.1	*10.1*	*3.9*
Holding and Other Businesses Sector	100.0	*3.6*	121.1	*4.0*	*(17.5)*
Real Estate Sector	13.2	*0.5*	9.9	*0.3*	*33.3*
Intersegment eliminations	(137.6)	*(4.9)*	(143.4)	*(4.7)*	*(4.1)*
Total operating expenses	**2,804.0**	***100.0***	**3,024.7**	***100.0***	***(7.3)***

Below are details of **Operating expenses in the Insurance sector:**

Amounts in €m	Non- Life			Life			Total		
	Dec-15	Dec-14	% var.	Dec-15	Dec-14	% var.	Dec-15	Dec-14	% var.
Acquisition commissions	1,227.9	1,346.1	*(8.8)*	131.7	159.1	*(17.2)*	1,359.6	1,505.2	*(9.7)*
Other acquisition costs	438.2	452.5	*(3.2)*	49.6	49.3	*0.7*	487.9	501.8	*(2.8)*
Changes in deferred acquisition costs	(9.6)	0.7	*(1,396.6)*	(1.7)	0.9	*(291.9)*	(11.3)	1.6	*(790.4)*
Collection commissions	160.3	178.1	*(10.0)*	10.3	11.3	*(8.9)*	170.6	189.4	*(9.9)*
Profit sharing and other commissions from reinsurers	(129.1)	(120.1)	*7.5*	(3.8)	(4.7)	*(19.5)*	(132.9)	(124.8)	*6.5*
Investment management expenses	66.1	61.5	*7.5*	45.9	41.3	*11.0*	112.0	102.8	*8.9*
Other administrative expenses	394.5	429.6	*(8.2)*	132.4	127.4	*3.9*	526.8	557.0	*(5.4)*
Total operating expenses	**2,148.3**	**2,348.4**	***(8.5)***	**364.3**	**384.6**	***(5.3)***	**2,512.6**	**2,733.0**	***(8.1)***

2.6 Other costs

Amounts in €m	31/12/2015	31/12/2014	% var.
Other technical charges	232.1	218.7	*6.1*
Impairment losses on receivables	12.4	17.6	*(29.7)*
Other charges	575.7	733.1	*(21.5)*
Total other costs	**820.2**	**969.5**	***(15.4)***

3. Income tax

In accordance with the provisions of IAS 12 the following table shows, at consolidated level, the deferred taxes utilised and accrued.

Amounts in €m	31/12/2015			31/12/2014		
	Ires	Irap	Total	Ires	Irap	Total
Current taxes	**(194.1)**	**(39.8)**	**(233.8)**	**(408.5)**	**(121.9)**	**(530.4)**
Deferred tax assets and liabilities:	**(150.6)**	**5.0**	**(145.6)**	**194.0**	**42.7**	**236.7**
Use of deferred tax assets	(277.2)	(5.9)	(283.1)	(142.3)	(6.3)	(148.6)
Use of deferred tax liabilities	58.3	2.5	60.8	26.4	12.8	39.1
Provisions for deferred tax assets	355.1	53.0	408.1	419.3	58.9	478.2
Provisions for deferred tax liabilities	(286.8)	(44.6)	(331.4)	(109.4)	(22.7)	(132.1)
Total	**(344.6)**	**(34.7)**	**(379.4)**	**(214.5)**	**(79.3)**	**(293.8)**

Against pre-tax income of €958.1m, taxes pertaining to the period of €379.4m were recorded, corresponding to a tax rate of 39.6% (36.7% at 31/12/2014).
The change in the IRES rate from 27.5% to 24%, starting from the tax period 2017, implied net losses for adjusting the deferred tax assets/liabilities for €158.9m. Moreover, net income was recorded for €48.1m due to IRES deferred tax assets which are now deemed to be recoverable on the basis of the agreements regarding the new national tax consolidation of the Parent Unipol.
2014 had seen the recognition of €21m in tax charges relating to the higher substitute tax due on the measurement of Bank of Italy shares held.

The following table shows the breakdown of deferred tax assets and liabilities, showing the major differences for taxation purposes:

Amounts in €m	31/12/2015	31/12/2014
Deffered tax asset		
Intangible assets and property, plant and equipment	96.0	140.4
Investment property	103.7	80.7
Financial instruments	(392.0)	(259.2)
Sundry receivables and other assets	252.8	137.6
Provisions	337.3	331.4
Technical provisions	178.4	321.0
Financial liabilities	(20.6)	(1.5)
Payables and other liabilities	(3.7)	6.3
Other deferred tax assets	196.4	286.9
Total deferred tax assets	**919.5**	**1,043.5**
Deffered tax liabilities		
Intangible assets and property, plant and equipment	(78.1)	(53.7)
Investment property	(19.1)	35.3
Financial instruments	1,202.0	980.4
Sundry receivables and other assets	(11.4)	(4.4)
Provisions	(10.7)	(14.0)
Technical provisions	(862.5)	(693.6)
Financial liabilities	4.3	2.7
Payables and other liabilities	0.8	(9.9)
Other deferred tax liabilities	(164.5)	(131.8)
Total deferred tax liabilities	**49.4**	**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 bonds linked to European inflation, for which the actual interest rate risk was hedged through Inflation Swap IRS.

UnipolSai Assicurazioni: as regards hedging through Interest Rate Swap, it is worth noting that, in January 2015, all contracts in place at 31 December 2014 for a nominal value of €344m were terminated to hedge bonds classified under Available-for-sale assets for a synthetic notional value of €361m. In the first half of 2015 new Interest Rate Swap contracts were signed for a nominal value of €250m to hedge bonds classified under Available-for-sale assets for a synthetic notional value of €124.2m and closed in the second half of 2015; at the time of closing, new IRS contracts were signed for a nominal value of €250m to hedge bonds classified under Loans and receivables, whose synthetic notional value is equal to €130.4m.
Regarding the closed positions, the net economic effect pertaining to the period is negative for €1.5m, broken down as follows:

- negative economic effects for €15.6m and positive economic effects for €54.6m with regard to capital gains and losses made on the hedges;
- negative economic effects for €55.6m and positive economic effects for €15.1m as regards the fair value change of underlying assets, classified under Available-for-sale assets.

With reference to the new existing positions, the fair value change of the bonds hedging the IRSs proved negligible.

UnipolSai Assicurazioni: as regards hedging through Bond Forwards, it is worth noting that, during the first half of 2015, all derivative contracts in place were terminated for a total nominal value of €1,462m, with a total capital gain of €221.8m, also including the effects of the disposal of bonds hedged and classified under Available-for-sale assets.

Unipol Banca: during the year 2015 all the transactions related to fair value hedging were closed. The economic effects pertaining to 2015 amounted to a negative €1.6m as regards the change in the fair value of the IRSs and a positive €1.5m as regards the change in the fair value of the underlying assets, with a negative net economic effect of €0.08m.

Cash flow hedges

The objective of the existing hedges is to transform the interest rate from a floating rate to a fixed rate, stabilising the cash flows.

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Cash flow hedge at 31/12/2015

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	200.0	IRS	12.6	8.7
UnipolSai	AFS bonds	1,075.8	IRS	22.7	15.7
UnipolSai	Bond loans issued	250.0	IRS	4.4	3.0
Arca Vita	AFS bonds	33.0	IRS	0.3	0.2
Unipol Banca	Bond loans issued	132.0	IRS	(6.8)	(4.6)
Tikal	Bank loans	55.0	IRS	3.1	3.1
Total				**36.3**	**26.2**

At 31 December 2015, the gross effect on Shareholders' Equity, in Gains or losses on cash flow hedges, was a positive €36.3m (€26.2m net of tax). At 31 December 2014, it was a positive €33.6m (€22.4m net of tax).

During 2015 Unipol Banca closed early the cash flow hedges regarding government securities for a nominal value of €250m, included in the available-for-sale assets portfolio.

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.

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)	Related amounts not subject to offsetting in the financial statements		Net total (F)=(C)-(D)-(e)
				Financial instruments (D)	Cash deposits received as guarantees (e)	
Derivative transactions(1)	284.7		284.7	220.2	24.3	40.2
Repurchase agreements(2)						
Securities lending						
Other						
Total	**284.7**		**284.7**	**220.2**	**24.3**	**40.2**

Financial liabilities

Amounts in €m

Type	Gross amount (A)	Total financial assets offset in the financial statements (B)	Net total financial liabilities recogni-sed in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements		Net total (F)=(C)-(D)-(e)
				Financial instruments (D)	Cash deposits given as guarantees (e)	
Derivative transactions(1)	253.1		253.1	149.6	95.1	8.4
Repurchase agreements(2)						
Securities lending						
Other						
Total	**253.1**		**253.1**	**149.6**	**95.1**	**8.4**

(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

	31/12/2015	31/12/2014
Profit/loss allocated to ordinary shares (€m)	271.8	114.9
Weighted average of ordinary shares outstanding during the year (no./m)	707.7	437.0
Basic earnings (loss) per share (€ per share)	**0.38**	**0.26**

On 29 June 2015, all 273,479,517 Unipol preference shares were converted into 273,479,517 ordinary shares, with the same characteristics as the ordinary shares outstanding at the effective conversion date. Therefore, at 31 December 2015, the share capital was made up of 717,473,508 ordinary shares, all with no nominal value.

As regards the calculation of the earnings per share, ordinary shares issued for conversion were accounted for as from 1 January 2015, consistently with the related dividend payment date.

5.4 Dividends

In view of the profit for the year made by the Parent Unipol SpA at 31 December 2014 of €167.4m (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of Unipol SpA held on 18 June 2015, resolved on the distribution of dividends totalling €126.3m, €52m of which to Preference Shares and €74.3m to Ordinary Shares, corresponding to €0.19 per Preference Share and €0.17 per Ordinary Share.

The Shareholders' Meeting also set the dividend payment date for 24 June 2015 (ex-dividend date 22/06/2015).

The financial statements of the Parent Unipol at 31 December 2015, drawn up in accordance with Italian GAAP, posted a profit for the year of €165.5m. Unipol's Board of Directors proposes that the Ordinary Shareholders' Meeting allocate as dividends €0.18 per Ordinary Share.

The total amount set aside for dividends, including treasury shares, came to €128m.

5.5 Non-current assets or assets of a disposal group held for sale

Reclassifications made in application of IFRS 5, totalling €16.5m (€9.4m at 31/12/2014), concern only assets for which the relative preliminary sales contracts have already been signed.

5.6 Transactions with related parties

Since 2014, most of the service contracts have been centralised at **UnipolSai Assicurazioni**, which provides services in the following areas:
- Governance (services supporting internal control, risk management and compliance);
- Anti-money laundering and Anti-terrorism;
- Finance;
- Communications and Media relations;
- Institutional Relations;
- Assessment of Investments;
- Human Resources and Organisation (external selection, training, development, remuneration policies and systems, personnel management, trade union relations and disputes, employee welfare, 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 regulations, products, settlements and bancassurance);
- - Legal (corporate affairs, group legal, anti-fraud, legal insurance consulting, privacy, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of equity investments, institutional relations);
- IT services;
- Administration (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 to the other companies of the Group:
- Managing addressing services, providing medical advice and assistance on the phone, making bookings, managing and settling claims related to specific guarantees/products on behalf of UnipolSai, Linear, and Liguria Assicurazioni;
- Support for employee training and learning on behalf of Unipol, UnipolSai, and Linear;
- Policyholder record updating and administrative services associated with the payment of health policy claims for UnipolSai.

The services provided by Unisalute and its subsidiary Centri Medici Unisalute mainly concern the following areas:
- Administration and budget;
- Planning and management control;
- Marketing;
- Commercial;
- IT services.

SIAT performed for UnipolSai the following services in 2015:
- Technical assistance in the negotiation and stipulation of transport contracts;
- Portfolio services for agreements in the transport sector;
- Administrative support in the relationships with insurance counterparties.

Europa Tutela Giudiziaria performed the following services for a number of Group companies until 31 December 2015:
- Investigation, management and settlement of claims relating to the Legal Expenses portfolio;
- Technical and commercial support for Legal Expenses business contracts.

Systema until 31 December 2015 provided Incontra with administrative services related to bancassurance activities (monitoring of processes, customer services and claims support).

Auto Presto & Bene performs car repair services for some Group companies on auto claims channelled through the network of authorised repair shops.

Pronto Assistance Servizi provides the following services for the Companies of the consortium UnipolSai Servizi Consortili:

– Organisation, provision and management on behalf of the members of the services provided by the assistance insurance coverage Class code 18;
– Contact centre activities for the clients, specialists and agencies of the Group, concerning the release of technical and sales information, marketing activities, and collection of the notifications of inefficiencies or complaints
– Management for clients of Dialogo Assicurazioni, current or potential, of the requests for information or quotes for insurance MV TPL and/or Other MV Risks;
– On behalf of Systema Compagnia di Assicurazione, management of activities of technical and informational support to the banking networks and clients, assistance in the use of the application for the issue of the policies and after-sale support to the banking networks and, on request, individual clients.

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

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

In 2015, the consortium **UnipolSai Servizi Consortili** continued to manage a few supply and service agreements:

- Leasing of facilities;
- Real estate logistics and organisational services.

Arca Vita provides the following services:

- Human resource management and development, training, organisation, corporate affairs, purchasing, legal services and complaints, secretariat and general services, security and privacy, administration, management control for Arca Inlinea, Arca Sistemi and Arca Direct Assicurazioni;
- Internal control, risk management and compliance for Arca Assicurazioni;
- Internal controls for Arca Vita International Ltd;
- Anti-terrorism services for Arca Assicurazioni.

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

Arca Sistemi provides the following services:

- Design, development and management of IT systems for Arca Vita, Arca Assicurazioni, Arca Inlinea and Arca Direct Assicurazioni;
- Design, development and management of alternative storage for Arca Vita and Arca Assicurazioni;
- Services as IT architecture provider for Arca Vita International.

On 30 October 2015, a new contract was signed by **Arca Assicurazioni** and APB Car Service for glass replacement/repair services.

UnipolSai Real Estate provided the following services for the property portfolio owned or leased by the Group until 31 December 2015, when it merged into UnipolSai:

- Project Management;
- Property Management;
- Facility Management;
- Procurement;
- IT services.

Unipol Banca provides the following services to its subsidiaries:
- Human Resources (until 30 June 2015);
- Anti-money laundering (until 30 June 2015);
- Internal auditing.

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

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

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

The costs for financing activities are calculated by applying a fee on managed volumes. Unisalute, Europa Tutela Giudiziaria, Auto Presto & Bene, UnipolSai Real Estate, and UnipolRe provide services for a flat fee.

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

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

It should be noted that, in accordance with Art. 2497 et seq. of the Civil Code, none of the shareholders of the Parent Unipol carries out management and coordination activities.
Following the conversion of Unipol preference shares into ordinary shares, at 31 December 2015, Finsoe SpA held an investment in Unipol equal to 31.404% of the ordinary share capital (50.75% at 31/12/2014): this represents a controlling investment, as defined in Art. 2359, paragraph 1.2 of the Civil Code.
Finsoe does not exercise powers of management or coordination, either technical or financial, on Unipol.

Purchase of properties from the Rho Fund

During the last quarter of 2015 UnipolSai purchased 11 properties from the Rho Fund managed by Idea Fimit SGR, for €267m, including some buildings used as offices of the Group, contributed in 2009 by the then Fondiaria-SAI Group. The purpose of the transaction was to eliminate the high lease costs given the extended duration of the lease agreements and the corresponding commitments.

Credit indemnity agreement between Unipol and the subsidiary Unipol Banca

With regard to the credit indemnity agreement between Unipol and the subsidiary Unipol Banca, in 2015 Unipol allocated an additional amount of €100m to the provision for risks, which therefore, net of uses in the same year (€25.8m), was €567m at 31 December 2015. Commissions accrued in 2015 and due by Unipol Banca to Unipol were €26.7m.

Tax regime for taxation of group income (so-called “tax consolidation”)

Starting from 2015, and for the 2015-2017 period, the parent Unipol set out the tax consolidation regime as consolidating company, which has been joined by all companies of the Unipol group as consolidated companies. Unipol terminated the tax consolidation regime of the holding company Finsoe, which, following the conversion of Unipol preference shares into ordinary shares, has reduced its investment in the ordinary share capital of Unipol below 50%, as well as two other independent tax consolidation regimes previously applied, which had been created by UnipolSai and Arca Vita.

Information on transactions with related parties

Amounts in €m	Holding company	Associates	Others	Total	% inc. (1)	% inc. (2)
Loans and receivables		31.5	96.3	127.8	0.1	9.7
Sundry receivables	2.3	46.8	0.4	49.4	0.1	3.8
Other assets	1.1			1.1	0.0	0.1
Total Assets	**3.4**	**78.3**	**96.7**	**178.3**	**0.2**	**13.6**
Other financial liabilities	0.5	39.9	4.8	45.1	0.1	3.4
Sundry payables	0.3	0.4		0.7	0.0	0.1
Other liabilities	0.2			0.2	0.0	0.0
Total liabilities	**1.0**	**40.3**	**4.8**	**46.0**	**0.1**	**3.5**
Commission incoome	0.0	0.1	0.0	0.1	0.0	0.0
Gains on other financial instruments and investment property	0.0	0.5	2.3	2.8	0.5	0.2
Other revenue	0.0	0.1	0.1	0.2	0.0	0.0
Total revenue and income	**0.0**	**0.7**	**2.4**	**3.1**	**0.5**	**0.2**
Losses on other financial instruments and investment property	0.0	0.1	0.0	0.1	0.0	0.0
Operating expenses	1.3	85.8	0.5	87.6	15.1	6.7
Other costs	1.0	0.0		1.0	0.2	0.1
Total costs and expenses	**2.3**	**85.9**	**0.5**	**88.7**	**15.3**	**6.8**

(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) Percentage on total net cash flow from operating activities mentioned in the statement of cash flows.

Loans and receivables for €127.8m refer to the loans granted by Unipol Banca to associates for €31.5m and to loans granted by Unipol Banca to other related parties for €96.3m, €82.6m of which to the Goethe Fund (Mutual Real Estate Investment Fund) and €12.9m to IGD.
The item Sundry receivables from associates included €46.7m 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 €39.9m.
Operating expenses due to associates for €85.8m include costs on commissions paid to insurance brokerage agencies.

Remuneration for 2015 due to the Directors, Statutory Auditors and Key Managers of the Parent, for carrying out their duties in Unipol and in other consolidated companies amounted to €14.6m, details of which are as follows:

Amounts in €m

Directors and General Manager	6,6
Statutory auditors	0,5
Other key managers	7,5 (*)

(*) amount mainly includes income from employment.

The remuneration of the General Manager and the other Key Managers relating to benefits granted under the capital participation plans (performance shares), is duly represented in the Remuneration Report, prepared according to Art. 123-ter of the Consolidated Law on Finance and made available, pursuant to current regulations, on the Company website.

In 2015 the companies in the Group paid Unipol the sum of €1.6m as remuneration for the activities carried out by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers.

5.7 Fair value measurements – IFRS 13

IFRS 13:
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 2015 and 31 December 2014, 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

Amounts in €m	Level 1		Level 2		Level 3		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Assets and liabilities at fair value on a recurring basis								
Available-for-sale financial assets	49,307.8	46,202.0	707.9	710.0	900.2	1,466.2	50,915.8	48,378.1
Financial assets at fair value through profit or loss:								
- held for trading	121.2	127.9	184.1	141.3	101.5	122.6	406.8	391.9
- at fair value through profit or loss	8,784.1	7,741.9	24.0	158.7	698.2	1,556.3	9,506.3	9,456.9
Investment property								
Property, plant and equipment								
Intangible assets								
Total assets at fair value on a recurring basis	***58,213.1***	***54,071.8***	***916.0***	***1,010.0***	***1,699.8***	***3,145.1***	***60,828.9***	***58,226.9***
Financial liabilities at fair value through profit or loss:								
- held for trading	57.5	55.3	200.4	609.5	8.2	4.7	266.0	669.6
- at fair value through profit or loss					2,391.7	1,607.6	2,391.7	1,607.6
Total liabilities at fair value on a recurring basis	***57.5***	***55.3***	***200.4***	***609.5***	***2,399.9***	***1,612.3***	***2,657.8***	***2,277.1***
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 2015 stood at €1,699.8m. 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

Amounts in €m	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 through profit or loss	
		held for trading	at fair value through profit or loss				held for trading	at fair value through profit or loss
Opening balance	**1,466.2**	**122.6**	**1,556.3**				**4.7**	**1,607.6**
Acquisitions/Issues	99.1	0.1						
Sales/Repurchases	(540.4)	(0.1)	(292.3)					
Repayments	(32.9)	(4.1)	(544.3)					
Gains or losses recognised through profit		(3.5)	(23.8)				3.4	
- of which unrealised gains/losses		*(3.5)*	*(23.8)*				*3.4*	
Gains or losses recognised in the comprehensive income statement	(105.7)							
Transfers to level 3	20.4							
Transfers to other levels		(13.2)						
Other changes	(6.6)	(0.4)	2.3					784.2
Closing balance	**900.2**	**101.5**	**698.2**				**8.2**	**2,391.7**

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 €203m at 31 December 2015.

The non-observable parameters subject to a shock are benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or Credit Default Swap curves are unavailable.

The following table shows the results of the shocks:

Amounts in €m	Curve Spread			
Fair value				
Shock	+10 bps	-10 bps	+50 bps	-50 bps
Fair Value delta	(1.00)	1.00	(4.92)	4.98
Fair Value delta %	(0.50%)	0.50%	(2.45%)	2.48%

Fair value measurement on a non-recurring basis

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.
For these assets and liabilities, fair value is calculated only for the purposes of information requirements for the market. Furthermore, it should also be noted that since said assets and liabilities are not generally exchanged, the calculation 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 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	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Assets										
Held-to-maturity investments	1,528.4	2,238.0	1,494.2	2,128.2	245.0	324.1			1,739.2	2,452.2
Loans and receivables	14,549.2	14,657.7	9.9	9.3	4,284.2	3,996.0	11,215.3	12,161.1	15,509.4	16,166.4
Investments in subsidiaries, associates and interests in joint ventures	90.0	177.8					90.0	177.8	90.0	177.8
Investment property	2,350.2	2,645.6					2,462.2	2,724.8	2,462.2	2,724.8
Property, plant and equipment	1,757.0	1,521.6					1,849.5	1,627.2	1,849.5	1,627.2
Total assets	**20,274.8**	**21,240.6**	**1,504.1**	**2,137.4**	**4,529.2**	**4,320.1**	**15,616.9**	**16,691.0**	**21,650.2**	**23,148.5**
Liabilities										
Other financial liabilities	12,913.6	13,182.2	2,932.3	2,262.5			9,788.5	11,019.5	12,720.8	13,282.0

5.8 Information on personnel

Share-based compensation plans

The Unipol Group awards additional benefits to executives through closed share-based compensation plans, under which Unipol shares are granted if specific targets are achieved (performance shares).

The compensation plan based on financial instruments for the period 2010-2012 ended on 31 December 2012. The first tranche, amounting to 282,793 shares, was paid to those entitled on 1 July 2014 and the second tranche, amounting to 281,456 shares, was paid on 1 July 2015. A third and last tranche is scheduled on 1 July 2016.

A second compensation plan based on financial instruments (performance shares) is also in place for the 2013-2015 period. Ordinary Unipol shares shall be granted over more than one year, starting from 2016.

The cost recorded with a contra-item in shareholders' equity for 2015 came to €8.6m (€10.5m in 2014).

Trade union relations

The Unipol Group has always followed a model of consolidated relations with trade unions, based on principles of involvement and accountability to strike an effective balance between the corporate objectives and the central role played by workers through specific opportunities for communication, exchange and agreement.

In the **insurance segment,** after lengthy negotiations, on 29 December 2014 UnipolSai and the trade unions FISAC/CGIL, FIBA/CISL and UILCA/UIL signed a trade union agreement to supplement the 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 (900 people) and resulting labour cost containment associated with the post-merger surplus.
The mentioned Integration Agreement of 29 December 2014, after verifying the results reached in the voluntary participation phase, implied an additional phase of voluntary dismissals via exit incentives for the personnel already satisfying the pension requirements or the access to the extraordinary session of the Solidarity Fund of the insurance sector for the personnel with less than 5 years left to meet the pension requirements.
Considering that, upon the conclusion of this additional phase of voluntary exits, a situation of personnel in excess persisted, on 4 March 2015 the Company started the collective workforce downsizing for a total of 53 persons, pursuant and by the effects of provisions set out by Law no. 223 of 1991.
The negotiation within the Company continued until 16 April 2015 when, by pursuing the common aim of reducing the consequences at social level deriving from implementing the mentioned reorganisation and restructuring processes, UnipolSai and the trade unions FISAC/CGIL, FIBA/CISL and UILCA/UIL signed a trade union agreement with which they agreed to identify the surplus workforce - regardless of the work site, position within the Company and professional profile - within the non-managerial staff of any level working at UnipolSai already meeting, or who would meet by 30 June 2015 in any case, the pre-retirement or pension requirements. In identifying the mentioned surplus personnel, the Parties agreed to exclude the Personnel due a pension of less than €1,500 net per month for 13 months, disabled people mandatorily employed pursuant to law and those meeting the pension requirements, but having less than 35 years of contributions at 30 June 2015.
With a notice dated 15 May 2015, the Ministry of Labour and Social Policy rejected the requests of Trade Unions FNA and SNFIA - that did not sign the previous agreements of 29 December 2014 and 16 April 2015 - to continue negotiations with the Parties at the Ministry.
Therefore, on 26 May 2015, according to criteria set out by the Parties, the Company unilaterally terminated the employment contract of 25 employees instead of 53, for whom the legal procedure was initially opened.

In the Banking business, during May 2015, the negotiation with Trade Unions as per Art. 20 of CCNL ABI (National Labour Contract), was started in the event of mounting concerns on unemployment resulting from the restructuring and reorganization processes aimed at both streamlining and improve efficiency of the distribution network of branches, and achieving a significant cost reduction, including personnel costs.
The above-mentioned negotiation with Trade Unions ended with the signature of a special Trade Union Agreement on 16 July 2015, in which, amongst other, the Parties agreed upon the following:
- leave incentives for personnel meeting the pension requirements within 30 June 2016;

- setting up of a Solidarity Fund for the credit sector, in favour of those who will meet the pension requirements within the time span between 1 July 2016 and 31 December 2019;
- the adoption of other contract instruments aimed at limiting personnel costs and helping to achieve the targets of cost synergies set out by the Business Plan, such as: incentives for part-time contracts and unpaid leaves; use of residual holidays over the 2015/2016 two-year period; restrictions on overtime work.

Training

At 31 December 2015, a total of 25,178 man-days of training (equal to 186,038 man-hours) was offered by Group companies: of these, 24,484 man-days (equal to 137,476 man-hours) in the insurance business and in the holding company, 5,701 man-days (equal to 45,610 man-hours) in the banking business and 646 (equal to 5,171 man-hours) in property and other companies.

Insurance business
In 2015, training activities targeting insurance companies (excluding the bancassurance companies) and the Holding included classroom courses for a total of 12,353 man-days and distance learning courses, provided via the Group's e-learning platform Unipol Web Academy, for a total of 4,716 man-days. Training activities targeting bancassurance companies recorded a total of 867 man-days in the classroom and 59 man-days of distance learning.
The training activities that mostly concerned the segment were those of a regulatory and technical-insurance nature.
The main projects include two training courses dedicated to Solvency II; one of a specialist nature addressing those within the Group who are directly involved in the application of the new prudential supervision system; the other, of a basis level, aimed at spreading the culture of risk of the entire sector in view of the regulations going into effect.
In continuity with the previous year, the training course dedicated to the Commercial area also continued, which is aimed at supporting the reorganisation of the Districts and the training on the new "Liquido" claims system.
Projects aimed at boosting behavioural and relational skills were not lacking. By way of example, they included the course dedicated to the personnel from the call centers, aimed at providing the tools to manage stress situations.
Also in 2015 the "Unipol Group - Origins and Outlook" initiative proved successful, together with the course dedicated to the personnel with hearing disorders to encourage integration and raise awareness among their colleagues and managers in order to intensify relations and communication between the parties by identifying organisational and/or instrumental solutions to make the activities of the function concerned easier to perform.
Finally the e-learning courses of a regulatory nature were also well received such as, for example *"Legislative Decree 231/2001 and Organisational and Management Model"*.

Banking business
In 2015, training activities targeting banking business companies were characterised by classroom courses for a total of 4,063 man-days and distance learning courses, provided via the Unipol Web Academy, for a total of 1,638 man-days.
Training activities throughout the year focused mainly on the commitment to ongoing training on technical and mandatory knowledge needed for carry out daily operations. Of these, many were provided in compliance with IVASS Regulation no. 6/2014, aimed at spreading knowledge on insurance products.
Commercial and managerial courses were also provided.
The former include the training course dedicated to the Retail Operators and the specific training addressing the personnel from the multichannel bank aiming to teach techniques for the effective management of outbound calls and the planning of appointments at the Branch.
At managerial level, the course "*La Direzione al centro della Rete*" continued with the objective of promoting the sharing of and awareness on the need for everyone's contribution to achieve the business objectives. At the same time, the initiative "*Il Valore della Valutazione*" was started, which is addressed to the new Heads of Department and/or Branch Owners and dedicated to the procedures to assess professional performance, and the "*Campus*" project dedicated to new resources of the Network and Head Office in order to enhance the sense of belonging and integration and the orientation to results.
The training course dedicated to the personnel with hearing disorders was also started in the banking sector.

Other businesses
In 2015 the Group managed classroom courses for the other Group companies for a total of 600 man-days and distance learning courses for a total of 46 man-days.
The activities were mainly of an administrative and regulatory nature. Training on Safety was devoted great attention.

UNIPOL Corporate Academy - Unica

During 2016 Unipol Corporate Academy will be set up; this structure of excellence is a centre for innovation and cultural integration based at Villa Cicogna in San Lazzaro (Bologna); it will carry out its project and operating activities in favour of the entire Group personnel and across the entire country. Unipol Corporate Academy (Unica) is responsible for offering the training used by the group to ensure and try to develop excellence in terms of knowledge and skills at professional level (employees, sales network and partners). Through the valorisation and specialisation of internal skills and the development of external partnerships, it enhances the presence of the group on the territory and the market with new opportunities, contributing to building a strong identity and a good sense of belonging to the Unipol Group.

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.

- exchange offers made to the holders of 2017 Notes and 2021 Notes issued by Unipol;
- mandatory conversion of preference shares into ordinary shares by Unipol Gruppo Finanziario;
- mandatory conversion of Class A and Class B savings shares into ordinary UnipolSai shares;
- conversion of the UnipolSai Assicurazioni 2014-2015 Convertible Loan and resulting change of the share capital of UnipolSai;
- merger by incorporation into UnipolSai of its subsidiaries (Europa Tutela Giudiziaria, SAI Holding Italia, Systema Compagnia di Assicurazioni, UnipolSai Real Estate and UnipolSai Servizi Tecnologici);
- transfer of insurance business of Dialogo Assicurazioni to Linear Assicurazioni.

5.10 Atypical and/or unusual positions or transactions

In 2015 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)

In accordance with IAS 36.10, which provides for the Impairment of Intangible Assets that have an indefinite useful life at least annually, the impairment test was carried out on the goodwill recognised in the consolidated financial statements with reference to insurance subsidiaries.

In determining the parameters used for the assessments, criteria were adopted that are in line with the market practice, in consideration of the overall economic scenario and, in particular, of the high volatility of the financial markets, despite the recovery expected in the coming years.

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 and are broken down as follows:

- **Non-Life CGU:** UnipolSai Assicurazioni - Non-Life, Unisalute, Linear;
- **Live CGU:** UnipolSai Assicurazioni - Life, Gruppo Arca;

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 2015.

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).
– with regard to UnipolSai Assicurazioni – Non-Life, taking into account the final 2015 figures, for the year 2016-2020 economic-financial projections were considered necessary to predict the result of these years;
– in relation to the other companies operating in Non-Life business (Unisalute and Linear) the Impairment Plans 2016-2020 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 CGUs recorded in the Consolidated Financial Statements at 31 December 2015.

The impairment testing of the Life CGU was performed as follows:

- in relation to UnipolSai Assicurazioni - Life, the recoverable value of goodwill was determined using the "Appraisal Value" method, considering the value of the existing portfolio (Value 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).

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 CGUs recorded in the consolidated financial statements at 31 December 2015.

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 6.21% was used, broken down as follows: - risk-free rate: 1.78%; - beta: 0.89 - risk premium: 5% The average figure for the 10-year Long-Term Treasury Bond for the period January-December 2015 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 kept at 5%, as in the previous year.
Long term growth rate (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 2016-2020 was expected to be 3.9%. The average variation in GDP was expected to be 2.5% in nominal terms. Considering what was deemed appropriate, a factor equal to 2% was kept, as in the previous year.
Life CGU	
Goodwill recoverable amount	In relation to UnipolSai Assicurazioni - Life, the recoverable value of goodwill was determined using the "Appraisal Value" method, considering the value of the existing portfolio (Value 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	3,544.6	2,346.6
Life CGU	383.6	1,135.9	752.3
Total	**1,581.6**	**4,680.5**	**3,098.9**

Parameters used - Non-Life	
Risk Free	1.78%
Beta	0.89
Risk premium	5%
Short-term discounting rate	6.21%
Range	5,71% - 6,71%
Pass	0.5%
g factor	2%
Range	1% - 3%
Pass	0.5%

Amounts in €m		Sensitivity (Value range)					
		Min			Max		
CGU	Recoverable Amount -	Value	g	Discounting rate	Value	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	1,647	622	1%	7.21%	4,468	3%	5.21%
Unisalute	611	409	1%	7.21%	1,173	3%	5.21%
Linear	89	40	1%	7.21%	223	3%	5.21%

Amounts in €m				Recoverable Amount - Goodwill Delta = 0			
		Sensitivity (Value range)		Hp. 1 (g rate = that used for impairment)		Hp. 2 (g rate assumed to be 0)	
CGU	Recoverable Amount -	Min	Max	g	Discounting rate	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	1,647	622	4,468	2%	9.2%	0%	8.5%
Unisalute	611	409	1,173	2%	32.1%	0%	31.9%
Linear	89	40	223	2%	10.5%	0%	9.6%

Amounts in €m		Sensitivity - Recoverable Amount - Goodwill Delta	
Company	Recoverable Amount - Goodwill Delta	RDR - 50 bps	RDR + 50 bps
UnipolSai Assicurazioni - Life	537	638	445

Amounts in €m		Sensitivity - Arca Vita	
Company	Value	RDR - 50 bps	RDR + 50 bps
Arca Vita and Arca Vita International	445	462	429
Arca Assicurazioni (share held by Arca Vita)	481	481	481
Arca Vita Group	**926**	**943**	**910**

Amounts in €m

Company	Recoverable Amount - Goodwill Delta	RDR - 50 bps	RDR + 50 bps
Arca Vita Group	215	226	204

Amounts in €m		Sensitivity - Arca Assicurazioni	
Company	Value	Min	Max
Arca Vita and Arca Vita International	445	445	445
Arca Assicurazioni (share held by Arca Vita)	481	357	825
Arca Vita Group	**926**	**802**	**1,270**

Amounts in €m

Recoverable Amount - Goodwill Delta	Recoverable Amount - Goodwill Delta	Min	Max
Arca Vita Group	215	137	433

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 valuation 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 quantify 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 is 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, Flood and Hail.
Reinsurance cover is taken out to cover this type of risk, at different levels with respect to the individual portfolios of the companies in the Group. These thresholds, with particular reference to the Earthquake risk, 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 (CHD), 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 (claims experience)

At 31 December 2015 the Unipol Group – Non-Life segment comprises the following companies: UnipolSai, Liguria Assicurazioni, Siat, Incontra, Pronto Assistance, Ddor, Arca, Linear and Unisalute. The companies Systema and Europa Tutela Giudiziaria (hereafter ETG) were merged into UnipolSai on 31 December 2015 with accounting and tax effects from 1 January 2015.
The scope of analysis refers only to UnipolSai, Liguria Assicurazioni, Siat, Arca Assicurazioni, Linear and Unisalute. The incidence of the amount of provisions of excluded companies on the group total stands at 0.7%.

The tables below, which illustrate the trend in claims, show the estimated first-year costs for each year in which claims were incurred from 2006 until 2015 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 2015 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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of claims accumulated											
at the end of the year of event	8,053	8,180	8,433	9,146	8,594	7,852	7,221	6,481	6,192	5,204	**75,355**
one year later	8,136	8,106	8,657	9,136	8,537	7,685	7,021	6,381	6,157		
two years later	8,193	8,243	8,881	9,460	8,808	7,745	7,008	6,333			
three years later	8,178	8,365	9,109	9,613	8,851	7,763	6,989				
four years later	8,292	8,515	9,247	9,688	8,879	7,739					
five years later	8,541	8,652	9,300	9,685	8,892						
six years later	8,561	8,698	9,315	9,696							
seven years later	8,587	8,706	9,313								
eight years later	8,638	8,701									
nine years later	8,609										
Estimate of claims accumulated	**8,609**	**8,701**	**9,313**	**9,696**	**8,892**	**7,739**	**6,989**	**6,333**	**6,157**	**5,204**	**77,634**
Accumulated payments	8,249	8,271	8,727	8,962	7,991	6,782	5,845	4,837	4,025	1,961	**65,650**
Change compared to assessment at year 1	557	521	880	550	299	(112)	(232)	(148)	(35)		
Outstanding at 31/12/2015	**360**	**430**	**586**	**734**	**901**	**957**	**1,144**	**1,496**	**2,132**	**3,243**	**11,985**
Discounting effects											
Carrying amount	**360**	**430**	**586**	**734**	**901**	**957**	**1,144**	**1,496**	**2,132**	**3,243**	**11,985**

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 2014 showed an overall sufficiency of €115.4m or 10.2% of the estimate in 2015.

Change in the assumptions made and sensitivity analysis of the model

The estimated cost for 2006-2014 at 31 December 2015 was €72,430m, down compared to the valuation carried out at 31 December 2014 for the same years (€72,566m).
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 2,507 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 23.9%. A 10% increase in the number of major claims would have led to a fall in provisions of €219.3m.
The incidence on total provisions of claims handled by others was 2.9%. If reinsurers had revalued these claims by 5.0%, costs would have risen by €16.7m.

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: 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 applied to all claims 10% increase/decrease in the tail estimation for MV TPL and General TPL claims;
  - CHL Paid (where used) applied to claims below €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:

Amounts in €m	Pre 2004	2004-2015	Total	% Delta
Provisions	908	12,451	13,359	
Unfavourable LAT assumption	908	12,256	13,164	*(1.45)*
Favourable LAT assumption	908	12,645	13,553	*1.46*

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

The consolidated Life direct premiums of the Unipol Group (insurance products and investment products) at 31 December 2015 equalled €8,593.4m (-3.6% compared to 2014) and 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 UnipolSai contributes with premiums of €6,647.7m (-12.3% compared to 2014), equal to 77.4% of the total, while the Arca Group contributes with €1,943m (+46.2% compared to 2014), equal to 22.6% of the total. Linear Life contribution, which at 31 December 2015 contributed the insurance business unit to UnipolSai, is still not very significant.
Insurance premiums totalling €7,642.6m accounted for 88.9% of total premiums (98.4% in 2014). Non-insurance premiums amounted to €950.8m, rising considerably (+573%), and related mostly to unit-linked and open pension funds.

Consolidated life direct premium income

Amounts in €m	Linear Life	Gruppo Arca	Gruppo UnipolSai	Total
Insurance premiums (IFRS4)	**2.7**	**1,576.3**	**6,063.6**	**7,642.6**
% var.	*129.9*	*27.4*	*(19.5)*	*(12.9)*
Investment products (IAS39)		**366.7**	**584.1**	**950.8**
% var.	*0.0%*	*300.1%*	*1077.5%*	*573.1%*
Total life business premium income	**2.7**	**1,943.0**	**6,647.7**	**8,593.4**
% var.	*129.9%*	*46.2%*	*(12.3)%*	*(3.6)%*
Breakdown:				
Insurance premiums (IFRS4)	*100.0%*	*81.1%*	*91.2%*	*88.9%*
Investment products (IAS39)	*0.0%*	*18.9%*	*8.8%*	*11.1%*

The insurance premiums of the Unipol Group were composed primarily of traditional policies, which account for 80.9% of total consolidated premiums, compared to 13.4% represented by financial premiums and, finally, 5.7% by pension funds.

Direct insurance premiums: income type

Amounts in €m	Linear Life	Gruppo Arca	Gruppo UnipolSai	Totale
Traditional premiums	2.7	1,576.2	4,604.4	6,183.3
Financial premiums		0.1	1,024.6	1,024.7
Pension funds			434.6	434.6
Insurance premiums (IFRS4)	**2.7**	**1,576.3**	**6,063.6**	**7,642.6**
of which investments with DPF	*1.8*	*1,543.6*	*3,851.5*	*5,396.9*
% investment with DPF	*67.7%*	*97.9%*	*63.5%*	*70.6%*

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, which entered into force from 1 January 2016 onwards.

Activities by the competent corporate organisations of the Group continued in 2015 to make corporate processes compliant with the Solvency II regulatory framework and with the new supervisory provisions issued by IVASS.

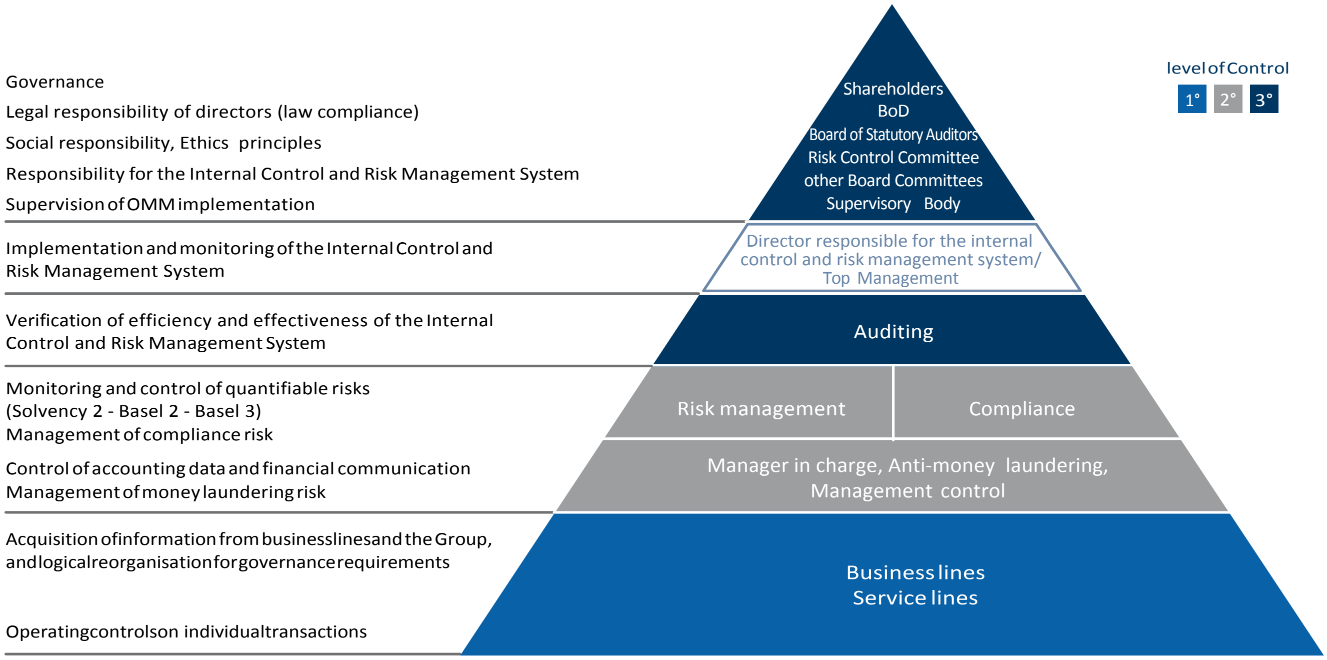
Internal Control and Risk Management System

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 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 Risk Committee, defines the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Company and 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 its subsidiaries, 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.

- **Corporate Control Functions**: pursuant to applicable industry legislation, the Company's organisational structure requires that the Corporate Control Functions (Audit, Risk Management and Compliance) report directly to the Board of Directors and operate with the coordination of the Director responsible.
  Since 19 December 2013, 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 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 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. The Risk Management Function carries out this work as part of the process of "Own Risk and Solvency Assessment" (ORSA) 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. 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.
  Within the risk management system, the Risk Management function is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at individual and aggregated level which the Company is or may be exposed to and the relevant interdependencies. 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, some internal company committees have been set up to support the Chief Executive Officer while implementing and monitoring the policies on guidelines, coordination and operating strategy laid down by the Board of Directors and Top Management.

Risk Management System

The Internal Control and Risk Management System is defined in the relevant Directives ("SCI Directives") approved by the Unipol Board of Directors in December 2008 and subsequently subject to periodic updates, the latest of which was approved in August 2015.
During 2015, corporate policies referring to the Internal Control and Risk Management System were considerably reviewed. The principles and processes of the Risk Management System as a whole are governed by the following Group policies: "Risk management policy", "Current and forward-looking risk assessment policy" and "Operational Risk Management Policy".
The policies setting the principles and guidelines below are an integral part of this System: *(i)* management of specific risk factors (e.g. Investment and Liquidity Policy and Credit Policy), *(ii)* risk management as part of a specific process, *(iii)* risk mitigation and *(iv)* risk measurement model management.
A risk management process is defined within the Risk management system to allow for risk identification, measurement, monitoring and mitigation.

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.

Risk Appetite and Risk Appetite Framework

The Risk Management System adopted by the Group is inspired by an enterprise risk management logic. This means that is based on the consideration, with an integrated approach, of all the current and prospective risks the Group is exposed to, assessing the impact these risks may have on the achievement of the strategic objectives and replies on a fundamental element: the Risk Appetite.
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 (with criteria that are differentiated for the insurance business and for the banking business, in compliance with applicable regulations), which indicates the risks that the Group and/or the 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 process for the insurance segment and ICAPP for the banking segment, 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 (such as mergers, acquisitions, disposals).
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 processes

Under their own risk management systems Unipol and the companies that fall within the scope of the Current and forward-looking risk assessment policy use the following to assess the effectiveness of the risk management system:
- ORSA for the insurance business;
- ICAAP for the 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.

Risk Management System

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 Insurance Group and its companies, or constitute a serious obstacle to achieving strategic objectives. These risks are classified according to a methodology that takes into consideration the Group structure, the specific nature of the types of business managed by the various operating companies and the classifications proposed by Italian and European supervisory regulations.

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;
- Standard compliance 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) is 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)[6];
- 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.

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. The Group Investment and Liquidity 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 comprises 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[7]. *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).

6 In reference to the Parent, at consolidated level and at individual company level.
7 The CSA requires the delivery of a collateral asset when the value of the contract exceeds the set threshold.

e) **Operational risk mitigation actions**: 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.

Capital management

The "Capital management policy" approved by the Board of Directors of Unipol in December 2015 was drawn up in compliance with applicable regulations. The Policy outlines the capital management strategies and objectives of the Unipol Group and the insurance companies of the Group based in Italy and the companies within the banking scope.
The capital management process contributes to the Group's strategic orientation together with other key corporate processes such as:

- Strategic planning, which defines the profitability and growth objectives in the timeframe considered;
- ORSA/ICAAP and risk appetite statement, which defines the target risk profile and the tolerance levels of the Group and the individual Companies.

As part of the capital management process, the capital return objectives of the business units/functions are defined and monitored also based on the risk constraints and the capital absorption.

Insurance Sector

Internal Model

During 2015 the activities continued, which are still in progress, that are aimed at completing the pre-application phase in preparation for the start of the application phase regarding the approval by IVASS of the Partial Internal Model (the "Internal Model"). Under the Internal Model each risk is calculated using suitable metrics and appropriate instruments and their subsequent aggregation process.

Below is a summary of how each risk is calculated or managed, 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 Group specific parameters (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.

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 counterparties concerning exposures deriving from cash available at banks and financial risk mitigation operations through derivative contracts, and to the insurance and reinsurance counterparties. 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 Standard Formula and are used for internal analysis and to support the decision-making process.

With regard to the **Standard compliance risk**, the Unipol Group's compliance risk management process is transversal and comprises organisational and operating monitoring activities carried out by resources from the various company functions. The Compliance Function is tasked with assessing whether the organisation and the internal corporate procedures are suitable to reach the objective of preventing this risk, according to a risk – based approach.

With regard to the **strategic risk, the emerging risks and the reputational risk**, a specific monitoring function was arranged within the Risk Management Function in 2014. As part of this structure, a dedicated Observatory was created at Group level called "Reputational & Emerging Risk Observatory", with the involvement of a Technical Panel and all the main Business Departments.
The choice to set up the Reputational & Emerging Risk Observatory addresses the objective of conducting an integrated monitoring of these risks with a proactive and strategic approach, in close coordination with the business. The Observatory contributes value to the Group by guaranteeing an open approach to any signal of change in the various aspects of the external society (in technological, socio-cultural, environmental and political terms) and a comprehensive vision of the emerging trends and the "material" issues for the stakeholders. The objective is to ensure that stakeholders' expectations are in line with the Group's response and to anticipate the most significant phenomena in order to seize new business opportunities and prevent potential risk situations.

Undertaking Specific Parameters (USP)

In 2015 Unipol and UnipolSai forwarded IVASS the request of authorisation to use, from 1 January 2016, the specific parameters of the Group and Undertaking in place of the sub-set of parameters defined in the standard formula for the calculation of the solvency capital requirement Solvency II for the Non-Life and Health tariff-setting and provision risks.

With measures no. 0022362/16 and 0022360/16 of 2 February 2016, IVASS authorised the Unipol Group and UnipolSai to use the specific parameters.
In particular, the use of the specific parameters concerns the tariff-setting and provision risks in the segments of Non-Life insurance and reassurance obligations under Annex II to EU Delegated Regulation 2015/35 of 10 October 2014, as specified below:

- Segment 1, Proportional Insurance and reinsurance on TPL resulting from the circulation of vehicles;
- Segment 4, Proportional Insurance and reinsurance against fire and other damage to property;
- Segment 5, Proportional Insurance and reinsurance on general TPL.

The use of USPs will allow the Group and UnipolSai, while awaiting to apply the Partial Internal Model, to better understand the risk profile of the abovementioned factors, thus resulting in easier capital management.

Financial Risks

The Group's Investment and Liquidity 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 market value, 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 changes in share prices;
- Real estate risk, or the risk linked to losses due to unfavourable movements in real estate market value;
- Currency risk, or the risk of possible losses on currency items in the portfolio as a result of an unfavourable change in exchange rates;
- Credit spread risk, 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 2015 the duration mismatch for Life business stood at -0.40 and at +0.98 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 changes in the market value 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 and Liquidity 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 2015.

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, at 31 December 2015, following the shocks resulting from 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)	14.29	(298.77)
Credit spread sensitivity (+10 bps)	(1.23)	(330.24)
Equity sensitivity (-20%)	(21.33)	(385.96)

The values include the hedging derivatives.

Liquidity risk refers to the risk that the Insurance Group or the individual Companies may face difficulties when dealing with their cash commitments, whether expected or unexpected, under reasonable economic terms and within a reasonable time, having to, consequently, sell part of the less liquid assets at 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 suitable 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.

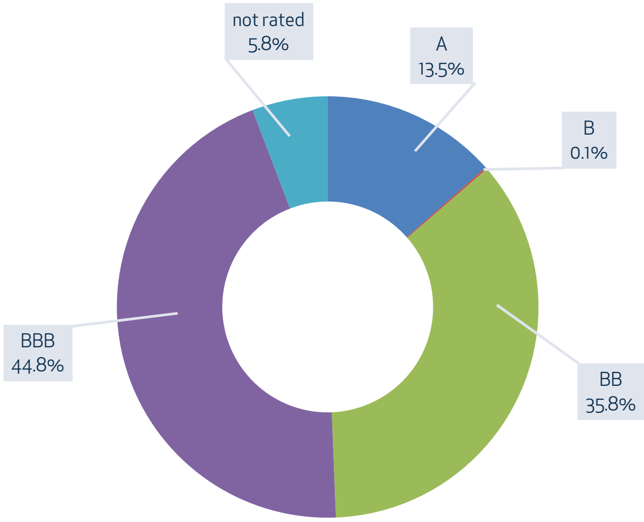
Credit risk

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 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.

<u>Banks</u>

Existing exposure to banks refers to deposited liquidity and exposures in OTC derivatives. In particular, the derivatives exposure considered for risk management and monitoring purposes 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 2015 (total exposure of €950m, 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 Group Credit Risk Committee.

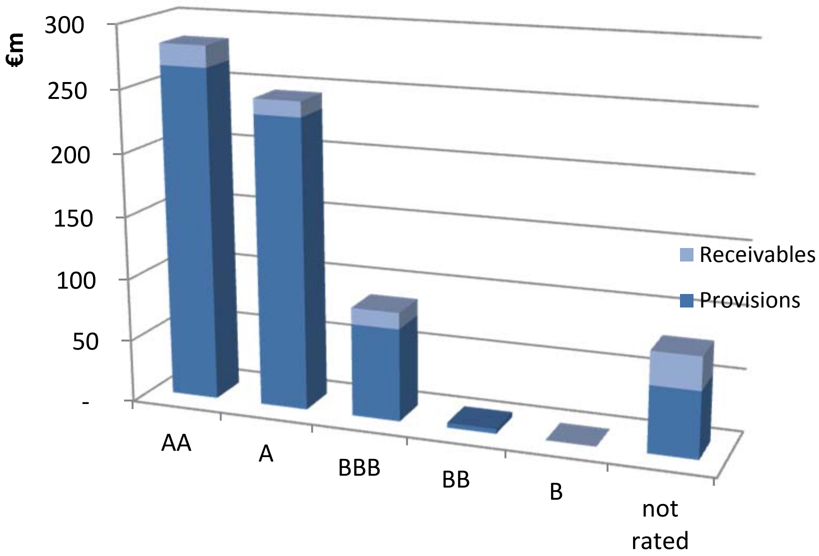
Outwards reinsurance

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.).

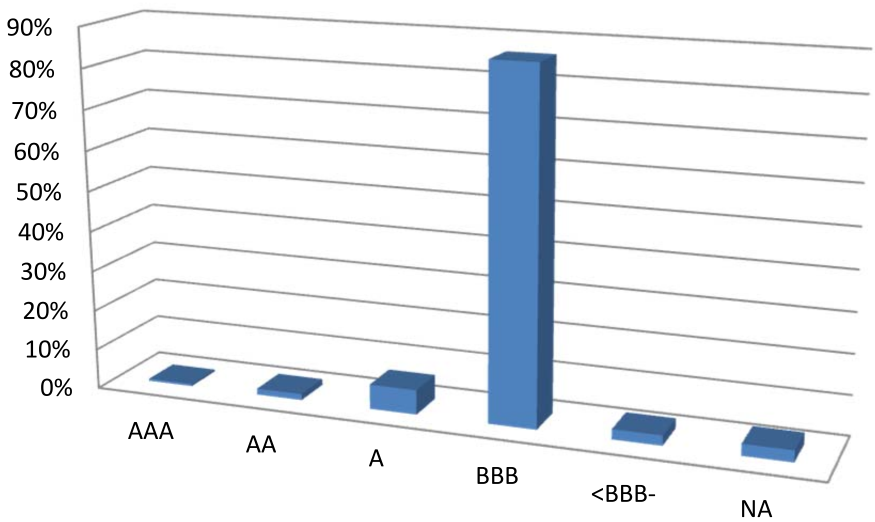
The following table shows the distribution of Unipol Group receivables from reinsurers and provisions for claims borne by them, broken down by rating class, recognised at 31 December 2015 (amounts in €m, net of intragroup reinsurance).

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 31/12/2015).

Breakdown of debt securities by rating class



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 2015, broken down by type of portfolio, nominal value, carrying amount and fair value.

	Balance at 31 December 2015		
Amounts in €m	Nominal value	Carrying amount	Market value
Italy	**37,321.3**	**39,514.0**	**39,989.6**
Available-for-sale financial assets	33,014.9	35,316.9	35,316.9
Loans and receivables	2,934.8	2,820.5	3,094.5
Held-to-maturity investments	1,307.3	1,313.5	1,515.0
Financial assets at fair value through profit or loss	64.4	63.1	63.1
Spain	**2,481.7**	**2,349.0**	**2,344.6**
Available-for-sale financial assets	2,375.9	2,256.8	2,256.8
Held-to-maturity investments	56.0	56.9	60.4
Loans and receivables	49.8	35.2	27.3
Portugal	**242.8**	**263.1**	**269.4**
Available-for-sale financial assets	189.8	209.6	209.6
Held-to-maturity investments	53.0	53.4	59.8
Ireland	**118.0**	**129.9**	**129.9**
Available-for-sale financial assets	118.0	129.9	129.9
Germany	**66.2**	**75.5**	**75.5**
Available-for-sale financial assets	66.2	75.5	75.5
Canada	**68.7**	**74.0**	**74.0**
Available-for-sale financial assets	68.7	74.0	74.0
Belgium	**58.5**	**60.1**	**61.0**
Available-for-sale financial assets	33.5	35.1	35.1
Held-to-maturity investments	25.0	25.0	25.9
Slovenia	**52.4**	**57.6**	**57.6**
Available-for-sale financial assets	52.4	57.6	57.6
Serbia	**4.1**	**56.2**	**56.2**
Held-to-maturity investments	0.2	47.5	47.5
Loans and receivables	0.1	4.8	4.8
Financial assets at fair value through profit or loss	2.9	2.9	2.9
Available-for-sale financial assets	0.9	0.9	0.9
Poland	**29.9**	**30.9**	**30.9**
Available-for-sale financial assets	29.9	30.9	30.9
Latvia	**25.5**	**29.3**	**29.3**
Available-for-sale financial assets	25.5	29.3	29.3
New Zealand	**28.3**	**28.6**	**28.6**
Available-for-sale financial assets	28.3	28.6	28.6

Amounts in €m	Balance at 31 December 2015		
	Nominal value	Carrying amount	Market value
Cyprus	**22.0**	**24.3**	**24.3**
Available-for-sale financial assets	22.0	24.3	24.3
France	**15.6**	**17.9**	**17.9**
Available-for-sale financial assets	15.6	17.9	17.9
Austria	**11.9**	**13.0**	**13.0**
Available-for-sale financial assets	11.9	13.0	13.0
Lithuania	**10.0**	**10.2**	**10.2**
Available-for-sale financial assets	10.0	10.2	10.2
Finlandia	**7.0**	**7.1**	**7.1**
Available-for-sale financial assets	7.0	7.1	7.1
Netherlands	**5.0**	**5.7**	**5.7**
Available-for-sale financial assets	5.0	5.7	5.7
Switzerland	**4.7**	**5.3**	**5.3**
Available-for-sale financial assets	4.7	5.3	5.3
USA	**3.8**	**4.5**	**4.5**
Available-for-sale financial assets	3.8	4.5	4.5
Sweden	**2.0**	**2.1**	**2.1**
Available-for-sale financial assets	2.0	2.1	2.1
Slovakia	**0.8**	**0.9**	**0.9**
Available-for-sale financial assets	0.8	0.9	0.9
Hungary	**0.5**	**0.5**	**0.5**
Available-for-sale financial assets	0.5	0.5	0.5
TOTAL	**40,580.4**	**42,759.5**	**43,237.8**

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2015 totalled €42,759.5m, 92% being accounted for by securities issued by the Italian State.

Technical-insurance risks

Risks relating to Life portfolios

2015 saw the adoption of the "Underwriting Policy - Life Business" and "Provisions Policy - Life Business", the latest update of which was approved by the Unipol Board of Directors in December 2015.

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.

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; the liabilities are conditioned by the value of the assets and market variables used to measure the same liabilities;
- 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, 58.2% of provisions relating to the life portfolio of the segregated funds relate to rates with a guaranteed minimum of between 0% 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 expressed 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
The portfolio includes individual term life products (not "whole-life") that often provided 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

During 2015 the "Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks" was adopted, and the "Underwriting Policy - Non-Life Business" and the "Provisions Policy - Non-Life Business" were updated.

The Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks introduces specific guidelines on the governance and amendment of the USP methodology by defining the roles and responsibilities of the corporate bodies and functions involved.
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 2015 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 Non-Life and Health 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, the Group adopts 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 2015 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 also 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.

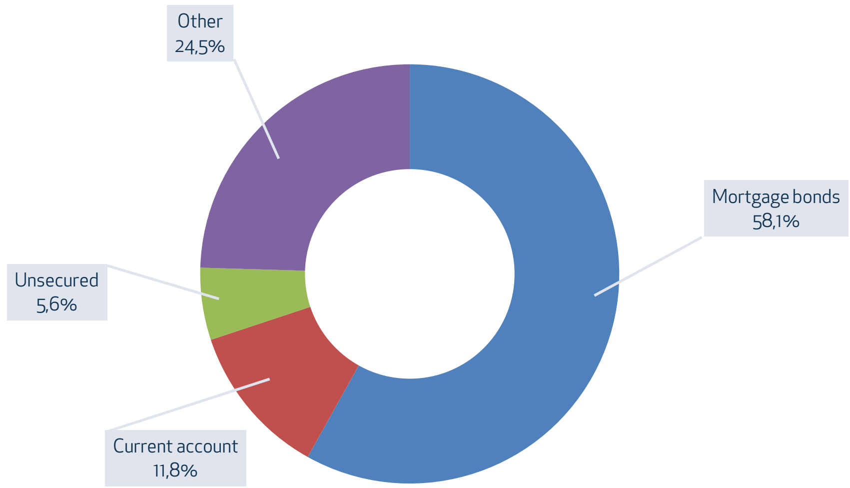
Banking Sector

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 2015, 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 referred to performing loans. The non-static rating models provided by the same outsourcer continued to be used for a number of residual segments.
The same rating was used in the disbursement process referred to the retail counterparties, together with CRIF scoring systems.
Net of bad and doubtful loans, approximately 58.1% of Unipol Banca and Finitalia loans were made up of mortgage loans (exposure entirely attributable to the Unipol Banca portfolio).



On 3 August 2011 the Parent Unipol Gruppo Finanziario (UGF) 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 properties 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 the guarantees provided by Confidi.

Liens and related monitoring are particularly important in containing the "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.

Highlighted is also the constant commitment to guaranteeing the systematic monitoring of the positions showing early performance anomalies, with the aim of curbing the potential ensuing credit risk by taking timely actions to restore conditions of normality.

Market risks

In December 2015 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 2015 the Group's Investment and Liquidity 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 and Liquidity Policy is performed monthly through the preparation of Market Risk Reports discussed at special committee meetings.

Interest Rate Risk and Price Risk - Banking book

The entire portfolio of the Banking Group 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 2015 the duration mismatch equalled -0.07. The impact in terms of sensitivity to a parallel change in the curve of +200 bps in Equity was +€44m (1.6% 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 2015 the 3M "business as usual" gap was positive for €1,764m and the 1M stressed gap was positive for €829m.
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 2015 the LCR for the Unipol Banking Group was 141.5%.

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.
A specific annual analysis is also performed on the effects of IT risk scenarios on company processes, based on the document Group IT risk methodology, and in compliance with the provisions of Circular no. 285 of 17 December 2013, 11th updated "Supervisory provisions for banks".

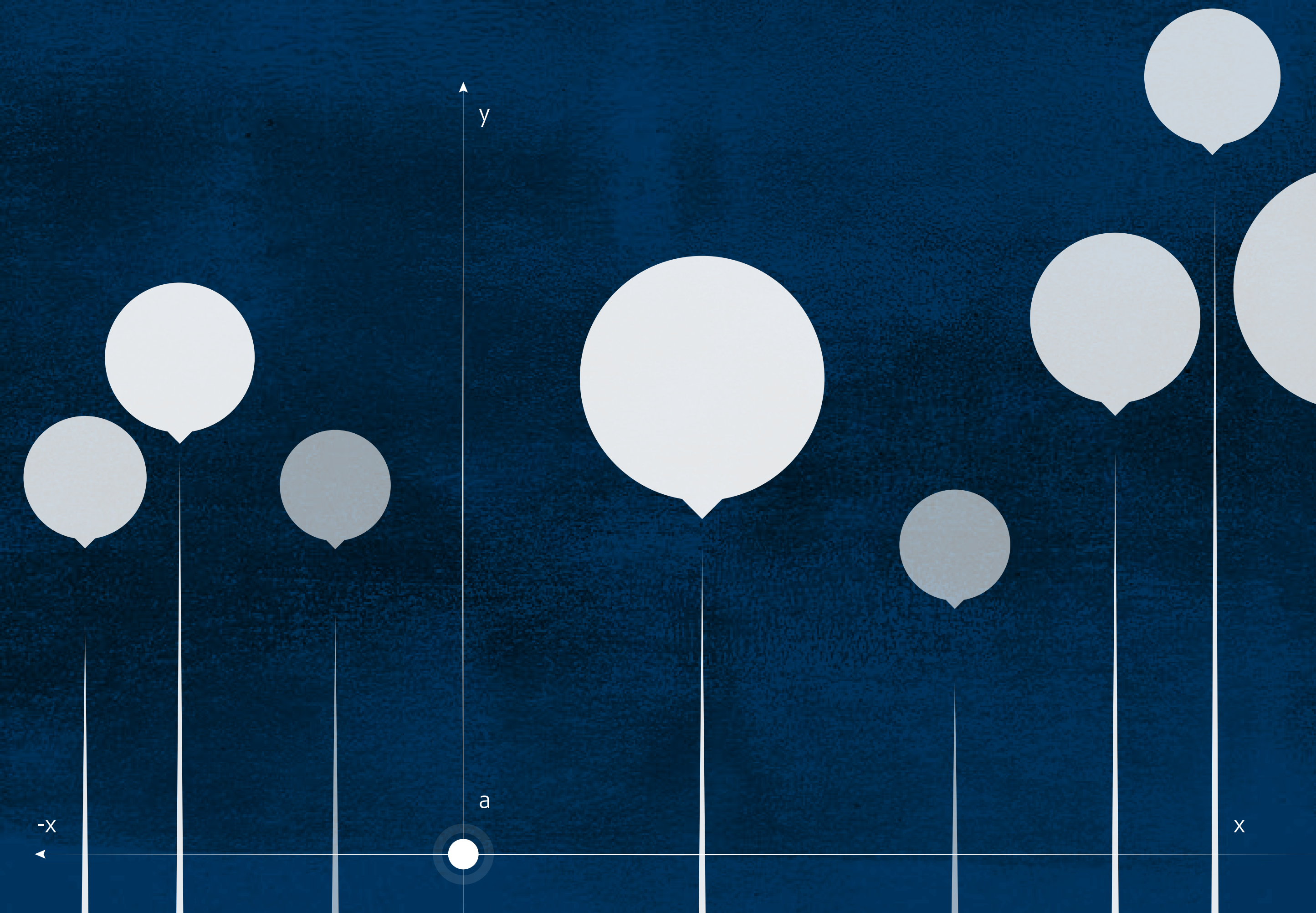
Reputational and strategic risk

Each year the Risk Management function conducts an assessment cycle that involves the company functions to a greater extent, making it an important tool to raise awareness on and spread the culture of the reputational and strategic risk within the Bank.
As regards the reputational risk, the assessment includes the monitoring of a set of listening and monitoring indicators. Monitoring of the strategic risk is carried out based on a specific framework comprising the main strategic drivers of the Bank's Plan.

Bologna, 10 March 2016

The Board of Director

4 Tables appended to the Notes to the Financial Statements



Consolidation scope

Name	Country of registered office			Country of operations (5)	Method (1)	Business activity (2)
Unipol Gruppo Finanziario Spa	086	Italy	Bologna		G	4
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna		G	1
Unisalute Spa	086	Italy	Bologna		G	1
Midi Srl	086	Italy	Bologna		G	10
Unipol Banca Spa	086	Italy	Bologna		G	7
Centri Medici Unisalute Srl	086	Italy	Bologna		G	11
UnipolSai Finance SpA	086	Italy	Bologna		G	9
Grecale Abs Srl (*)	086	Italy	Bologna		G	11
Linear Life Spa	086	Italy	Bologna		G	1
Castoro Rmbs Srl (*)	086	Italy	Milan		G	11
Atlante Finance Srl (*)	086	Italy	Milan		G	11
Ambra Property Srl	086	Italy	Bologna		G	11
Arca Vita Spa	086	Italy	Verona		G	1
Arca Assicurazioni Spa	086	Italy	Verona		G	1
Arca Vita International Ltd	040	Ireland	Dublin		G	2
Arca Direct Assicurazioni Srl	086	Italy	Verona		G	11
Arca Inlinea Scarl	086	Italy	Verona		G	11
Arca Sistemi Scarl	086	Italy	Verona		G	11
Grecale RMBS 2011 srl (*)	086	Italy	Bologna		G	11
SME Grecale Srl (*)	086	Italy	Bologna		G	11
UnipolSai Assicurazioni Spa	086	Italy	Bologna		G	1
Bim Vita Spa	086	Italy	Turin		G	1
Dialogo Assicurazioni Spa	086	Italy	Milan		G	1
Incontra Assicurazioni Spa	086	Italy	Milan		G	1
Liguria - Società di Assicurazioni - Spa	086	Italy	Milan		G	1
Liguria Vita Spa	086	Italy	Milan		G	1
Pronto Assistance Spa	086	Italy	Turin		G	1
Siat-Società Italiana Assicurazioni e Riassicurazioni - per Azioni	086	Italy	Genoa		G	1
Ddor Novi Sad	289	Serbia	Novi Sad		G	3

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
				100.00%
100.00%		100.00%		100.00%
98.53%		98.53%		100.00%
	100.00% UnipolSai Assicurazioni Spa	61.18%		100.00%
57.75%		83.60%		100.00%
	100.00% Unisalute Spa	98.53%		100.00%
	100.00% UnipolSai Assicurazioni Spa	61.18%		100.00%
	0.00% Unipol Banca Spa 10.00% UnipolSai Finance SpA	6.12%		100.00%
100.00%		100.00%		100.00%
	0.00% Unipol Banca Spa			100.00%
	0.00% Unipol Banca Spa			100.00%
100.00%		100.00%		100.00%
63.39%		63.39%		100.00%
	98.12% Arca Vita Spa	62.20%		100.00%
	100.00% Arca Vita Spa	63.39%		100.00%
	100.00% Arca Vita Spa			
	60.22% Arca Vita Spa 39.78% Arca Assicurazioni Spa	62.92%		100.00%
	82.03% Arca Vita Spa 16.97% Arca Assicurazioni Spa 1.00% Arca Inlinea Scarl	63.19%		100.00%
	0.00% Unipol Banca Spa			100.00%
	0.00% Unipol Banca Spa			100.00%
51.09%	1.36% UnipolSai Finance SpA 0.01% Pronto Assistance Spa 0.00% Popolare Vita Spa 0.33% UnipolSai Nederland Bv 9.05% Unipol Finance Srl	61.18%		100.00%
	50.00% UnipolSai Assicurazioni Spa	30.59%		100.00%
	99.85% UnipolSai Assicurazioni Spa	61.09%		100.00%
	51.00% UnipolSai Assicurazioni Spa	31.20%		100.00%
	99.97% UnipolSai Assicurazioni Spa	61.16%		100.00%
	100.00% Liguria - Società di Assicurazioni - Spa	61.16%		100.00%
	100.00% UnipolSai Assicurazioni Spa	61.18%		100.00%
	94.69% UnipolSai Assicurazioni Spa	57.93%		100.00%
	100.00% UnipolSai Assicurazioni Spa	61.18%		100.00%

Consolidation scope

Name	Country of registered office			Country of operations (5)	Method (1)	Business activity (2)
Ddor Re	289	Serbia	Novi Sad		G	6
Popolare Vita Spa	086	Italy	Verona		G	1
The Lawrence Life Assurance Company Ltd	040	Ireland	Dublin (Ireland)		G	2
UnipolRe Limited	040	Ireland	Dublin (Ireland)		G	5
FinItalia Spa	086	Italy	Milan		G	11
UnipolSai Nederland Bv	050	Nederland	Amsterdam		G	11
Sainternational Sa en Liquidation	092	Luxembourg	Luxembourg		G	11
Finsai International Sa	092	Luxembourg	Luxembourg		G	11
UnipolSai Investimenti Sgr Spa	086	Italy	Turin		G	8
Sai Mercati Mobiliari - Società di Intermediazione Mobiliare Spa in Liquidazione	086	Italy	Milan		G	11
Apb Car Service Srl	086	Italy	Turin		G	11
Auto Presto & Bene Spa	086	Italy	Torin		G	11
Casa di Cura Villa Donatello - Spa	086	Italy	Florence		G	11
Centro Oncologico Fiorentino Casa di Cura Villanova Srl	086	Italy	Sesto Fiorentino (FI)		G	11
Città della Salute Scrl in liquidazione	086	Italy	Florence		G	11
Donatello Day Surgery Srl in Liquidazione	086	Italy	Florence		G	11
Florence Centro di Chirurgia Ambulatoriale Srl	086	Italy	Florence		G	11
UnipolSai Servizi Consortili Società Consortile a Responsabilità Limitata	086	Italy	Bologna		G	11

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
	0.00% Ddor Novi Sad	61.18%		100.00%
	100.00% UnipolRe Limited			
	50.00% UnipolSai Assicurazioni Spa	30.59%		100.00%
	100.00% Popolare Vita Spa	30.59%		100.00%
	100.00% UnipolSai Nederland Bv	61.18%		100.00%
	100.00% Unipol Banca Spa	83.60%		100.00%
	100.00% UnipolSai Assicurazioni Spa	61.18%		100.00%
	100.00% UnipolSai Assicurazioni Spa	61.18%		100.00%
	36.15% UnipolSai Finance SpA	61.18%		100.00%
	63.85% UnipolSai Assicurazioni Spa			
51.00%		68.74%		100.00%
	29.00% UnipolSai Assicurazioni Spa			
	100.00% UnipolSai Assicurazioni Spa	61.18%		100.00%
	70.00% Auto Presto & Bene Spa	42.83%		100.00%
	100.00% UnipolSai Assicurazioni Spa	61.18%		100.00%
	100.00% UnipolSai Assicurazioni Spa	61.18%		100.00%
	100.00% UnipolSai Assicurazioni Spa	61.18%		100.00%
	50.00% Casa di Cura Villa Donatello - Spa	61.18%		100.00%
	47.50% Centro Oncologico Fiorentino Casa di Cura Villanova Srl			
	2.50% Florence Centro di Chirurgia Ambulatoriale Srl			
	100.00% Centro Oncologico Fiorentino Casa di Cura Villanova Srl	61.18%		100.00%
	100.00% Centro Oncologico Fiorentino Casa di Cura Villanova Srl	61.18%		100.00%
0.02%		61.26%		100.00%
	0.20% Compagnia Assicuratrice Linear Spa			
	0.02% Unipol Banca Spa			
	98.59% UnipolSai Assicurazioni Spa			
	0.02% Bim Vita 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			

4 Tables appended to the Notes to the Financial Statements

Consolidation scope

Name	Country of registered office			Country of operations (5)	Method (1)	Business activity (2)
Tenute del Cerro Spa - Società Agricola	086	Italy	Bologna		G	11
UnipolSai Servizi Previdenziali Srl	086	Italy	Florence		G	11
Sogeint Società a Responsabilità Limitata	086	Italy	Milan		G	11
Srp Services Sa in Liquidazione	071	Switzerland	Lugano		G	11
Pronto Assistance Servizi Scarl	086	Italy	Turin		G	11
Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	086	Italy	Milan		G	11
Consorzio Castello	086	Italy	Florence		G	10
Italresidence Srl	086	Italy	Pieve Emanuele (MI)		G	11
Marina di Loano Spa	086	Italy	Milan		G	10
Meridiano Secondo Srl	086	Italy	Turin		G	10
Nuove Iniziative Toscane - Società a Responsabilità Limitata	086	Italy	Florence		G	10
Progetto Bicocca la Piazza Srl in Liquidazione	086	Italy	Milan		G	10
Società Edilizia Immobiliare Sarda - S.E.I.S. Società per Azioni	086	Italy	Milan		G	10
Villa Ragionieri Srl	086	Italy	Florence		G	10
Tikal R.E. Fund	086	Italy			G	10
Athens R.E. Fund	086	Italy			G	10
Unipol Finance Srl	086	Italy	Bologna		G	9
Grecale RMBS 2015 srl (*)	086	Italy	Bologna		G	11
Alfaevolution Technology Spa	086	Italy	Bologna		G	11

(1) Consolidation method: G=on a line-by-line basis; P=proportional; 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.

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
	0.02%	UnipolRe Limited	61.26%		100.00%
	0.02%	FinItalia Spa			
	0.02%	Auto Presto & Bene Spa			
	0.02%	Pronto Assistance Servizi Scarl			
	98.81%	UnipolSai Assicurazioni Spa	61.18%		100.00%
	1.19%	Pronto Assistance Spa			
	100.00%	UnipolSai Assicurazioni Spa	61.18%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	61.18%		100.00%
	100.00%	Sainternational Sa en Liquidation	61.18%		100.00%
	24.00%	Compagnia Assicuratrice Linear Spa	70.47%		100.00%
	0.10%	Unipol Banca Spa			
	65.75%	UnipolSai Assicurazioni Spa			
	0.15%	Incontra Assicurazioni Spa			
	2.20%	Liguria - Società di Assicurazioni - Spa			
	7.70%	Pronto Assistance Spa			
	0.10%	UnipolSai Servizi Consortili Società Consortile a Responsabilità Limitata			
	100.00%	UnipolSai Assicurazioni Spa	61.18%		100.00%
	99.57%	Nuove Iniziative Toscane - Società a Responsabilità Limitata	60.92%		100.00%
	100.00%	Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	61.18%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	61.18%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	61.18%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	61.18%		100.00%
	74.00%	UnipolSai Assicurazioni Spa	45.27%		100.00%
	51.67%	UnipolSai Assicurazioni Spa	31.61%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	61.18%		100.00%
	95.00%	UnipolSai Assicurazioni Spa	58.12%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	61.18%		100.00%
100.00%			100.00%		100.00%
	0.00%	Unipol Banca Spa			100.00%
	100.00%	UnipolSai Assicurazioni Spa	61.18%		100.00%

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
UnipolSai Assicurazioni Spa	35.90%		248.1	2,201.5
Popolare Vita Spa	67.95%		45.9	330.7
The Lawrence Life Assurance Company Ltd	67.95%		6.9	56.8

Details of unconsolidated investments

Name	Country of registered office			Country of operations (5)	Business activity (1)
Hotel Villaggio Città del Mare Spa in Liquidazione	086	Italy	Terrasini (PA)		11
Euresa Holding SA en Liquidation	092	Luxembourg	Luxembourg		4
Assicoop Modena & Ferrara Spa	086	Italy	Modena		11
Assicoop Bologna Spa	086	Italy	Bologna		11
ZIS Fiera 2	086	Italy	Bologna		11
Fondazione Unipolis	086	Italy	Bologna		11
Uci - Ufficio Centrale Italiano	086	Italy	Milan		11
Assicoop Imola Spa	086	Italy	Imola (BO)		11
Assicoop Toscana Spa	086	Italy	Siena		11
Pegaso Finanziaria Spa	086	Italy	Bologna		9
SCS Azioninnova Spa	086	Italy	Bologna		11
Promorest Srl	086	Italy	Castenaso (BO)		11
Assicoop Grosseto Società per Azioni	086	Italy	Grosseto		11
Assicoop Emilia Nord Srl	086	Italy	Parma		11
Assicoop Romagna Futura Srl	086	Italy	Ravenna		11
Garibaldi Sca	092	Luxembourg	Luxembourg		11
Isola Sca	092	Luxembourg	Luxembourg		11
Fin.Priv. Srl	086	Italy	Milan		11
Ddor Auto - Limited Liability Company	289	Serbia	Novi Sad		3

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
55,911.8	49,672.1	43,611.3	3,669.6	6,476.8	691.1	210.3	11,699.3
8,395.2	8,248.9	7,744.9	41.3	549.5	85.8	51.1	2,981.5
3,264.3	3,168.5	3,152.5	2.2	83.7	11.8		681.9

Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	Carrying amount (€m)
b		49.00%	UnipolSai Assicurazioni Spa	29.98%		
b		25.00%	UnipolSai Assicurazioni Spa	15.29%		0.1
b		43.75%	UnipolSai Finance SpA	26.77%		6.2
b		50.00%	UnipolSai Finance SpA	30.59%		4.7
b		31.72%	Midi Srl	19.40%		0.3
a		100.00%	UnipolSai Assicurazioni Spa	61.18%		0.3
b		0.00%	Compagnia Assicuratrice Linear Spa	23.25%		0.2
		0.0097%	Arca Assicurazioni Spa			
		37.61%	UnipolSai Assicurazioni Spa			
		0.002%	Incontra Assicurazioni Spa			
		0.2988%	Liguria - Società di Assicurazioni - Spa			
		0.092%	Siat-Società Italiana Assicurazioni e Riassicurazioni - per Azioni			
b		47.33%	UnipolSai Finance SpA	28.95%		2.9
b		46.77%	UnipolSai Finance SpA	28.61%		1.2
b		45.00%	UnipolSai Finance SpA	27.53%		5.1
b		42.85%	Unipol Banca Spa	35.83%		1.9
b		49.92%	Unipol Banca Spa	41.73%		5.1
b		50.00%	UnipolSai Finance SpA	30.59%		0.8
b		50.00%	UnipolSai Finance SpA	30.59%		6.0
b		50.00%	UnipolSai Finance SpA	30.59%		5.6
b		32.00%	UnipolSai Assicurazioni Spa	19.58%		4.6
b		29.56%	UnipolSai Assicurazioni Spa	18.09%		0.1
b		28.57%	UnipolSai Assicurazioni Spa	17.48%		36.8
a		100.00%	Ddor Novi Sad	61.18%		0.0

Details of unconsolidated investments

Name	Country of registered office			Country of operations (5)	Business activity (1)
Funivie del Piccolo San Bernardo Spa	086	Italy	La Thuile (AO)		11
Ddor Garant	289	Serbia	Belgrado		11
Hotel Terme di Saint Vincent - Srl	086	Italy	La Thuile (AO)		11
Ital H&R Srl	086	Italy	Pieve Emanuele (MI)		11
Tour Executive Srl in Liquidazione	086	Italy	Milan		11
A7 Srl in Liquidazione	086	Italy	Milan		10
Borsetto Srl	086	Italy	Turin		10
Butterfly Am Sàrl	092	Luxembourg	Luxembourg		11
Servizi Immobiliari Martinelli Spa	086	Italy	Cinisello Balsamo (MI)		10
Metropolis Spa - in Liquidazione	086	Italy	Milan		10
Penta Domus Spa	086	Italy	Turin		10
Valore Immobiliare Srl in Liquidazione	086	Italy	Trieste		10
CONO ROMA - Società a Responsabilità Limitata in Liquidazione	086	Italy	Rome		11

(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.

Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	Carrying amount (€m)
b		23.55%	UnipolSai Assicurazioni Spa	14.41%		2.2
b		32.46%	Ddor Novi Sad	24.47%		0.5
		7.54%	Ddor Re			
a		100.00%	Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	61.18%		0.2
a		100.00%	UnipolSai Assicurazioni Spa	61.18%		0.1
a		100.00%	Atahotels - Compagnia Italiana Aziende Turistiche Alberghiere Spa	61.18%		
b		20.00%	UnipolSai Assicurazioni Spa	12.24%		
b		44.93%	UnipolSai Assicurazioni Spa	27.49%		0.9
b		28.57%	UnipolSai Assicurazioni Spa	17.48%		3.1
b		20.00%	UnipolSai Assicurazioni Spa	12.24%		0.2
b		29.71%	UnipolSai Assicurazioni Spa	18.18%		
b		24.66%	UnipolSai Assicurazioni Spa	15.09%		1.1
b		50.00%	UnipolSai Assicurazioni Spa	30.59%		
b		50.00%	UnipolSai Finance SpA	30.59%		

Statement of financial position by business segment

		Non-Life business		Life business	
	Amounts in €m	31/12/2015	31/12/2014	31/12/2015	31/12/2014
1	INTANGIBLE ASSETS	1,492.6	1,502.6	563.0	602.7
2	PROPERTY, PLANT AND EQUIPMENT	1,088.1	712.9	88.1	61.8
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	804.5	873.2	92.9	115.2
4	INVESTMENTS	16,951.5	17,617.3	51,294.9	48,225.9
	4.1 Investment property	1,823.3	1,431.8	10.1	11.1
	4.2 Investments in subsidiaries, associates and interests in joint ventures	77.9	61.8	4.7	95.3
	4.3 Held-to-maturity investments	355.1	639.5	744.9	780.5
	4.4 Loans and receivables	2,153.2	2,108.9	3,303.5	3,253.3
	4.5 Available-for-sale financial assets	12,399.6	13,257.1	37,473.1	34,375.0
	4.6 Financial assets at fair value through profit or loss	142.4	118.2	9,758.5	9,710.6
5	SUNDRY RECEIVABLES	2,424.0	2,813.8	692.0	738.7
6	OTHER ASSETS	757.6	737.6	132.1	199.8
	6.1 Deferred acquisition costs	36.8	27.3	50.0	48.3
	6.2 Other assets	720.7	710.2	82.1	151.5
7	CASH AND CASH EQUIVALENTS	447.9	300.1	515.0	518.0
	TOTAL ASSETS	23,966.1	24,557.5	53,378.1	50,462.0
1	SHAREHOLDERS' EQUITY	4,134.5		2,964.7	
2	PROVISIONS	454.7	557.8	28.9	24.6
3	TECHNICAL PROVISIONS	16,574.3	17,636.0	46,575.2	44,258.7
4	FINANCIAL LIABILITIES	1,542.6	1,819.9	3,341.0	2,800.3
	4.1 Financial liabilities at fair value through profit or loss	62.7	184.6	2,573.0	2,002.2
	4.2 Other financial liabilities	1,479.9	1,635.3	768.0	798.1
5	PAYABLES	621.5	774.1	168.6	195.6
6	OTHER LIABILITIES	638.5	736.4	299.6	267.2
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	23,966.1		53,378.1	

Banks		Holding and Other businesses		Real Estate		Intersegment eliminations		Total	
31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
7.8	10.6	8.9	18.8	0.3	0.6	(1.5)	(2.1)	2,071.0	2,133.2
13.9	15.9	210.1	233.9	355.4	495.0	1.5	2.1	1,757.0	1,521.6
								897.4	988.4
10,998.2	11,713.3	672.8	424.1	496.5	1,263.2	(1,067.2)	(1,297.8)	79,346.6	77,946.0
1.1	1.1	41.6	45.0	474.0	1,156.6			2,350.2	2,645.6
7.0	7.5	0.2	0.2	0.3	13.1			90.0	177.8
428.4	818.0							1,528.4	2,238.0
9,914.5	10,226.4	238.5	323.4		36.1	(1,060.5)	(1,290.5)	14,549.2	14,657.7
647.2	652.5	380.4	43.5	22.3	57.4	(6.7)	(7.3)	50,915.8	48,378.1
0.1	8.0	12.0	12.0					9,913.1	9,848.8
92.1	85.0	223.2	131.7	28.6	36.6	(245.3)	(211.8)	3,214.6	3,594.0
411.6	417.8	515.4	579.4	25.4	24.5	(229.9)	(189.3)	1,612.2	1,769.8
								86.9	75.6
411.6	417.8	515.4	579.4	25.4	24.5	(229.9)	(189.3)	1,525.3	1,694.2
100.9	99.8	945.3	608.3	75.4	111.1	(1,210.1)	(962.8)	874.4	674.4
11,624.5	12,342.5	2,575.6	1,996.2	981.6	1,930.9	(2,752.5)	(2,661.8)	89,773.3	88,627.3
738.3		(120.2)		727.3		0.0		8,444.5	8,439.8
23.2	16.8	590.1	511.7	15.9	22.4	(562.7)	(490.1)	550.1	643.2
								63,149.6	61,894.8
10,459.4	11,151.7	1,906.6	1,280.4	203.3	164.0	(1,881.5)	(1,756.9)	15,571.4	15,459.4
7.5	84.5	12.9	2.6	1.7	3.3			2,657.8	2,277.1
10,451.9	11,067.2	1,893.7	1,277.8	201.6	160.7	(1,881.5)	(1,756.9)	12,913.6	13,182.2
73.5	74.9	179.5	97.0	23.1	55.4	(148.5)	(264.0)	917.7	933.0
330.1	355.9	19.6	47.0	12.0	1.5	(159.9)	(150.8)	1,139.9	1,257.2
11,624.5		2,575.6		981.6		(2,752.5)		89,773.3	88,627.3

Income statement by business segment

	Amounts in €m	Non-Life business		Life business	
		31/12/2015	31/12/2014	31/12/2015	31/12/2014
1.1	Net premiums	7,633.7	9,011.9	7,627.6	8,754.1
	1.1.1 Gross premiums earned	*8,039.3*	*9,439.6*	*7,643.9*	*8,774.8*
	1.1.2 Earned premiums ceded to reinsurers	*(405.5)*	*(427.7)*	*(16.2)*	*(20.6)*
1.2	Commission income	6.1	6.5	22.1	17.6
1.3	Gains and losses on financial instruments at fair value through profit or loss	178.1	(157.5)	215.3	229.8
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	11.6	4.7	5.3	2.8
1.5	Gains on other financial instruments and investment property	870.6	1,022.0	1,726.0	1,908.8
1.6	Other revenue	265.0	563.6	80.7	85.8
	TOTAL REVENUE AND INCOME	**8,965.1**	**10,451.2**	**9,677.1**	**10,999.0**
2.1	Net charges relating to claims	(4,969.7)	(6,091.6)	(8,666.1)	(9,933.2)
	2.1.1 Amounts paid and changes in technical provisions	*(5,156.5)*	*(6,324.9)*	*(8,668.7)*	*(9,947.8)*
	2.1.2 Reinsurers' share	*186.8*	*233.4*	*2.7*	*14.6*
2.2	Commission expense	(5.8)	(6.7)	(11.6)	(10.3)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(5.6)	(8.4)	(2.3)	(1.3)
2.4	Losses on other financial instruments and investment property	(400.5)	(359.0)	(153.4)	(234.6)
2.5	Operating expenses	(2,148.3)	(2,348.4)	(364.3)	(384.6)
2.6	Other costs	(528.2)	(627.8)	(136.1)	(161.0)
2	**TOTAL COSTS AND EXPENSES**	**(8,057.9)**	**(9,441.8)**	**(9,333.7)**	**(10,725.1)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**907.1**	**1,009.4**	**343.3**	**273.8**

Banks		Holding and Other Businesses		Real Estate		Intersegment eliminations		Total	
31/12/2015	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014
								15,261.4	17,766.0
								15,683.1	*18,214.3*
								(421.8)	*(448.3)*
147.6	153.6	26.7	18.5			(85.1)	(79.5)	117.2	116.8
(0.2)	14.2	(22.2)	(1.3)	(1.7)	(0.9)			369.4	84.3
0.2	0.1	0.0	0.1	0.4	0.0			17.6	7.7
466.6	521.7	10.4	9.5	48.8	75.3	(86.3)	(116.2)	3,036.2	3,421.1
62.3	33.3	284.3	330.9	7.0	40.6	(138.9)	(196.4)	560.3	857.8
676.5	**722.9**	**299.2**	**357.7**	**54.5**	**115.0**	**(310.3)**	**(392.1)**	**19,362.0**	**22,253.7**
								(13,635.7)	(16,024.8)
								(13,825.2)	*(16,272.8)*
								189.5	*248.0*
(48.9)	(45.4)	(0.0)	(0.0)	(0.0)		33.3	24.1	(33.0)	(38.4)
(0.1)	(0.7)	(6.1)	(0.1)		(2.6)			(14.1)	(13.1)
(288.3)	(457.8)	(72.4)	(53.7)	(94.6)	(103.5)	(87.8)	(173.5)	(1,097.0)	(1,382.1)
(315.8)	(304.1)	(100.0)	(121.1)	(13.2)	(9.9)	137.6	143.4	(2,804.0)	(3,024.7)
(17.4)	(15.6)	(323.7)	(490.9)	(42.2)	(72.8)	227.3	398.6	(820.2)	(969.5)
(670.4)	**(823.6)**	**(502.1)**	**(665.8)**	**(150.0)**	**(188.7)**	**310.3**	**392.6**	**(18,403.9)**	**(21,452.5)**
6.0	**(100.7)**	**(203.0)**	**(308.1)**	**(95.4)**	**(73.7)**		**0.4**	**958.1**	**801.2**

Details of property, plant and equipment and intangible assets

Amounts in €m	At cost	At restated or fair value	Total carrying amount
Investment property	2,350.2		2,350.2
Other property	1,619.1		1,619.1
Other tangible assets	137.9		137.9
Other intangible assets	489.1		489.1

Details of financial assets

	Held-to-maturity investments		Loans and receivables		Available-for-sale financial assets	
Amounts in €m	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014
Equity instruments and derivatives at cost					69.8	73.7
Equity instruments at fair value					681.9	1,113.9
of which: listed securities					*503.5*	*827.5*
Debt securities	1,528.4	2,238.0	4,529.5	4,414.3	48,587.0	45,972.5
of which: listed securities	*1,271.8*	*1,925.5*			*47,733.5*	*44,650.9*
UCITS units					1,577.1	1,218.0
Loans and receivables from bank customers			8,322.3	9,005.6		
Interbank loans and receivables			593.9	338.5		
Deposits with ceding companies			24.0	30.9		
Financial receivables on insurance contracts						
Other loans and receivables			1,079.5	868.5		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments						
Total	**1,528.4**	**2,238.0**	**14,549.2**	**14,657.7**	**50,915.8**	**48,378.1**

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			
31/12/2015	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014
0.0	0.0			69.8	73.7
0.1	0.0	175.1	158.3	857.0	1,272.3
0.1	*0.0*	*175.1*	*158.3*	*678.6*	*985.8*
195.2	230.8	4,343.4	5,277.0	59,183.5	58,132.6
81.3	*125.2*	*3,670.1*	*3,636.5*	*52,756.6*	*50,338.0*
31.2	45.6	4,737.5	3,859.5	6,345.8	5,123.1
				8,322.3	9,005.6
				593.9	338.5
				24.0	30.9
		181.2	66.1	181.2	66.1
				1,079.5	868.5
169.6	99.3		18.3	169.6	117.5
10.8	16.1			10.8	16.1
		69.1	77.7	69.1	77.7
406.8	**391.9**	**9,506.3**	**9,456.9**	**76,906.5**	**75,122.5**

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	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Recognised assets	5,845.0	5,982.6	3,647.9	3,471.9	9,493.0	9,454.5
Intragroup assets *						
Total Assets	**5,845.0**	**5,982.6**	**3,647.9**	**3,471.9**	**9,493.0**	**9,454.5**
Recognised financial liabilities	1,826.2	1,069.0	547.5	526.9	2,373.7	1,595.9
Recognised technical provisions	4,019.0	4,909.4	3,100.5	2,945.0	7,119.5	7,854.4
Intragroup liabilities *						
Total liabilities	**5,845.2**	**5,978.4**	**3,648.0**	**3,471.9**	**9,493.2**	**9,450.3**

* Assets and liabilities netted on consolidation

Details of technical provisions – reinsurers' share

	Direct business		Indirect business		Total carrying amount	
Amounts in €m	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Non-Life provisions	**772.2**	**783.9**	**32.3**	**89.3**	**804.5**	**873.2**
Premium provisions	187.1	196.7	0.0	2.4	187.1	199.0
Claims provision	585.1	587.2	32.3	87.0	617.4	674.2
Other technical provisions						
Life provisions	**84.7**	**104.3**	**8.2**	**10.9**	**92.9**	**115.2**
Provision for amounts payable	6.8	6.6	0.1	1.3	6.9	8.0
Mathematical provisions	77.9	97.5	8.1	9.6	86.0	107.1
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management						
Other technical provisions		0.1				0.1
Total technical provisions - reinsurers' share	**856.9**	**888.2**	**40.5**	**100.2**	**897.4**	**988.4**

Details of technical provisions

	Direct business		Indirect business		Total carrying amount	
Amounts in €m	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Non-Life provisions	**16,415.0**	**17,482.0**	**159.3**	**154.0**	**16,574.3**	**17,636.0**
Premium provision	2,906.5	3,025.0	5.4	3.8	2,912.0	3,028.8
Claims provision	13,465.7	14,435.4	153.9	150.2	13,619.6	14,585.6
Other technical provisions	42.8	21.7	0.0	0.0	42.8	21.7
including provisions allocated as a result of the liability adequacy test						
Life provisions	**46,556.9**	**44,236.8**	**18.3**	**21.9**	**46,575.2**	**44,258.7**
Provision for amounts payable	842.8	429.6	2.9	3.3	845.7	432.9
Mathematical provisions	34,931.3	32,757.9	15.4	18.6	34,946.7	32,776.5
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	7,131.2	7,854.4			7,131.2	7,854.4
Other technical provisions	3,651.6	3,195.0			3,651.6	3,195.0
including provisions allocated as a result of the liability adequacy test						
including deferred liabilities to policyholders	*3,522.4*	*3,064.2*			*3,522.4*	*3,064.2*
Total technical provisions	**62,971.9**	**61,718.9**	**177.6**	**175.9**	**63,149.6**	**61,894.8**

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	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Equity instruments								
Subordinated liabilities					2,564.7	2,622.9	2,564.7	2,622.9
Liabilities from financial contracts issued by insurance companies			2,379.5	1,607.6	0.5	7.5	2,380.0	1,615.1
Arising from contracts where the investment risk is borne by policyholders			*1,830.9*	*1,079.5*			*1,830.9*	*1,079.5*
Arising from pension fund management			*548.7*	*528.1*			*548.7*	*528.1*
Arising from other contracts					*0.5*	*7.5*	*0.5*	*7.5*
Deposits received from reinsurers					216.0	296.5	216.0	296.5
Financial items payable on insurance contracts								
Debt securities issued					4,073.1	3,609.8	4,073.1	3,609.8
Payables to bank customers					5,505.7	5,717.0	5,505.7	5,717.0
Interbank payables					436.1	795.9	436.1	795.9
Other loans obtained					111.9	121.5	111.9	121.5
Non-hedging derivatives	114.5	106.3	12.2				126.7	106.3
Hedging derivatives	151.6	563.3					151.6	563.3
Sundry financial liabilities					5.6	11.2	5.6	11.2
Total	**266.0**	**669.6**	**2,391.7**	**1,607.6**	**12,913.6**	**13,182.2**	**15,571.4**	**15,459.4**

Details of technical insurance items

		31/12/2015			31/12/2014		
	Amounts in €m	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business							
NET PREMIUMS		**8,039.3**	**(405.5)**	**7,633.7**	**9,439.6**	**(427.7)**	**9,011.9**
a	Written premiums	7,920.9	(394.9)	7,526.0	8,994.9	(412.2)	8,582.7
b	Change in premium provision	118.4	(10.7)	107.8	444.7	(15.5)	429.2
NET CHARGES RELATING TO CLAIMS		**(5,156.5)**	**186.8**	**(4,969.7)**	**(6,324.9)**	**233.4**	**(6,091.6)**
a	Amounts paid	(6,256.7)	243.3	(6,013.5)	(6,819.5)	271.7	(6,547.7)
b	Change in claims provision	972.8	(55.6)	917.2	352.9	(31.9)	321.0
c	Change in recoveries	126.7	(0.8)	125.9	141.8	(6.5)	135.3
d	Change in other technical provisions	0.8		0.8	(0.1)		(0.1)
Life business							
NET PREMIUMS		**7,643.9**	**(16.2)**	**7,627.6**	**8,774.8**	**(20.6)**	**8,754.1**
NET CHARGES RELATING TO CLAIMS		**(8,668.7)**	**2.7**	**(8,666.1)**	**(9,947.8)**	**14.6**	**(9,933.2)**
a	Amounts paid	(6,594.1)	22.2	(6,572.0)	(6,461.7)	37.6	(6,424.1)
b	Change in provision for amounts payable	(421.8)	(1.1)	(423.0)	16.2	(1.1)	15.0
c	Change in mathematical provisions	(2,185.3)	(18.3)	(2,203.6)	(3,130.0)	(21.8)	(3,151.8)
d	Change in technical provisions where the investment risk is borne by policyholders and arising from pension fund management	729.3		729.3	(241.8)		(241.8)
e	Change in other technical provisions	(196.8)	(0.0)	(196.8)	(130.5)	(0.0)	(130.5)

Investment income and charges

Amounts in €m	Interest	Other income	Other charges	Realised gains	Realised losses
Balance on investments	**2,085.4**	**368.7**	**(174.7)**	**1,183.6**	**(410.7)**
a Arising from investment property		95.2	(38.8)	4.0	(0.3)
b Arising from investments in subsidiaries, associates and interests in j-v		10.2	(13.8)	7.4	(0.2)
c Arising from held-to-maturity investments	69.0		(0.0)	5.0	(0.0)
d Arising from loans and receivables	459.0		(0.0)	10.8	(30.4)
e Arising from available-for-sale financial assets	1,454.2	83.2	(4.7)	734.4	(271.1)
f Arising from held-for-trading financial assets	8.1	31.0	(34.9)	252.8	(73.0)
g Arising from financial assets at fair value through profit or loss	95.0	149.0	(82.7)	169.2	(35.8)
Balance on sundry receivables	**3.0**				
Balance on cash and cash equivalents	**2.9**	**0.0**	**(0.3)**		
Balance on financial liabilities	**(263.1)**	**4.4**	**(38.8)**	**0.4**	**(3.1)**
a Arising from held-for-trading financial liabilities		0.1	(0.0)		(1.8)
b Arising from financial liabilities at fair value through profit or loss		4.3	(28.7)		
c Arising from other financial liabilities	(263.1)		(10.1)	0.4	(1.3)
Balance on payables	**(1.5)**				
Total	**1,826.7**	**373.1**	**(213.8)**	**1,184.1**	**(413.8)**

Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total gains and losses 31/12/2015	Total gains and losses 31/12/2014
	Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment			
3,052.2	**296.3**	**0.2**	**(570.0)**	**(148.7)**	**(422.2)**	**2,630.0**	**2,548.6**
60.2			(37.6)	(97.1)	(134.8)	(74.6)	(103.7)
3.6				(0.2)	(0.2)	3.5	(5.3)
74.0						74.0	105.7
439.4	82.9	0.2	(227.4)	(6.5)	(150.8)	288.6	40.2
1,996.1	31.8		(61.9)	(44.9)	(75.0)	1,921.0	2,337.3
184.1	61.3		(39.8)		21.5	205.5	(338.2)
294.9	120.3		(203.3)		(83.0)	211.9	512.6
3.0						**3.0**	**5.4**
2.6						**2.6**	**4.7**
(300.1)	**2.5**		**(24.4)**		**(21.9)**	**(322.1)**	**(437.4)**
(1.8)	2.5		(2.2)		0.3	(1.5)	1.7
(24.3)			(22.2)		(22.2)	(46.5)	(91.9)
(274.0)			(0.0)		(0.0)	(274.0)	(347.2)
(1.5)						**(1.5)**	**(3.5)**
2,756.2	**298.8**	**0.2**	**(594.4)**	**(148.7)**	**(444.1)**	**2,312.1**	**2,117.9**

Details of insurance business expenses

Amounts in €m	Non-Life business		Life business	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Gross commissions and other acquisition costs	**(1,816.9)**	**(1,977.5)**	**(189.9)**	**(220.6)**
a Acquisition commissions	(1,227.9)	(1,346.1)	(131.7)	(159.1)
b Other acquisition costs	(438.2)	(452.5)	(49.6)	(49.3)
c Change in deferred acquisition costs	9.6	(0.7)	1.7	(0.9)
d Collection commissions	(160.3)	(178.1)	(10.3)	(11.3)
Commissions and profit-sharing received from reinsurers	**129.1**	**120.1**	**3.8**	**4.7**
Investment management expenses	**(66.1)**	**(61.5)**	**(45.9)**	**(41.3)**
Other administrative expenses	**(394.5)**	**(429.6)**	**(132.4)**	**(127.4)**
Total	**(2,148.3)**	**(2,348.4)**	**(364.3)**	**(384.6)**

Details of the consolidated comprehensive income statement

Amounts in €m	Amounts allocated		Adjustments from reclassification to profit or loss	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Other income items not reclassified to profit or loss	**15.0**	**(7.3)**	**(0.0)**	
Reserve deriving from changes in the shareholders' equity of the investees	8.6	2.4		
Revaluation reserve for intangible assets				
Revaluation reserve for property, plant and equipment		(0.0)		
Gains and losses on non-current assets or assets of a disposal group held for sale				
Actuarial gains and losses and adjustments relating to defined benefit plans	6.4	(8.6)	(0.0)	
Other items	0.0	(1.0)		
Other income items reclassified to profit or loss	**186.6**	**859.7**	**(434.4)**	**(103.5)**
Reserve for foreign currency translation differences	0.1	(4.0)		
Gains or losses on available-for-sale financial assets	182.8	810.5	(434.4)	(104.5)
Gains or losses on cash flow hedges	3.8	53.2		1.0
Gains or losses on hedges of a net investment in foreign operations				
Reserve deriving from changes in the shareholders' equity of the investees				
Gains and losses on non-current assets or assets of a disposal group held for sale				
Other items				
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	**201.6**	**852.4**	**(434.4)**	**(103.5)**

Other changes		Total changes		Income tax		Balance	
31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
(0.0)	**(0.0)**	**15.0**	**(7.3)**	**(4.9)**	**5.0**	**18.2**	**3.2**
(0.0)		8.6	2.4			17.1	8.5
			(0.0)			20.7	20.7
0.0	(0.0)	6.3	(8.7)	(4.9)	5.0	(19.6)	(26.0)
		0.0	(1.0)			0.0	(0.0)
(1.0)	**6.4**	**(248.7)**	**762.6**	**181.6**	**(383.1)**	**1,012.0**	**1,260.7**
		0.1	(4.0)			3.9	3.8
(1.0)	6.4	(252.6)	712.3	180.5	(354.7)	981.9	1,234.4
		3.8	54.2	1.1	(28.3)	26.2	22.4
(1.0)	**6.4**	**(233.8)**	**755.3**	**176.7**	**(378.0)**	**1,030.2**	**1,264.0**

Details of reclassified financial assets and their effects on the income statement and comprehensive income statement

Categories of financial assets subject to reclassification		Type of asset	Amount of assets reclassified in 2014 at the reclassification date	Carrying amount at 31/12/2015 of reclassified assets		Fair value at 31/12/2015 of reclassified assets	
from	to			Assets reclassified in 2015	Assets reclassified up to 2015	Assets reclassified in 2015	Assets reclassified up to 2015
At FV through profit or loss	Loans and receivables	debt securities			251.1		231.5
At FV through profit or loss	Loans and receivables	other fin. instr.					
Available-for-sale	Loans and receivables	debt securities			336.3		336.5
Available-for-sale	Loans and receivables	other fin. instr.					
At FV through profit or loss	Available-for-sale	equity instruments					
At FV through profit or loss	Available-for-sale	debt securities					
At FV through profit or loss	Available-for-sale	other fin. instr.					
At FV through profit or loss	Held-to-maturity investments	debt securities					
At FV 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					**587.5**		**568.0**

Assets reclassified in 2015		Assets reclassified up to 2015		Assets reclassified in 2015		Assets reclassified up to 2015	
Gains or losses recognised through profit or loss	Gains or losses recognised in the statement of other comprehensive income	Gains or losses recognised through profit or loss	Gains or losses recognised in the statement of other comprehensive income	Profit or loss that would have been recognised through profit or loss if there had been no reclassification	Profit or loss that would have been recognised in the statement of other comprehensive income if there had been no reclassification	Profit or loss that would have been recognised through profit or loss if there had been no reclassification	Profit or loss that would have been recognised in statement of other comprehensive income if there had been no reclassification
			0.1			8.7	0.1
							55.3
			0.1			8.7	55.3

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		31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		49,307.8	46,202.0	707.9	710.0	900.2	1,466.2	50,915.8	48,378.1
Financial assets at fair value through profit or loss	Held-for-trading financial assets	121.2	127.9	184.1	141.3	101.5	122.6	406.8	391.9
	Financial assets at fair value through profit or loss	8,784.1	7,741.9	24.0	158.7	698.2	1,556.3	9,506.3	9,456.9
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		***58,213.1***	***54,071.8***	***916.0***	***1,010.0***	***1,699.8***	***3,145.1***	***60,828.9***	***58,226.9***
Financial liabilities at fair value through profit or loss	Held-for-trading financial liabilities	57.5	55.3	200.4	609.5	8.2	4.7	266.0	669.6
	Financial liabilities at fair value through profit or loss					2,391.7	1,607.6	2,391.7	1,607.6
Total liabilities at fair value on a recurring basis		***57.5***	***55.3***	***200.4***	***609.5***	***2,399.9***	***1,612.3***	***2,657.8***	***2,277.1***
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	**1,466.2**	**122.6**	**1,556.3**				**4.7**	**1,607.6**
Acquisitions/Issues	99.1	0.1						
Sales/Repurchases	(540.4)	(0.1)	(292.3)					
Repayments	(32.9)	(4.1)	(544.3)					
Gains or losses recognised through profit or loss		(3.5)	(23.8)				3.4	
- of which unrealised gains/losses		(3.5)	(23.8)				3.4	
Gains or losses recognised in the statement of other comprehensive income	(105.7)							
Transfers to level 3	20.4							
Transfers to other levels		(13.2)						
Other changes	(6.6)	(0.4)	2.3					784.2
Closing balance	**900.2**	**101.5**	**698.2**				**8.2**	**2,391.7**

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	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14
Assets										
Held-to-maturity investments	1,528.4	2,238.0	1,494.2	2,128.2	245.0	324.1			1,739.2	2,452.2
Loans and receivables	14,549.2	14,657.7	9.9	9.3	4,284.2	3,996.0	11,215.3	12,161.1	15,509.4	16,166.4
Investments in subsidiaries, associates and interests in j-v	90.0	177.8					90.0	177.8	90.0	177.8
Investment property	2,350.2	2,645.6					2,462.2	2,724.8	2,462.2	2,724.8
Property, plant and equipment	1,757.0	1,521.6					1,849.5	1,627.2	1,849.5	1,627.2
Total assets	**20,274.8**	**21,240.6**	**1,504.1**	**2,137.4**	**4,529.2**	**4,320.1**	**15,616.9**	**16,691.0**	**21,650.2**	**23,148.5**
Liabilities										
Other financial liabilities	12,913.6	13,182.2	2,932.3	2,262.5			9,788.5	11,019.5	12,720.8	13,282.0

5 Summary of fees for the year for services provided by the Independent Auditors

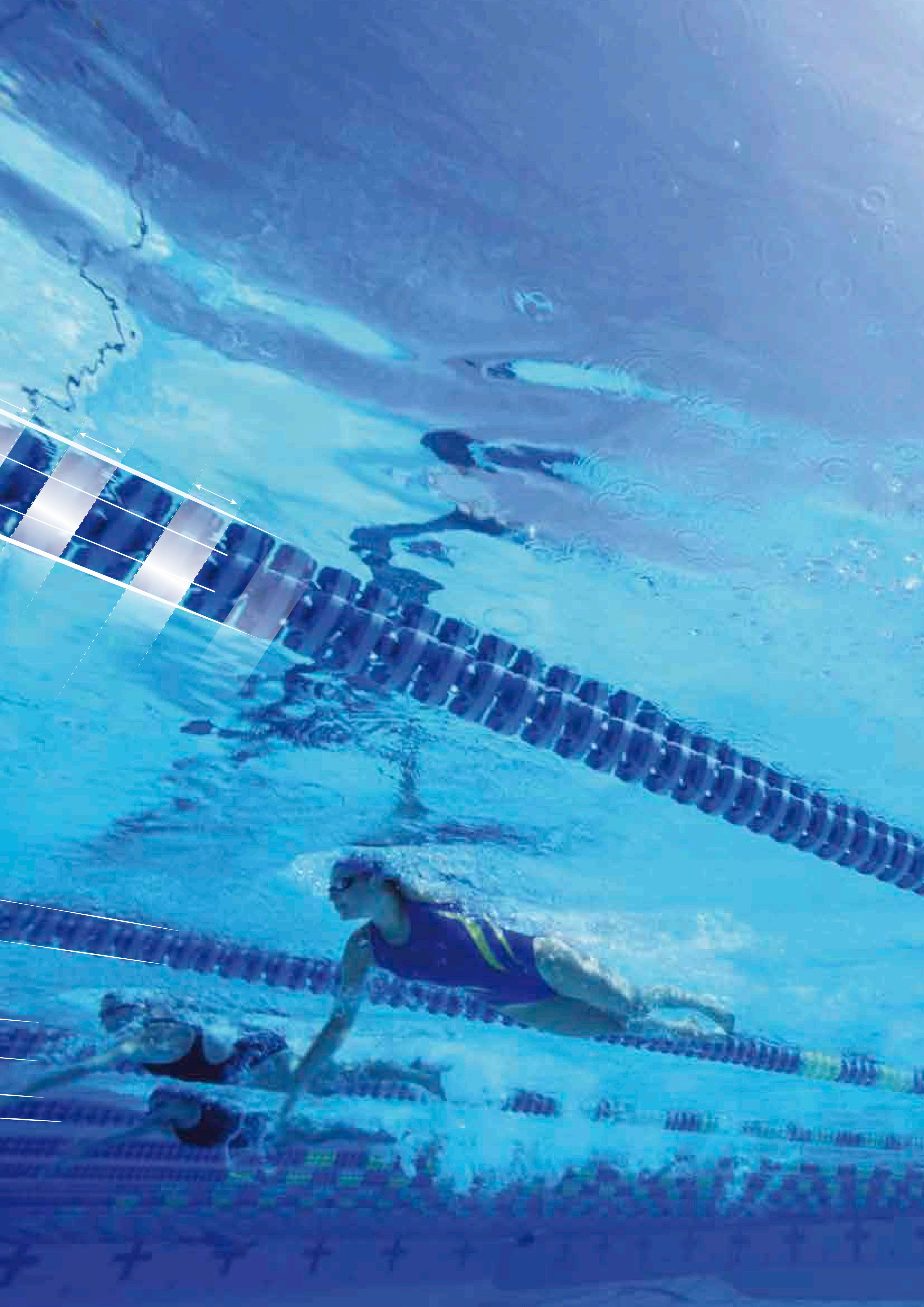
Summary of fees for the year for services provided by the Independent Auditors (Art. 149-duodecies of Issuer's Regulation)

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.	318
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	Unipol S.p.A.	77
Total Unipol Gruppo Finanziario			**549**
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	3,180
Legally-required audit	PricewaterhouseCoopers Dublino	Subsidiaries	136
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	81
Attestation services	PricewaterhouseCoopers S.p.A.	Subsidiaries	701
Other professional services	PricewaterhouseCoopers S.p.A.	Subsidiaries	495
Other professional services	TLS Associazione Professionale di Avvocati e Commercialisti	Subsidiaries	45
Other professional services	PricewaterhouseCoopers Dublino	Subsidiaries	52
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	Subsidiaries	179
Total subsidiaries			**4,868**
Grand total			**5,417**

(*) the fees do not include any non-deductible VAT; charged back expenses are included

6 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 on “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.

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 banking parents, 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 2015 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 for 2015, reference should be made - respectively – to the descriptions in Part III, Chapter 2, of the “Report on corporate governance and share ownership for the financial year 2015” (available in the Corporate Governance/Shareholders’ meetings/ April 2016 Meeting section of the corporate website www.unipol.it) and in the first section of the “Remuneration Report of Unipol Gruppo Finanziario SpA - 2015” (available in the Corporate Governance/Shareholders meetings/ April 2016 Meeting 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 2015 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 of 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, with an investment equal to 31.404% of the ordinary share capital, de facto controls Unipol according to Art. 2359, paragraph 1, no. 2 of the Civil Code, 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 and 6 securitisation companies);
- UnipolSai Investimenti SGR 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 2015 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 31/12/2015 (restated for banking regulatory purposes)", indicates the consolidated amounts for the Unipol Group at 31 December 2015, 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 31/12/2015 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 the Parent 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 31/12/2015 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 31/12/2015	Adjustments	Unipol Banking Group Consolidated for prudential purposes at 31/12/2015
10	Cash and cash equivalents	100.3	0.0	100.3
20	Held-for-trading financial assets	12.1	0.0	12.1
30	Financial assets at fair value			
40	Available-for-sale financial assets	1,026.9	0.0	1,026.9
50	Held-to-maturity financial assets	428.4		428.4
60	Receivables from banks	689.9	0.2	690.1
70	Receivables from customers	8,767.1	7.3	8,774.4
80	Hedging derivatives			
100	Investments	5,573.9	(14.4)	5,559.5
120	Property, plant and equipment	16.7	0.0	16.7
130	Intangible assets	6.8	343.3	350.1
	of which: goodwill		343.3	343.3
	of which: other	6.8		6.8
140	Tax assets	713.4	0.0	713.4
	a) current	6.4	0.0	6.4
	b) deferred	707.0	0.0	707.0
	of which Law 214/2011	559.3		559.3
160	Other assets	416.7	2.5	419.2
	Total assets	**17,752.2**	**338.9**	**18,091.1**

Unipol Banking Group - Consolidated Statement of Financial Position – Liabilities

	Amounts in €m	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/2015	Adjustments	Unipol Banking Group Consolidated for prudential purposes at 31/12/2015
10	Payables to banks	436.7	118.6	555.3
20	Payables to customers	6,570.8	(0.3)	6,570.5
30	Outstanding securities	4,619.9	375.0	4,994.9
40	Held-for-trading financial liabilities	12.9	(12.9)	0.0
60	Hedging derivatives	7.5		7.5
80	Tax liabilities	9.5		9.5
	a) current	7.3		7.3
	b) deferred	2.2		2.2
100	Other liabilities	479.7	4.0	483.7
110	Post-employment benefits	16.3	0.0	16.4
120	Provisions for risks and charges:	29.6		29.6
	a) pension funds and similar obligations			
	b) other provisions	29.6		29.6
140	Valuation reserves	622.6	(424.4)	198.2
170	Provisions	(381.2)	347.6	(33.6)
180	Share premium reserve	1,679.9	(1,396.9)	283.0
190	Share capital	3,365.3	(2,280.9)	1,084.4
200	Treasury shares	(34.7)	34.7	
210	Shareholders' equity attributable to non-controlling interests (+/-)	45.7	3,774.2	3,819.9
220	Profit (loss) for the year (+/-)	271.8	(199.8)	72.0
	Total liabilities and shareholders' equity	**17,752.2**	**338.9**	**18,091.1**

Unipol Banking Group - Consolidated Income Statement

	Amounts in €m	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/20145	Adjustments	Unipol Banking Group Consolidated for prudential purposes at 31/12/2015
10	Interest and similar income	364.0	0.1	364.1
20	Interest and similar expense	(190.0)	(16.0)	(206.0)
30	**Net interest income**	**174.0**	**(15.9)**	**158.1**
40	Commission income	147.1	(0.0)	147.1
50	Commission expense	(22.6)	(0.0)	(22.6)
60	**Net commission income**	**124.6**	**(0.0)**	**124.6**
70	Dividends and similar income	0.6	0.0	0.6
80	Net gains on trading	(21.9)	(0.0)	(21.9)
90	Net gains on hedges	(0.1)		(0.1)
100	Gains (losses) on disposal or repurchase of:	4.7		4.7
	a) receivables	*(25.4)*		*(25.4)*
	b) available-for-sale financial assets	*26.0*		*26.0*
	c) held-to-maturity financial assets	*5.0*		*5.0*
	d) financial liabilities	*(0.9)*		*(0.9)*
110	Net gains (losses) on financial assets and liabilities at fair value		10.3	10.3
120	**Gross operating income**	**281.8**	**(5.6)**	**276.2**
130	Net impairment losses/reversals on:	(158.5)		(158.5)
	a) receivables	*(151.7)*		*(151.7)*
	b) available-for-sale financial assets	*(6.3)*		*(6.3)*
	c) held-to-maturity financial assets			
	d) other financial transactions	*(0.5)*		*(0.5)*
140	**Net financial income**	**123.3**	**(5.6)**	**117.7**
180	Administrative expenses:	(340.5)	(3.8)	(344.3)
	a) personnel expenses	*(168.4)*	*(0.9)*	*(169.3)*
	b) other administrative expenses	*(172.2)*	*(2.9)*	*(175.1)*
190	Net provisions for risks and charges	(1.8)		(1.8)
200	Net impairment losses/reversals on property, plant and equipment	(6.0)	(0.1)	(6.1)
210	Net impairment losses/reversals on intangible assets	(2.1)		(2.1)
220	Other operating expenses/income	56.5	1.7	58.2
230	**Operating expenses**	**(294.0)**	**(2.2)**	**(296.2)**
240	Gains (losses) on investments	479.5	0.0	479.5
250	Net gains/losses on FV measurement of property, plant and equipment and intangible assets			
260	Value adjustments to goodwill			
270	Gains (losses) on disposal of investments	0.1		0.1
280	**Pre-tax profit (loss) on continuing operations**	**308.9**	**(7.8)**	**301.0**
290	Income tax for the year on continuing operations	(36.4)	0.3	(36.1)
300	**Profit (loss) for the year on continuing operations after taxes**	**272.4**	**(7.5)**	**264.9**
310	Profit (loss) for the year on disposal groups			
320	**Profit (loss) for the year**	**272.4**	**(7.5)**	**264.9**
330	Profit (loss) for the year attributable to non-controlling interests	(0.6)	(192.3)	(192.9)
340	**Profit (loss) for the year attributable to the Parent**	**271.8**	**(199.8)**	**72.0**

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 2015, 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 2015.
The first column, "Unipol Consolidated Financial Statements at 31/12/2015", shows the values taken from the Unipol Group Consolidated Financial Statements at 31 December 2015, 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 31/12/2015 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 31/12/2015 (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 31/12/2015	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2015 restated due to consolidation method changes
1		**INTANGIBLE ASSETS**	**2,071.0**	**(2,057.2)**	**13.8**
	1.1	Goodwill	1,581.9	(1,581.9)	
	1.2	Other intangible assets	489.1	(475.3)	13.8
2		**PROPERTY, PLANT AND EQUIPMENT**	**1,757.0**	**(1,741.5)**	**15.6**
	2.1	Property	1,619.1	(1,617.9)	1.2
	2.2	Other tangible assets	137.9	(123.6)	14.4
3		**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**897.4**	**(897.4)**	
4		**INVESTMENTS**	**79,346.6**	**(62,866.3)**	**16,480.3**
	4.1	Investment property	2,350.2	(2,349.0)	1.1
	4.2	Investments in subsidiaries, associates and interests in joint ventures	90.0	5,483.9	5,573.9
	4.3	Held-to-maturity investments	1,528.4	(1,100.0)	428.4
	4.4	Loans and receivables	14,549.2	(5,111.3)	9,437.9
	4.5	Available-for-sale financial assets	50,915.8	(49,888.9)	1,026.9
	4.6	Financial assets at fair value through profit or loss	9,913.1	(9,901.0)	12.1
5		**SUNDRY RECEIVABLES**	**3,214.6**	**(2,980.4)**	**234.2**
	5.1	Receivables relating to direct insurance business	1,593.5	(1,593.5)	
	5.2	Receivables relating to reinsurance business	80.7	(80.7)	
	5.3	Other receivables	1,540.5	(1,306.3)	234.2
6		**OTHER ASSETS**	**1,612.2**	**(705.3)**	**906.9**
	6.1	Non-current assets or assets of a disposal group held for sale	16.5	(16.5)	
	6.2	Deferred acquisition costs	86.9	(86.9)	
	6.3	Deferred tax assets	919.5	(212.5)	707.0
	6.4	Current tax assets	53.6	(47.2)	6.4
	6.5	Other assets	535.7	(342.2)	193.5
7		**CASH AND CASH EQUIVALENTS**	**874.4**	**(772.9)**	**101.5**
		TOTAL ASSETS	**89,773.3**	**(72,021.1)**	**17,752.2**

Consolidated Statement of Financial Position - Shareholders' Equity and Liabilities

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2015	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2015 restated due to consolidation method changes
1	**SHAREHOLDERS' EQUITY**	**8,444.5**	**(2,875.3)**	**5,569.2**
1.1	**attributable to the owners of the Parent**	**5,523.6**	**0.0**	**5,523.6**
	Share capital and reserves attributable to the owners of the Parent	4,629.2	0.0	4,629.2
	Gains or losses recognised directly in equity	894.4	(271.8)	622.6
	Profit (loss) for the year attributable to the owners of the Parent	271.8	0.0	271.8
1.2	**attributable to non-controlling interests**	**2,921.0**	**(2,875.3)**	**45.7**
2	**PROVISIONS**	**550.1**	**(520.5)**	**29.6**
3	**TECHNICAL PROVISIONS**	**63,149.6**	**(63,149.6)**	
4	**FINANCIAL LIABILITIES**	**15,571.4**	**(3,924.6)**	**11,646.8**
4.1	Financial liabilities at fair value through profit or loss	2,657.8	(2,637.4)	20.4
4.2	Other financial liabilities	12,913.6	(1,287.2)	11,626.4
5	**PAYABLES**	**917.7**	**(746.3)**	**171.5**
5.1	Payables arising from direct insurance business	146.9	(146.9)	
5.2	Payables arising from reinsurance business	87.6	(87.6)	
5.3	Other payables	683.2	(511.7)	171.5
6	**OTHER LIABILITIES**	**1,139.9**	**(804.8)**	**335.1**
6.1	Liabilities associated with disposal groups			
6.2	Deferred tax liabilities	49.4	(47.2)	2.2
6.3	Current tax liabilities	42.4	(35.2)	7.3
6.4	Other liabilities	1,048.1	(722.5)	325.6
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**89,773.3**	**(72,021.1)**	**17,752.2**

Consolidated Income Statement

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2015	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2015 restated due to consolidation method changes
1.1	Net premiums	15,261.4	(15,261.4)	
1.2	Commission income	117.2	29.9	147.1
1.3	Gains/losses on financial instruments at fair value through profit or loss	369.4	(391.7)	(22.3)
1.4	Gains on investments in subsidiaries, associates and interests in j-v	17.6	467.4	485.0
1.5	Gains on other financial instruments and investment property	3,036.2	(2,561.1)	475.0
1.6	Other revenue	560.3	(469.8)	90.4
1	**TOTAL REVENUE AND INCOME**	**19,362.0**	**(18,186.8)**	**1,175.3**
2.1	Net charges relating to claims	(13,635.7)	13,635.7	
2.2	Commission expense	(33.0)	10.8	(22.2)
2.3	Losses on investments in subsidiaries, associates and interests in j-v	(14.1)	7.9	(6.1)
2.4	Losses on other financial instruments and investment property	(1,097.0)	641.7	(455.2)
2.5	Operating expenses	(2,804.0)	2,441.9	(362.0)
2.6	Other costs	(820.2)	799.4	(20.8)
2	**TOTAL COSTS AND EXPENSES**	**(18,403.9)**	**17,537.5**	**(866.4)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**958.1**	**(649.3)**	**308.9**
3	Income tax	(379.4)	342.9	(36.4)
	PROFIT (LOSS) FOR THE YEAR AFTER TAXES	**578.7**	**(306.3)**	**272.4**
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS			
	CONSOLIDATED PROFIT (LOSS)	**578.7**	**(306.3)**	**272.4**
	of which attributable to the owners of the Parent	**271.8**	**0.0**	**271.8**
	of which attributable to non-controlling interests	307.0	(306.3)	0.6

Own funds and solvency ratios of the Unipol Banking Group

The following table summarises own funds 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 2015.

Amounts in €m	31/12/2015	31/12/2014
Equity		
CET1 capital net of regulatory adjustments	2,441.6	1,487.6
Additional Tier1 capital net of regulatory adjustments	55.6	1,101.6
TOTAL TIER 1 CAPITAL	**2,497.2**	**2,589.3**
T2 capital net of regulatory adjustments	345.9	668.5
TOTAL EQUITY	**2,843.2**	**3,257.7**
Risk-weighted assets		
Credit and counterparty risks	**12,443.5**	13,294.7
Market and regulatory risks	**0.1**	0.1
Operational risks	**703.4**	698.6
Other specific risks	**0.0**	1.5
TOTAL RISK-WEIGHTED ASSETS	**13,147.1**	**13,995.0**
Solvency ratios		
CET1 ratio	**18.6%**	**10.6%**
TIER1 ratio	**19.0%**	**18.5%**
TOTAL CAPITAL RATIO	**21.6%**	**23.3%**

CET1 takes into consideration the 2015 profit for the year, net of dividends planned in the proposed allocation of profit approved by the Board of Directors for the consolidated companies.

The Bank of Italy, upon completion of the periodic prudential revision process (SREP), with its Measure of 16 December 2015 requested the Unipol Banking Group to adopt capital requirements at the consolidated level that are slightly higher than the minimum regulatory requirements, raising the individual ratios to the following percentage values (including 2.5% as capital preservation reserve):

- CET 1 ratio no lower than 7.4% (instead of 7.0%);
- Tier 1 ratio no lower than 8.9% (instead of 8.5%);
- Total capital ratio no lower than 10.9% (instead of 10.5%).

Own funds

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, profit reserves, other comprehensive income, with the exclusion, in 2015, of 60% of the valuation reserves for available-for-sale financial instruments, which will gradually be included throughout the transitional period (in 2014 these were entirely excluded). These will be calculated entirely from the year 2018. 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 own funds

The table below illustrates the breakdown of Equity at 31 December 2015, with separate indication of the effects of the transitional system.

Amounts in €m	31/12/2015	31/12/2014
A. Common Equity Tier 1 (CET1) before application of prudential filters	**3,237.8**	**3,002.5**
of which CET1 instruments subject to transitional rules		
B. CET1 prudential filters (+/-)	(0.3)	0.7
C. CET1 gross of deductible items and the effects of the transition system (A+/-B)	3,237.4	3,003.2
D. Items to be deducted from CET1	1,779.0	1,785.3
E. Transitionl system - Impact on CET1 (+/-), including non-controlling interests subject to transitional rules	983.2	269.7
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	**2,441.6**	**1,487.6**
G. Additional Tier 1 capital (AT1) gross of deductible items and the effects of the transition system	**135.2**	**373.6**
of which AT1 instruments subject to transition rules		
H. Items to be deducted from AT1		
I. Transition system - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to the effect of transition rules	(79.5)	728.0
L. Total Additional Tier1 (AT1) (G - H +/- I)	**55.6**	**1,101.6**
M. Tier 2 capital (T2) gross of deductible elements and the effects of the transition system	**139.1**	**205.4**
of which T2 instruments subject to transition rules		
N. Items to be deducted from T2		
O. Transition system - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to the effect of transition rules	**206.9**	**463.1**
P. Total Tier 2 capital (T2) (M - N +/- O)	**345.9**	**668.5**
Q. Total own funds (F + L + P)	**2,843.2**	**3,257.7**

A statement of reconciliation between regulatory own funds 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 own funds, 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 own funds and Consolidated Statement of Financial Position of the Unipol Banking Group

Financial statement item	*Amounts in €m*	31/12/2015	31/12/2014
Liabilities 190	Share capital (ordinary shares)	1,084.4	1,084.4
Liabilities 180	Share premium reserve	283.0	286.3
Liabilities 170	Reserves	(33.6)	(21.0)
Liabilities 140	Valuation reserves	198.2	248.1
Liabilities 210	Non-controlling interests included in Tier1 (excluding transitional effects)	1,656.7	1,383.5
Liabilities 220	Profit for the period	72.0	47.6
	Proposed dividends	(22.9)	(26.5)
	CET1 before regulatory adjustments	**3,237.8**	**3,002.5**
Liabilities 140	Exclusion of profit reserves generated by cash flow hedges	(0.3)	0.7
	CET1 prudential filters	**(0.3)**	**0.7**
Assets 130	Deduction of intangible assets	(350.1)	(351.4)
Assets 100	Deduction of goodwill implicit in investments, net of related taxes	(1,420.9)	(1,422.6)
Assets 140b)	Deduction of deferred tax assets dependent on future profitability, excluding those deriving from temporary differences	(8.0)	(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)
	Items to be deducted from CET1	**(1,779.0)**	**(1,785.3)**
Assets 140b)	Recovery of deferred tax assets deriving from temporary differences		4.8
Assets 140b)	Partial recovery of other deferred tax assets dependent on future profitability	4.8	5.1
Liabilities 140	Exclusion of available-for-sale unrealised gains and losses	(112.5)	(247.9)
Liabilities 210	Non-controlling interests included in Tier1 as a result of the transition system	1,090.9	507.6
	Effects of transition system on CET1	**983.2**	**269.7**
	Common Equity Tier 1 - CET1	**2,441.6**	**1,487.6**
Liabilities 210	Tier 1 capital issued by subsidiaries and held by third parties	135.2	373.6
Liabilities 210	Tier 1 instruments issued by subsidiaries and included as a result of the transition system	(79.5)	728.0
	Additional Capital 1 - AT1	**55.6**	**1,101.6**
	Tier 1 capital (T1 = CET1 + AT1)	**2,497.2**	**2,589.3**
Liabilities 30	Tier 2 instruments issued by subsidiaries and held by third parties	139.1	205.4
	Tier 2 capital before regulatory adjustments	**139.1**	**205.4**
	Tier 2 instruments issued by associates and included in the transition system calculation	47.6	173.5
	Share of AFS unrealised gains and losses, including portion attributable to non-controlling interests, included as a result of the transition system	159.2	289.6
	Effects of transition system on T2	**206.9**	**463.1**
	Tier 2 capital (T2)	**345.9**	**668.5**
	Total Shareholders' Equity - Total Capital (TC = T1 + T2)	**2,843.2**	**3,257.7**

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	15/01/2007	15/01/2017	85,000,000.00	Variable rate	Euribor 3-m (act/360) + spread 0.20%)	15/01/2012	13.3
Unipol Banca	15/01/2007	15/01/2017	15,000,000.00	Fixed rate	4.40%	15/01/2012	2.4
Unipol Banca	05/12/2007	05/12/2017	63,000,000.00	Variable rate	Euribor 3-m (act/360) + spread 0.30%)	05/12/2012	17.3
Unipol Banca	05/12/2007	05/12/2017	7,000,000.00	Fixed rate	4.80%	05/12/2012	2.1
Unipol Banca	24/08/2009	24/08/2019	25,000,000.00	Fixed rate	4.50%	24/08/2014	14.1
Unipol Banca	12/10/2009	12/10/2019	50,000,000.00	Fixed rate	4.50%	12/10/2014	29.2
Unipol Banca	17/12/2009	17/12/2019	300,000,000.00	Variable rate	Quarterly average Euribor 3-m (act/365) + 6.40%	N/A	108.3
Total Tier 2 instruments							**186.7**

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 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 the 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 determination of the total internal capital: aggregation of the capital components of every risk to determine both the current and forward-looking total internal capital. The total internal capital represents the internal assessment of the total capital requirement in relation to all identified risks, integrated in a prospective view to take into account the policies and strategic actions underway or planned;
- reconciliation between total capital and regulatory capital: identification of the accounting items that make up the total capital and reconciliation with the own funds components;
- current and forward-looking capital adequacy assessment: assessment of the capital ratios in line with Bank of Italy regulatory instructions and verification that own funds are 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[8] for ICAAP purposes and applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority.

[8]The Group qualifies as class 2: Banking groups and banks that use standardised procedures, with consolidated or individual assets exceeding €3.5bn.

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 2015, 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 and the additional capital):
    - CET 1 ratio 18.6%, vs. a requirement of 7.9%, of which 4.5% minimum regulatory requirement and 2.9% additional requirement (2.5% conservation capital and 0.4% required by Bank of Italy upon completing the periodic prudential revision process - SREP);
    - Tier 1 ratio 19%, versus a requirement of 8.9%;
    - Total capital ratio 21,6%, versus a requirement of 10.9%;

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.

Quantitative information

The table below shows the breakdown of capital requirements at 31 December 2015.

Capital requirements

Amounts in €m	Amounts not weighted	Amounts weighted	Requirements
A. REGULATORY CAPITAL REQUIREMENTS			
A.1 Credit risk and counterparty risk	**16,944.9**	**12,443.5**	**995.5**
1. Standardised approach	16,944.8	12,443.4	995.5
4. Securitisations	0.1	0.1	0.0
A.2 Credit risk - credit assessment adjustment		**0.0**	**0.0**
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		**703.4**	**56.3**
1. Basic approach		703.4	56.3
A.7 Other prudential requirements			
A.8 Total prudential requirements		**13,147.1**	**1,051.8**
B. SOLVENCY RATIOS (%)			
B.1 Common Equity Tier 1 ratio			**18.6%**
B.2 Tier 1 ratio			**19.0%**
B.3 Total capital ratio			**21.6%**

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 applies 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	
	31/12/2015	**31/12/2014**
Exposure to or guaranteed by central administrations and central banks	72.7	80.3
Exposure to or guaranteed by regional administrations or local authorities	0.1	0.3
Exposure to or guaranteed by public sector entities	1.6	1.5
Exposure to or guaranteed by multilateral development banks		
Exposure to or guaranteed by international organisations		
Exposure to or guaranteed by supervised intermediaries	16.9	15.5
Exposure to or guaranteed by businesses	171.9	199.0
Retail exposures	78.5	81.5
Exposures guaranteed by property	90.2	99.0
Exposures with default status	204.0	213.5
High-risk exposures	6.0	6.8
Exposures in the form of covered bonds		
Short-term exposures to businesses or supervised intermediaries		
Exposures to UCITS	1.1	0.8
Exposures to equity instruments	337.5	350.9
Other exposures	15.2	14.5
Exposures to central counterparties in the form of pre-financed contributions to the guarantee fund	0.0	
Securitisation: positions towards securitisations	0.0	
Total capital requirements for credit risk and counterparty risk (Standardised Approach)	**995.5**	**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.

On the other hand, "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 and doubtful of unlikely to pay), with a past due portion exceeding the significance level of 5% (as determined above);
- unlikely to pay;
- bad and doubtful.

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.

Classifications as unlikely to pay, carried out on the basis of the additional criteria established by Bank of Italy, 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, the loss estimates for which originate from analytical valuation, performing exposures 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 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

Portfolio/Quality	bad and doubtful	unlikely to pay	restructured exposures	impaired past due exposures	performing assets	Total
1. Available-for-sale financial assets		0.1			952.6	952.7
2. Held-to-maturity investments					428.4	428.4
3. Receivables from banks					690.1	690.1
4. Receivables from customers	1,128.8	925.1	122.4	436.5	6,161.6	8,774.4
5. Financial assets at fair value						
6. Discontinued financial assets						
Total 2015	**1,128.8**	**925.3**	**122.4**	**436.5**	**8,232.6**	**10,845.6**
Total 2014	1,140.3	1,049.9	77.1	371.5	8,702.5	11,341.3

Cash credit exposure to customers: total value adjustments trend

Amounts in €m	Bad and doubtful	Unlikely to pay	Past due exposures
Reason/Category	Total	Total	Total
Total adjustments - opening balance	**1,409.0**	**244.9**	**3.8**
- of which: exposures transferred but not written off	18.4	2.1	
B. Increases	**279.0**	**77.8**	**7.9**
B.1 value adjustments	245.4	74.7	6.3
B.2 losses on disposal		0.5	
B.3 transfers from other classes of impaired exposures	30.0	2.4	1.6
B.4 other increases	3.5	0.1	
C. Decreases	**172.8**	**102.6**	**5.1**
C.1 reversals of unrealised losses	71.7	33.4	1.5
C.2 reversals on collection	4.5	8.2	0.6
C.3 gains on disposal	0.6		
C.4 write-offs	94.2	28.7	0.0
C.5 transfers to other classes of impaired exposures	0.9	30.7	2.4
C.6 other decreases	0.9	1.6	0.5
D. Total adjustments - closing balance	**1,515.2**	**220.0**	**6.6**
- of which: exposures transferred but not written off	39.3	1.2	0.0

As a result of the change to the definitions of impaired financial assets introduced by the Bank of Italy with effect from 1 January 2015 in order to align them to the new notions of “Non Performing Exposures” and “Forbearance” defined by the European Banking Authority, the adjustments at 31 December 2014 of the former substandard and restructured positions were conventionally included under line A “Total adjustments - opening balance” of the Unlikely to pay item.

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	2,644.0	1,515.2	1,128.8	57.3%
- of which subject to concession	*49.4*	*35.9*	*13.5*	*72.7%*
Substandard	1,145.1	220.0	925.1	19.2%
- of which subject to concession	*529.4*	*91.0*	*438.4*	*17.2%*
Impaired past due exposures	129.0	6.6	122.4	5.1%
- of which subject to concession	*52.4*	*1.6*	*50.8*	*3.0%*
Other loans	6,650.7	52.5	6,598.1	0.8%
- of which subject to concession	*253.7*	*5.9*	*247.8*	*2.3%*
Total receivables from customers	**10,568.8**	**1,794.4**	**8,774.4**	**17.0%**
of which subject to indemnity	*1,008.2*	*673.2*	*335.0*	*66.8%*

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 subsequently amended and extended to extra net loans. In particular:

- 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 amounts collected 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 €832m at 31 December 2015. 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 2015 was €26.7m (€18.5m in 2014).

In relation to the Indemnity Agreement, the separate financial statements of the Parent Unipol at 31 December 2015 recognised a provision for risks totalling €567m (€492.7m at 31/12/2014), of which €562.7m for cash exposures and €4.3m for unsecured exposures (€488.5m and €4.2m at 31/12/2014, respectively), with a negative impact on the 2015 income statement of €100m (€196m in 2014).

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	891.0	108.0	529.4	637.4	253.6	71.5%
- of which subject to concession	39.2	2.3	30.9	33.2	6.1	84.6%
unlikely to pay	117.3	2.6	33.2	35.8	81.4	30.6%
- of which subject to concession	26.5	0.1	11.0	11.1	15.4	41.9%
Other loans						
Total	**1,008.2**	**110.6**	**562.6**	**673.2**	**335.0**	**66.8%**

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	4.5		4.3	4.3	0.3	94.2%
Unlikely to pay						
Other impaired assets						
Performing exposures						
Total	**4.5**		**4.3**	**4.3**	**0.3**	**94.2%**

7 Statement on the Consolidated Financial Statements

in accordance with Art. 81-*ter*
of Consob Regulation 11971/1999

Statement on the Consolidated Financial Statements

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 2015.

2. The assessment of the adequacy of the administrative and accounting procedures for preparing the consolidated financial statements for the year ended 31 December 2015 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 2015:

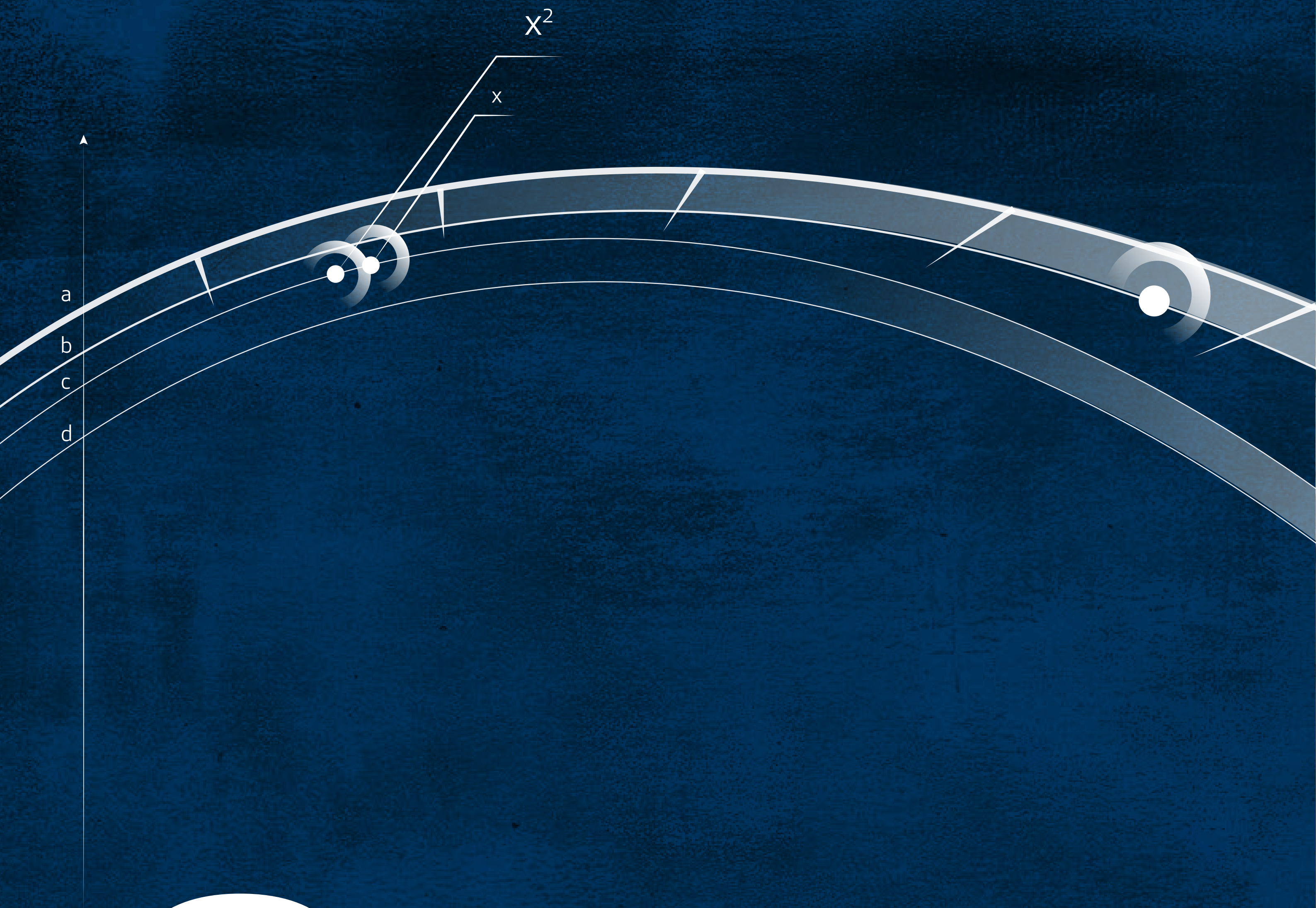
    - were drafted in compliance with the International Accounting Standards recognised in the European Community in accordance with EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002, and Legislative Decree no. 38/2005, Legislative Decree no. 209/2005 and the applicable IVASS 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, 10 March 2016

The Chief Executive Officer	The Manager in charge of financial reporting
Carlo Cimbri	*Maurizio Castellina*

(signed on the original)



8 | Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 39 OF 27 JANUARY 2010

To the Shareholders of
Unipol Gruppo Finanziario SpA

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

We have audited the accompanying consolidated financial statements of Unipol Gruppo Finanziario SpA and its subsidiaries ("Unipol Group"), which comprise the statement of financial position as at 31 december 2015, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Unipol Gruppo Finanziario SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

PricewaterhouseCoopers SpA

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Unipol Group as at 31 december 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 90 of Legislative Decree 38/2005.

REPORT ON COMPLIANCE WITH OTHER LAWS AND REGULATIONS

Opinion on the consistency with the consolidated financial statements of the management report and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) 720B in order to express an opinion, as required by law, on the consistency of the management report and of the information set out in the report on corporate governance and ownership structure, available in Unipol Gruppo Finanziario SpA web-site section *"Corporate Governance"*, referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998, which are the responsibility of the directors of Unipol Gruppo Finanziario SpA, with the consolidated financial statements of the Unipol Group as at 31 december 2015. In our opinion, the management report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Unipol Group as at 31 december 2015.

Milan, 5 April 2016

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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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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Unipol Gruppo Finanziario S.p.A.
Registered office
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40128 Bologna (Italy)