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

2014 Annual Report
of the Intesa Sanpaolo Vita Insurance Group

INTESA SANPAOLO VITA S.p.A.
Registered office: Corso Giulio Cesare 268 – 10154 Turin – Administrative offices: Viale Stelvio 55/57 – 20159 Milan – Turin company registration no. 02505650370 – Fully paid-up share capital €320,422,508.00 – Included in the register of insurance and reinsurance companies as no. 1.00066 – Parent of the Intesa Sanpaolo Vita Insurance Group, included in the register of insurance companies as no. 28 – Managed and coordinated by Intesa Sanpaolo S.p.A.

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Management report

Company bodies

Board of directors

Chairman	Luigi Maranzana
Deputy chairman	Elio Fontana
Managing director	Nicola Maria Fioravanti
Directors	Paolo Fignagnani Paolo Maria Grandi Franco Gallia Andrea Panozzo Anna Torriero Guglielmo Weber

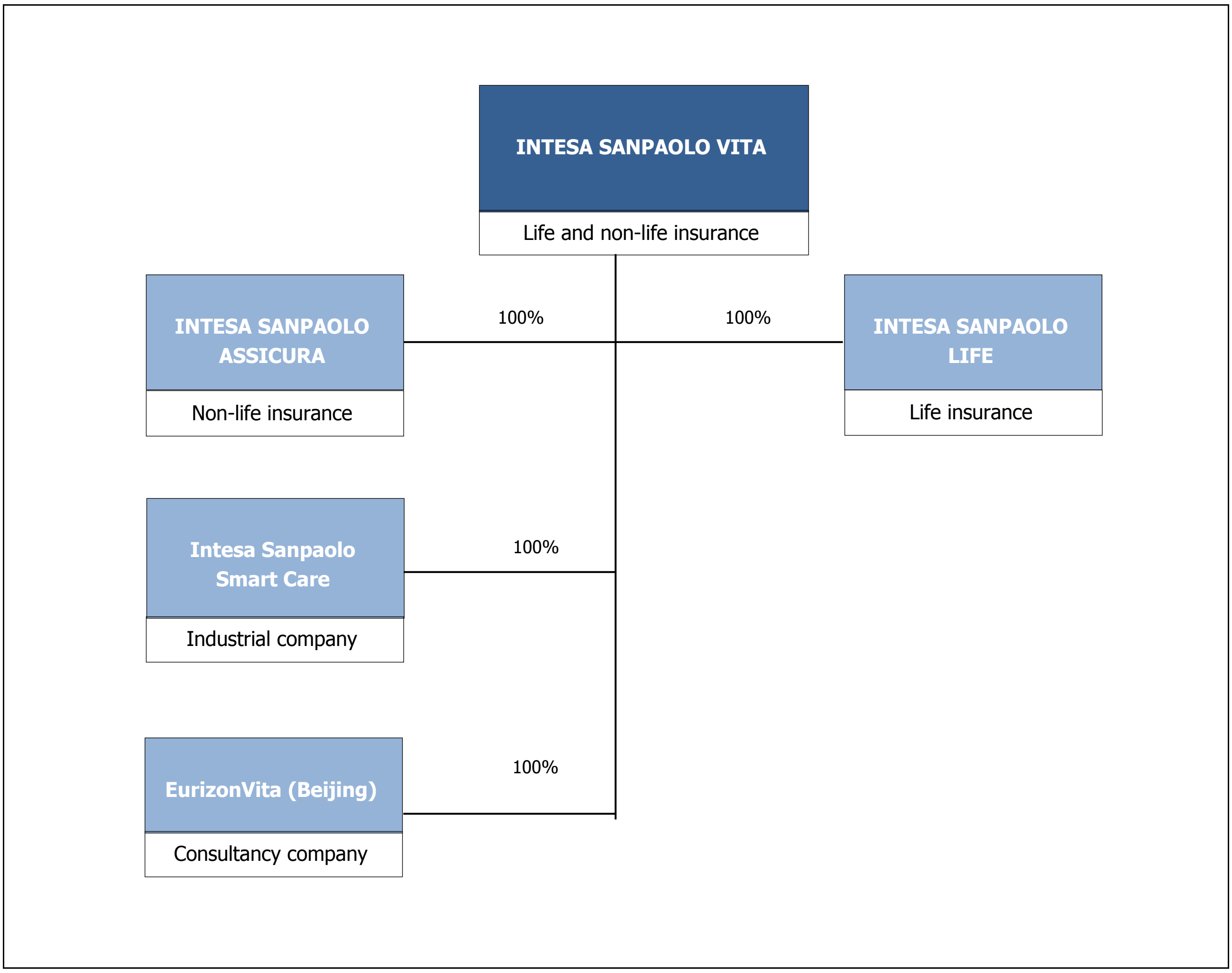
Board of Statutory Auditors

Chairman	Massimo Broccio
Standing statutory auditors	Paolo Mazzi Riccardo Ranalli
Alternate statutory auditors	Eugenio Mario Braja Patrizia Marchetti

Independent auditors

KPMG S.p.A.

Group structure



Key consolidated figures

millions €

	31-12-2014	31-12-2013	Change	
Operational figures				
Gross collection	21,059.9	14,178.5	6,881.4	48.5%
Premiums of Life insurance products	409.4	424.8	-15.4	-3.6%
Premiums of Life financial products with DPF	14,516.5	10,732.3	3,784.2	35.3%
Gross collection of Life insurance products without DPF	5,923.4	2,789.1	3,134.3	>100%
Premiums of Non-life business	210.6	232.3	-21.7	-9.4%
Life new business	20,625.2	13,673.0	6,952.2	50.8%
Life Contracts	3,177,491	3,080,592	96,899	3.1%
Non-life Contracts	1,773,031	1,882,641	-109,610	-5.8%
Human Resources	543	520	23	4.4%
Balance sheet figures				
Investments	97,192.8	76,861.9	20,330.9	26.5%
- Available-for-sale financial assets	71,043.9	54,649.3	16,394.6	30.0%
- Financial assets at fair value through profit or loss	26,048.5	22,114.8	3,933.7	17.8%
- Other investments	100.3	97.7	2.6	2.7%
Insurance provisions	74,413.9	58,402.4	16,011.6	27.4%
- Life insurance contracts	7,605.7	7,285.9	319.8	4.4%
- Life financial contracts with DPF	60,574.6	49,334.6	11,240.0	22.8%
- Shadow accounting provision	5,749.5	1,307.0	4,442.5	>100%
- Non-life insurance policies	484.2	474.9	9.3	2.0%
Financial liabilities	22,243.7	17,718.3	4,525.4	25.5%
- Unit-linked financial policies	20,015.4	15,715.2	4,300.2	27.4%
- Index-linked financial policies	448.7	1,098.6	-649.9	-59.2%
- Products with specific assets	-	-	-	0.0%
- Subordinated liabilities	1,337.6	617.2	720.3	>100%
- Other liabilities	442.1	287.3	154.7	53.8%
Shareholders' equity	4,379.4	4,329.3	50.1	1.2%
- attributable to the Group	4,379.4	4,329.3	50.1	1.2%
- attributable to minority interests	-	-	-	0.0%
Income statement				
Net earned premiums	15,131.9	11,363.1	3,768.9	33.2%
Net insurance benefits and claims	16,449.1	12,459.6	3,989.5	32.0%
Net fee and commission income	121.3	97.0	24.3	25.1%
Net income from financial instruments and investments	2,363.8	2,196.3	167.6	7.6%
Commissions and other acquisition costs	311.2	323.3	-12.1	-3.7%
Consolidated profit	480.4	346.7	133.7	38.6%
- attributable to the Group	480.4	346.7	133.7	38.6%
- attributable to minority interests	-	-	-	0.0%
Ratio				
Expense ratio	*2.1%*	*2.8%*	-0.8%	-27.7%
Non-life Loss ratio	*47.0%*	*49.4%*	-2.5%	-5.0%
Gross collection/insurance provisions and financial liabilities	21.8%	18.6%	3.2%	17.0%
Non-life combined ratio	*93.9%*	*96.2%*	-2.3%	-2.4%
Net fees and commissions/financial liabilities (Index- and Unit-linked)	0.6%	0.6%	0.0%	2.7%

The figures as at and 31 December 2013 and for the year then ended have been restated when required by the IFRS and, where necessary, to reflect changes in the consolidation scope.

Reclassified consolidated financial statements

Reclassified statement of financial position and income statement

millions €

	31-12-2014	31-12-2013	Change	
ASSETS				
Intangible assets	635.7	632.0	3.7	0.6%
Tangible assets	0.6	0.9	-0.3	-28.3%
Amount ceded to reinsurers from insurance provisions	27.2	14.1	13.1	92.6%
Investments	97,192.8	76,861.9	20,330.9	26.5%
- Lands and buildings (investment properties)	19.4	19.6	-0.2	-0.8%
- Investments in subsidiaries, associates and joint ventures	-	-	-	n.a.
- Held to maturity investments	-	-	-	n.a.
- Loans and receivables	80.9	78.1	2.8	3.6%
- Available-for-sale financial assets	71,043.9	54,649.3	16,394.6	30.0%
- Financial assets at fair value through profit or loss	26,048.5	22,114.8	3,933.7	17.8%
Receivables	482.6	588.4	-105.9	-18.0%
Other assets	1,706.3	1,494.7	211.7	14.2%
Cash and cash equivalents	2,560.6	2,117.7	442.9	20.9%
Total assets	**102,605.8**	**81,709.7**	**20,896.2**	**25.6%**
LIABILITIES				
Shareholders' equity	4,379.4	4,329.3	50.1	1.2%
- attributable to the Group	4,379.4	4,329.3	50.1	1.2%
- attributable to minority interests	-	-	-	n.a.
Other provisions	10.6	8.3	2.3	28.1%
Insurance provisions	74,413.9	58,402.4	16,011.6	27.4%
- Life insurance contracts	7,605.7	7,285.9	319.8	4.4%
- Life financial contracts with DPF	60,574.6	49,334.6	11,240.0	22.8%
- Shadow accounting provision	5,749.5	1,307.0	4,442.5	339.9%
- Non-life insurance policies	484.2	474.9	9.3	2.0%
Financial liabilities	22,243.7	17,718.3	4,525.4	25.5%
- Index-linked financial policies	448.7	1,098.6	-649.9	-59.2%
- Unit-linked financial policies	20,015.4	15,715.2	4,300.2	27.4%
- Products with specific assets	-	-	-	n.a.
- Subordinated liabilities	1,337.6	617.2	720.3	116.7%
- Other liabilities	442.1	287.3	154.7	53.8%
Payables	520.8	414.2	106.5	25.7%
Other liabilities	1,037.3	837.1	200.2	23.9%
Total Shareholders' equity and liabilities	**102,605.8**	**81,709.7**	**20,896.2**	**25.6%**

millions €

	31-12-2014	31-12-2013	Change	
Net earned premiums	**15,131.9**	**11,363.0**	**3,769.0**	**33.2%**
- Life businesses	14,925.5	11,156.6	3,768.8	33.8%
- Non-life businesses	206.5	206.4	0.1	0.0%
Net insurance benefits and claims	**-16,449.1**	**-12,459.6**	**-3,989.5**	**32.0%**
Net fee and commission income	**121.3**	**97.0**	**24.3**	**25.1%**
Net income from financial instruments and investments	**2,363.8**	**2,196.4**	**167.5**	**7.6%**
- Net income from financial instruments at fair value through profit or loss	-83.2	204.3	-287.5	<-100%
- Other income	2,447.1	1,992.0	455.1	22.8%
Acquisition and administration costs	**-409.7**	**-416.1**	**6.4**	**-1.5%**
- Commissions and other acquisition costs	-311.2	-323.3	12.1	-3.7%
- Other costs	-98.4	-92.8	-5.7	6.1%
Other revenues and expenses	**-62.2**	**-210.6**	**148.4**	**-70.4%**
Profit before taxes for the period	**696.1**	**570.0**	**126.1**	**22.1%**
- Income taxes	-215.7	-223.3	7.7	-3.4%
Consolidated profit after taxes	**480.4**	**346.7**	**133.7**	**38.6%**
Loss from discontinued operations	**-**	**-**	**-**	**n.d.**
Consolidated profit	**480.4**	**346.7**	**133.7**	**38.6%**
- attributable to the Group	480.4	346.7	133.7	38.6%

The figures as at and 31 December 2013 and for the year then ended have been restated when required by the IFRS and, where necessary, to reflect changes in the consolidation scope.

Statement of comprehensive income

thousands €

INTESA SANPAOLO VITA S.p.A.	Total 31-12-2014	Total 31-12-2013
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**480,406**	**346,699**
Other comprehensive income after taxes without reclassification in the income statement	**-299**	**-222**
Change in shareholders' equity of subsidiaries		-
Changes in the revaluation reserve of intangible assets		-
Changes in the revaluation reserve of tangible assets		-
Gains (losses) of non-current assets held for sale and discontinued operations		-
Actuarial gains (losses) arising from defined benefit plans	-299	-222
Other items	-	-
Other comprehensive income after taxes with reclassification in the income statement	**269,529**	**68,367**
Foreign currency translation differences	43	-5
Net unrealized gains (losses) on available for sale financial assets	269,486	68,372
Net unrealized gains (losses) on cash flow hedging derivatives		-
Net unrealized gains (losses) on hedge of a net investment in foreign operation		-
Change in shareholders' equity of subsidiaries		-
Gains (losses) of non-current assets held for sale and discontinued operations		-
Other items		-
TOTAL OF OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**269,230**	**68,145**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**749,636**	**414,844**
of which attributable to the Group	**749,636**	**414,844**
of which attributable to minority interests	**-**	**-**

Statement of changes in equity

thousands €

INTESA SANPAOLO VITA S.p.A.		Amount as of 31-12-2012	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 31-12-2013
Shareholders' equity attributable to the Group	Share capital	320,323	-	-	-	-	-	320,323
	Other equity instruments	-	-	-	-	-	-	-
	Capital reserves	1,327,197	-	-	-	-	-	1,327,197
	Revenue reserves and other reserves	2,335,077	-	343,106	-	-663,733	-	2,014,450
	(Own shares)	-	-	-	-	-	-	
	Result for the period	342,806	-	3,893	-	-	-	346,699
	Other comprehensive income	252,513	-	-222	47,548	20,819	-	320,658
	Total attributable to the Group	**4,577,916**	**-**	**346,777**	**47,548**	**-642,914**	**-**	**4,329,327**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,577,916**	**-**	**346,777**	**47,548**	**-642,914**	**-**	**4,329,327**

INTESA SANPAOLO VITA S.p.A.		Amount as of 31-12-2013	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 31-12-2014
Shareholders' equity attributable to the Group	Share capital	320,323	-	100	-	-	-	320,423
	Other equity instruments	-	-	-	-	-	-	-
	Capital reserves	1,327,197	-	900	-	-	-	1,328,097
	Revenue reserves and other reserves	2,014,450	-	347,005	-	-700,820	-	1,660,635
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	346,699	-	133,707	-	-	-	480,406
	Other comprehensive income	320,658	-	-454	-35,331	305,015	-	589,888
	Total attributable to the Group	**4,329,327**	**-**	**481,258**	**-35,331**	**-395,805**	**-**	**4,379,449**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,329,327**	**-**	**481,258**	**-35,331**	**-395,805**	**-**	**4,379,449**

Statement of cash flows (indirect method)

thousands €

INTESA SANPAOLO VITA S.p.A.	31-12-2014	31-12-2013
Profit (loss) before taxes for the period	**696,074**	**570,019**
Change in non-cash items	**16,785,080**	**7,557,912**
Change in non-life provision from unearned premium	-10,936	23,993
Change in non-life provision for outstanding claims and other insurance provisions	6,792	29,885
Change in mathematical provisions and other life insurance provisions	16,272,111	7,279,163
Change in deferred acquisition costs	283	560
Change in provisions	2,333	-7,150
Non-cash income and expenses from financial instruments, investment property and equity investments	399,246	207,276
Other expenses	115,251	24,185
Change in receivables and payables generated by operating activities	**82,008**	**-996,236**
Change in receivables and payables on direct insurance and reinsurance operations	19,553	6,666
Change in other receivables and payables	62,455	-1,002,902
Income taxes paid	**-215,668**	**-223,320**
Net cash generated/absorbed by cash items related to investment and financing activity	**194,833**	**2,130,924**
Financial liabilities related to investment contracts	4,525,385	94,573
Payables to banks and customers	-	-
Loans and receivable from banks and customers	-	-
Other financial instruments at fair value through profit or loss	-4,330,552	2,036,351
CASH FLOW FROM OPERATING ACTIVITY	**17,542,327**	**9,039,299**
Net cash generated/absorbed by lands and buildings (investment property)	165	165
Net cash generated/absorbed by equity investments in subsidiaries, associates and joint ventures	-	13,200
Net cash generated/absorbed by loans and receivable	-2,796	11,412
Net cash generated/absorbed by held to maturity investments	-	-
Net cash generated/absorbed by available for sale financial assets	-16,396,983	-10,985,120
Net cash generated/absorbed by tangible and intangible assets	-	-
Other cash generated/absorbed by investment activity	-	-
CASH FLOW FROM INVESTING ACTIVITY	**-16,399,614**	**-10,960,343**
Net cash generated/absorbed by Group's share capital and equity instruments	-699,770	-663,660
Net cash generated/absorbed by own shares	-	-
Dividends payment		
Net cash generated/absorbed by minority interests' share capital and reserves	-	-
Net cash generated/absorbed by subordinated liabilities and participative financial instruments		
Net cash generated/absorbed by other financial liabilities		
CASH FLOW FROM FINANCING ACTIVITY	**-699,770**	**-663,660**
Effect of foreign-exchange differences on cash and cash equivalents		-
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	2,117,695	4,702,399
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**442,943**	**-2,584,704**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	2,560,638	2,117,695

The figures for the year ended 31 December 2013 have been restated when required by the IFRS and, where necessary, to reflect changes in the consolidation scope.

Reference context and Group performance

The external context

The macroeconomic scenario

The international economic climate and the Italian economy

Growth in the international economy and trade was modest in 2014. The speed of the recovery picked up in the US during the year, with more jobs available and the unemployment rate decreased to 5.6%. The Japanese economy stopped and started, affected by the tax restrictions of the second quarter of the year.

Inflation trends differed greatly from one geographical area to another at the start of the year in line with the various states' stages of the economic cycle. They then went on to slow down dramatically worldwide as a result of the drop in oil prices in the fourth quarter of the year. Both oil and gas prices fell sharply, despite the many geopolitical crisis hotspots, due to excess offer caused by smaller than forecast demand and faster growth in extraction capacity.

The Eurozone exited the recessionary phase of 2012-13, assisted in part by internal end demand. The economic recovery, which had become more widespread among the member states, started to falter in the second and third quarters. The outbreak of the Russian-Ukrainian crisis contributed to this about-turn as it led to a collapse in the EU's exports to Russia and a significant deterioration in business confidence. This worsened situation was seen throughout the third quarter, affecting the stronger economies, such as Germany, as well. Growth rates stabilised at modest levels in the last quarter of the year leading to large-scale downwards revisions of growth forecasts and the postponement of corrections to state budgets originally envisaged for 2014 and 2015.

Inflation was well below forecasts throughout the Eurozone, close to zero. In addition to weak consumer trends, this modest inflation trend also reflected the prior higher exchange rates, energy and foodstuff prices and the contraction in communication sector tariffs.

One of the European countries which is finding it the hardest to recover is Italy, where industrial production continued to flounder throughout the year. Many of the signs of recovery seen in the previous years disappeared starting from the end of the second quarter: business and household confidence worsened again, exports slowed down and investments decreased. Foreign demand's contribution to the Italian economy was weakened by Germany's slowdown, followed by some emerging countries, in a scenario characterised by little investment. The only positive surprise was demand, which benefitted from an upturn in households' real disposable income. On average, the annual 2014 GDP contracted by 0.4%. This negative economic performance triggered another increase in unemployment, up to 12.9% in December, and worsened the employment situation for young people.

Despite this disappointing macroeconomic situation, the Italian government maintained its deficit within the 3% limit. However, the progressive measures that should have been made to stabilise debt were halted. In addition, the ambitious reforms announced at the start of the year were more complicated than expected and the labour market reform, proposed in spring, was only approved at the end of the year.

Monetary policies have started to divaricate. The Federal Reserve commenced its forecast reduction in purchases of securities and opened internal discussions about the steps to be taken for a rise in official rates in 2015. Yields on government bonds dropped sharply compared to the beginning of the year, held back by both the disappointing performance of the first three months and the Federal Reserve's cautious approach to the about-turn in monetary policies.

Taking a different approach, the European Central Bank (ECB) cut the official rates, lowering the main refinancing rate to 0.05% and the deposit facility rate to -0.20%. It also launched new targeted long term refinancing operations (TLTROs) and a new programme to purchase covered bonds and securitisations.

The ECB's accommodating stance has assisted a drop in expectations about monetary rates and, hence, interest rates on all curve maturities. The Eonia rate decreased to slightly negative levels after communication of the measures. The 3-month Euribor contracted again from 0.284% in January to 0.08%. Medium-term IRS rates also decreased considerably: the five year maturities went from 1.26% at the start of the year to 0.36% at the end of the year. The downwards pressure on rates was exasperated by the increasing signs that the ECB would introduce a government bond purchase programme, which effectively took place after year end.

The more visible diverging approach in the monetary policies and economic cycles of the second half of the year increased currency market volatility, leading to the US dollar's steady appreciation. At 30 June, the US dollar/Euro exchange rate was still around 1.37; it decreased to 1.21 at year end.

Investors' confidence in the countries hit by the debt crisis in 2010 and 2011 grew slowly but steadily during the year. The ten-year yield spread between Italian and German government bonds was 214 bp at the start of the year to reach a low of 119 bp at the start of December, assisted by the rising expectations that the ECB would introduce new extraordinary measures. Yields dropped in absolute terms as well, thanks to the concurrent reduction in German interest rates. The yield on the ten-year Italian government bonds, over 4% at the end of 2013, was 1.89% at 31 December 2014. Absorption of supply on the primary market continued smoothly.

The financial markets

The international stock markets performed well in 2014, although to different degrees, reflecting the steady normalisation of the economies and markets after the more serious phases of the financial crisis.

Performance in the first six months was boosted in particular by expectations about the Eurozone's economic recovery and the central bank's expansionary monetary policies. After the results of the European elections and, especially, the measures announced by the ECB at the start of June (extending the very accommodating monetary stance until maybe even the end of 2016), the stock markets ended the first six months very positively.

However, geopolitical risks returned to centre stage in the second half of the year: the resumption of tensions between Russian and Ukraine, and the resulting economic sanctions against Russia, adversely affected trade with these regions. Moreover, the disappointing figures for the Eurozone's industrial production and economic growth, added to rising fears about a deflationary spiral, triggered a return to risk aversion by investors, damaging the positive performances of previous months.

Growing expectations about a quantitative easing by the ECB at the start of 2015 together with reports of quarterly data slightly higher than forecasts for the third quarter of the year offered some support to the stock markets in the last quarter of the year, despite the continued weak economy.

The large reduction in oil prices in the last few weeks of the year and the sharp adjustments on the currency market (the US dollar's appreciation against the Euro; the rouble's depreciation) increased market volatility towards the end of the year.

The S&P 500 index recorded an 11.4% recovery at year end. The main Asian stock markets also showed positive performances at 31 December 2014: the Chinese benchmark index, SSE A-Share, closed the year with a strong increase (+53.1%), a significant recovery on the first half (-3.2%), while the Kikkei 225 index closed with an increase of 7.1% (also better than the -6.7% recorded at the end of June), after the effects of the tax squeeze on consumption.

The Eurozone's main benchmark indexes were fairly consistent and slightly positive although the peripheral markets mostly outperformed the core markets for the first nine months of the year. The Euro Stoxx index ended the year with a small increase (+1.7%), the DAX 30 appreciated slightly (+2.7%) while the Spanish stock market improved by 3.7% at year end. The French benchmark CAC 40 remained substantially stable (-0.5%).

Outside the Eurozone, the Swiss market index SMI grew 9.5% at year end, while the FTSE 100 closed the year with a slight loss (-2.7%).

The Italian stock market's performance was substantially stable in 2014, after peaking at +18.6% on 10 June and outperforming the major European and international markets until September 2014.

While the upturn of the first half of the year was led by the initial weak signs of a recovery in the domestic economy, greater political stability and a reduction in yields and the fall of the BTP-Bund spread, the macroeconomic data subsequently showed another halt in the economic cycle, triggering a downwards review of the growth estimates for both 2014 and 2015. The renewed geopolitical risk and investors' risk aversion eroded the positive trend of the first six months even more.

The FTSE MIB index ended the year with a moderate improvement (+0.23%), while the FTSE Italia All Share' performance was just below the benchmark (-0.3%) and the FTSE Italia STAR index rose to 9.6% in December as the medium capitalisation securities performed overall very well.

The European credit markets closed the year with different results: the investment grade segment performed well while the more speculative securities saw a widening in their spreads.

Market performance continues to be mainly driven by the central banks' accommodating monetary policies, especially the ECB's expansionary approach with expectations that its purchase programme may be extended to corporate bonds and possibly even sovereign bonds.

After a positive start to the year, despite commencement of its tapering programme by the FED and the brief setback when the elections for the European Parliament took place, renewed doubts about the strength of the Eurozone's recovery, the worsening in geopolitical tensions related to the Russia and Ukraine situation and, starting in October, the revival of concerns about Greece all contributed to increasing spread volatility. This situation mainly affected the non-investment grade segment, which being the most speculative was penalised by the investors' return to a more prudent approach and concerns that commencement of a monetary policy normalisation process by the Federal Reserve would encourage a rise in market rates, adversely affecting the more indebted companies.

Specifically, the investment grade segment ended the year positively, with financial bonds performing better than industrial ones; despite its recovery from the end of October to mid November, the most speculative segment saw a widening in spreads. The derivatives segment of the iTraxx indexes (credit default swap indexes) also varied its performance: the synthetic Sovereign Western Europe index, measuring the credit spread of sovereign states, performed better than the Main index (investment grade names), proving that the normalisation process has almost been completed. The most speculative sub-segment of the derivatives segment performed badly with the Crossover and Subordinated Financial indexes recording rising costs to hedge against insolvency risks.

New issue volumes were high for both investment grade and high yield segments, up on 2013. The main drivers of the primary market continued to be the issuers' intention to benefit from market rates still anchored to traditionally very low levels and investors' research for profits.

Emerging economies and financial markets

The 2014 growth rate of the emerging countries' GDP slowed to 4.4% from 4.7% in 2013 according to FMI's preliminary estimates. The deceleration is mainly attributable to Latin America and the CIS countries, affected by the geopolitical tensions involving Russia and Ukraine. The growth rate in Asia is substantially in line with the previous year's satisfactory levels thanks to India's estimated positive performance (forecast GDP of 5.8% compared to 5% for 2013), which offset China's slowdown (from 7.8% to 7.4%).

The MENA countries also recorded good growth, thanks to Egypt's recovery (estimated GDP of 3.6% compared to 1.6% for 2013) attributable to the stabilised political situation and the positive performance of the oil countries, whose 2014 data show that they continued to be affected marginally by the negative hydrocarbon market situation.

The CEE countries' economies recouped ground considerably in central and southeast Europe (from 0.7% to 2.9%), assisted by Slovenia's recovery as its banks overcame the acute phase of their crisis and the assistance from the manufacturing sectors of Hungary and Slovakia.

GDP of the SEE countries, in which ISP has subsidiaries, shrank from 2.5% of 2013 to an estimated 1.1% for 2014: Serbia has entered a recessionary phase due to adverse weather conditions affecting the agricultural sector and downscaled production of cars while Croatia continues to be in recession. The climatic factors also adversely affected growth in Bosnia while Romania's GDP growth rate was very positive (2.7% estimated by EBRD for 2014) although it was lower than that for 2013 (+3.5%).

Once again, the emerging countries saw a growth in average income per capita in current dollars (valued at PPP), better than that of the advanced economies (4.7% vs 3.1%, i.e., a gap of 1.6%). Over the last ten years, this series has grown an average of 6.6% for the former and 2.9% for the latter and the ratio of average income per capita of the emerging economies to the advanced economies has gone from 16% to 23%.

Inflation slowed down considerably in the emerging countries in 2014, thanks to more modest increases in the price of foodstuffs, which have a significant weight in most countries' baskets, and the reduction in hydrocarbon prices. The tendential inflation rate at December 2014 of a sample made up of 70% of the emerging countries decreased from 4.9% at December 2013 to 4.3%, bringing the annual average from 5% to 4.5%. With respect to the countries in which ISP has a subsidiary, inflation slowed down dramatically in the CEE/SEE area (including to negative values on an annual average in several countries, including Hungary, Slovakia and Croatia). Inflation also decreased in Egypt (from 9.8% to 11.7% in 2013) despite the government's review of subsidies mid-way through 2013. Prices rose considerably in Russia (from 6.5% at the end of 2013 to 11.4% at 31 December 2014) and Ukraine (from 0.5% to 24.9%) after the sharp depreciation of their currencies and problems caused by the geopolitical tensions.

The governments of most of the emerging countries continued their restrictive monetary policies in the first half of the year aimed to combat depreciation of the currencies (and a rise in inflation) of several financially vulnerable countries following the Federal Reserve's announcement of its gradual tapering off of its government bond acquisition programme.

Brazil, India, South Africa, Indonesia, Egypt, Ukraine and Russia are some of the countries that raised their rates while the economic slowdown, the deceleration of inflation and smaller currency pressure encouraged easing actions in the second half of the year with a cut in the official rates of several countries, including China and Turkey.

Interest rates rose again in Russia (from 5.5% to 17%) and Ukraine (from 6.5% to 14%) to offset the drop in exchange rates caused by the steady worsening in geopolitical tensions and in Brazil to combat increasing price pressure. The easing stage continued throughout the year in central and south east Europe, assisted by ECB's accommodating stance, with lower rates in Albania, Romania, Serbia and Hungary.

Uncertainties about growth prospects and the geopolitical tensions in the CIS and Middle East areas had a negative effect on the stock markets of the emerging markets compared to the mature markets. The emerging markets' composite MSCI stock index gained 2.6% in 2014 compared to 0.9% in 2013, better than the Eurostoxx' performance (+1.7%) but significantly lower than that of the US S&P (+11.4%) and the Japanese Nikkei (+7.1%). Of the BRIC countries, the drop in the Moscow stock exchange's performance (-45.2%) was more than offset by the growth of Shanghai's market (+52.9%), driven by the interest rate cuts.

The average EMBI+ for the emerging countries closed 2014 at 387 bp, up 57 bp on the end of 2013. After the contraction seen in the early part of the year, more visible in Latin America and Central East Europe, as well as in Ukraine (after the presidential elections), the interest rate gap grew again reflecting the concerns about the economic prospects of several countries with foreign trade positions more vulnerable to an appreciation of the dollar and the raw materials cycle.

However, the spread decreased significantly in some cases, such as Egypt (from 650 bp at the end of 2013 to 310 bp at 31 December 2014), thanks to continued political stabilisation. With respect to the rating agencies' valuations and the countries in which ISP has subsidiaries, S&P downgraded Ukraine (from CCC- to B- at the start of 2014), Russia (from BBB- to BBB) and Croatia (from BB to BB+). Fitch upgraded Egypt to B at the end of December acknowledging the local government's tax consolidation measures.

The US dollar appreciated against all the emerging currencies in 2014 (OIPT index + 7.3%) although to a smaller extent compared to the group of the other advanced countries (Major index +11.4%). The dollar gained considerable ground against the Russian rouble, the Ukrainian hryvnia, the Latin American currencies (Brazil and Mexico) and the CEE and SEE countries, which followed the Euro's depreciation. Of the countries in which ISP has a subsidiary, the Hungarian forint and the Serbian dinar depreciated against the Euro by roughly 8% each (the former up 312 and the latter up 120). The Egyptian pound lost some ground against the US dollar (just over 2%) mid-year and then remained stable.

Outlook for 2015

2015 is expected to be another year of modest economic expansion for the global economy. Growth rates will diversify due to the strong drop in oil prices, the dollar's appreciation and the possible rise in US interest rates. Several factors will boost faster growth in the Eurozone, such as energy prices, exchange rates, tax policies and financial conditions. This situation should assist Italy, whose economy is expected to recover slightly. Both short and long-term interest rates will be exceptionally low in Europe thanks to the monetary policy while the improvement in the economic outlook and the ECB's government bond purchase programme announced at the start of 2015 should allow a reduction in risk premiums on Italian debt, if the European election cycles are not too destabilising.

The growth prospects for the emerging countries in 2015 differ. FMI's most recent forecasts are for overall growth of 4.3%, which is substantially in line with the 2014 rate of +4.4% but a considerable reduction on the forecast of 4.8% made last October. The boost given by the drop in crude oil prices to the oil importing countries (most of the larger emerging countries and especially China, India, Brazil and South Africa of the BRICS) is expected to be offset by a parallel smaller improvement in the countries exporting oil and weak investments, as a result of the more prudent expectations about the medium to long-term growth prospects of the emerging economies. Finally, geopolitical tensions may adversely affect the CIS countries.

Specifically, GDP of the emerging Asian and Latin American countries is forecast to be in line with 2014 growth rates. The Chinese slowdown in Asia is expected to be countered by faster growth in India and the positive performance of the ASEAN-5 block. Growth forecasts for Latin America, driven by Mexico, will be negatively affected by the continued weak Brazilian economy and another reduction in GDP in Argentina and Venezuela. The drop in oil prices will have negative consequences for some leading economies of Sub-Saharan Africa, such as Angola, Nigeria and Ghana, and certain Gulf countries. These latter countries counter the unfavourable oil cycle from a position of strength thanks to their accumulation of large sovereign funds, which can be used to stabilise their economies, and the drive of non-hydrocarbon sectors.

Based on the most recent EBRD estimates, forecast 2015 GDP growth is expected to pick up speed in the SEE countries at 1.7%, from the estimated 1.1% of 2014, underpinned by Romania and the recovered strength of

Bosnia, Albania and Croatia. The CEE block's GDP is forecast to slow down to 2.2% from +2.9% due to the slowdown of Hungary and Slovenia and despite the exceptionally brilliant performance of 2014. Expectations about the 2015 cycle for the CIS countries are negative due to the geopolitical situation, continuation of the bans imposed by Western Europe and, in the case of Russia, the adverse effect of the fall in oil prices. Renewed confidence by operators about the Egyptian government's economic policies, financial assistance from friendly states, the scheduled large-scale infrastructural works (including the widening of the Suez canal) are expected to assist a further acceleration in growth.

The domestic insurance market

2014 was a record year for the Italian life insurance market with new business of €101.5 billion. Policy trends were well above expectations in an economic system where fund management played a central role in 2014. Sales were boosted by traditional, multi-class and the classic unit-linked products, while the other product lines saw a reduction in their results.

New premiums of traditional products amounted to €61.7 billion, up 43% on 2013: these volumes will impact the amount of returns on segregated funds in the next few years, given the large mass of low-return securities acquired. Many insurance companies are currently investigating the measures to be taken to secure the resilience of the assets and this will be the central issue for at least all of 2015. The role of protection products (term life, long-term care and dread disease) continues to be marginal as a percentage of the total traditional products and is developing very slowly in Italy, unlike their more prominent position in the more developed foreign markets.

The multi-class policies garnered great success, with new premiums of €9.5 billion, up 43% on 2013. This growth was matched by a very interesting trend: premiums invested in segregated funds decreased to 66%. Therefore, the multi-class products are increasingly orientated towards class III products because of both the policies' contractual inflexibility and the more efficient measures of the sales networks, which accept the insurance companies' indications more willingly.

The classic unit-linked policies also grew considerably, with new premiums of €26.8 billion (+47% on 2013). This success was principally due to the placing of insurance policies with high-end customers.

Financial markets trends contributed to the performance of the multi-class products and the classic unit-linked products, thanks especially to the lowest interest rates ever.

Sales of guaranteed/protected unit-linked products collapsed in a market that is increasingly concentrated on just a few operators. New production dropped 38% on 2013 to below €2.7 billion. Like in the previous year, policies sold on the market were all protected, mainly due to the high costs of financial guarantees. The index-linked products did not show signs of recovery with just €15 million sold, while the individual pension plan product saw a 12% drop with new business of €642 million.

The absolute record of new business was held by the bancassurance market, which grew 37% and recorded new business of €74.1 billion. Agents also had a very productive year in 2014 with new premiums just over €11 billion, up 49% on 2013, while financial advisors sold products for €16.4 billion (+41% on the previous year).

2014 did not see the long-awaited economic growth for the pension sector. Italian GDP performed negatively, confirming the technical recessionary phase in which the domestic economy has floundered for more than three years. This is especially visible in unemployment rates, which exceeded 14% and peaked at more than 44% for persons under 25. The macroeconomic context was certainly not favourable for the development of qualified pension fund savings but the sector continued to grow all the same, although at two different speeds. The Pillar II products were more affected by the situation and, like in 2013, recorded a negative balance of new and outgoing policyholders, leading to an overall drop in pension fund members. Pillar III products boosted the sector's growth, confirming their place as one of the most popular products on the domestic qualified pension fund savings sector.

Unlike in 2013, when bank and post office sales jumped, this distribution channel saw a reduction in its business of roughly 19%, with just under 200,000 new products placed. Despite this negative trend, the channel confirmed its number one position in the sector, followed by insurance agents with more than 190,000 new policyholders (-22%) and financial advisors with just under 45,000 (-9%). Overall, funds invested in pension products increased by 11% to nearly €129 billion; total pension product assets make up roughly 10% of Italian funds under management.

The qualified supplementary pension market grew at unexceptional rates in 2014, especially considering its enormous potential. Indeed, development of this market slowed down, which is not good, particularly given the domestic managed funds market which grew considerably in the same period in terms of both assets under management and new funds collected.

The initial figures for the non-life insurance market in 2014 reflect the ongoing trend of the last few years, i.e., a steady contraction in volumes affecting most of the sector. In fact, premium income shrank roughly 3% in the last year to just under €33 billion.

Like in the recent past, the sector's dependence on the motor insurance classes affected its performance, with another large reduction in premium income not countered by the non-motor insurance classes, substantially stable on a year-on-year basis.

The motor segment continues to be very competitive, with operators also concentrating on customers' expenditure. Premium income for motor third party liability (MTPL) decreased again in 2014 by about 6% on the previous year when the reduction was 7%. This trend has its roots in the reduction in prices: the "average price" of policies contracted by more than 7% during the year, partly as a result of the class' positive performance which enabled many companies to reprice their products gaining competitiveness and winning new customers. On the other hand, these actions are encouraging customer migration (roughly one in five customers has been estimated to have changed provider during the year).

The downwards trend of non-mandatory covers seen in the last few years was confirmed in 2014, led by customers' growing attention to costs and the car sector's ongoing crisis although this trend may reverse (sales of new cars in the year were stagnant but the situation appears more positive in 2015).

The non-motor segment continued to be underdeveloped in 2014, although the market's difficulties in overcoming the economic crisis have reduced its growth potential.

The casualty segment contracted slightly in the last year, mainly affected by the performance of collective covers, often tied to national or supplementary employment contracts. The individual products are unable to compensate the reduction in total volumes. The property & liability segment did not grow significantly, partly to its close ties to Italy's industrial and production sector, while signs of greater vitality have been seen in certain specific classes (primarily pecuniary losses, support and assistance and legal protection).

The market is still very small and the top five insurance groups account for roughly 70% of the total premium income. Moreover, in performance, terms, the contraction in volumes is even more evident than the market average: initial estimates show a decrease of around 4% on 2013.

While volumes have shrunk, the same is not true of the system's profitability which continues to be very positive (the year-end combined ratio is expected to be about 90%, confirming the positive results of 2013).

With respect to the distribution of non-life insurance products, the situation has not changed drastically and the slow but steady rebalancing of the traditional and alternative channels has continued.

The extensive changes being made by the large insurance groups to their distribution networks (reducing numbers and areas) and their customer bases (affecting both the retail and especially the business customers) have affected sales and insurance volumes. The agency and broker networks still make a significant contribution to this business, accounting for just over 87% of the total, with the rest covered by direct sales (roughly 6%) and the banks (nearly 7%).

The Italian banking system confirmed its true vocation for the sale of non-life and protection products. At year end, volumes sold through this channel approximated €1.9 billion, up roughly 12% on 2013. The banks active in the motor insurance business are recording interesting results and this is becoming a key part of their sale of covers. Premium income grew steadily throughout the year to just over €470 million, €50 million more than in 2013. The number of branches involved also increased, thanks to the entry of new large banks. Nearly all the Italian banks sold non-motor products with volumes in line with previous years and premium income of more than €800 million at year end (+17%), assisted by the tiny recovery of the real estate sector and mortgage loans. This upturn also affected the credit protection business, which has been a core business for many banks for some time, leading to a 7% increase in CPI premiums to €640 million.

The outlook for the insurance market in 2015 will be partly influence by issues already seen in 2014, such as:

- trends in the financial markets will affect the insurance companies' ability to offer traditional products with guaranteed minimum principal and/or yields;
- the non-guaranteed or partially non-guaranteed products, such as classic unit-linked and multi-class products, will benefit from this situation;
- the market's move towards more complex products will assist the bancassurance channels and financial advisors, leading to another contraction in the traditional agency channel;

- the expansion of the non-life bancassurance products' competitive area will assist customers' perception of these products proposed by the bank branches. The non-life market is still strongly influenced by economic trends and by underinsurance for the motor segment. The bancassurance channel is expected to perform differently to the market thanks in part to its cross selling skills which will attract customers to the detriment of the direct and agency channels;
- the " fasting period" commenced for Solvency II will increase operators' awareness of products that better align their portfolios to specific risk profiles and this will affect the product range and pricing policies;
- life premiums are expected to grow again in 2015, although at roughly 20% less than in 2014. An immediate about-turn in the contracting market is not foreseen for the non-life business where the bancassurance channel will play an increasing predominant role. The performances of both the life and non-life business will be affected by the economic situation and the awaited recovery in Italy.

Action plans and business development

The action plans of the Intesa Sanpaolo Vita group insurance companies adopted in 2014 are described below:

The parent, Intesa Sanpaolo Vita:
- focused on its customers and product innovation;
- monitored its capitalisation levels and protection of its assets with special projects designed to remodel them and make them more resilient, affected in part by production trends;
- checked its risks to reduce them and stepped up the monitoring, checking, management and development of an internal risk management culture;
- concentrated on managing its financial resources and liabilities in a knowledgeable manner;
- focused on cost management.

During the year, the parent continued to develop the insurance sector, aware of its potential and importance to Intesa Sanpaolo Group, mainly through:

- preparation of its contribution to the 2014-2017 business plan of the ultimate parent, Intesa Sanpaolo;
- setting up an insurance division within the ultimate parent as additional confirmation of the insurance business' importance to the Group;
- new access to the financial markets by placing a subordinated bond issue of €750 million with an unspecified maturity.

Other projects were also undertaken and have mostly been completed to align the insurance group companies' strategies with those of Intesa Sanpaolo Group. Specifically:

- The parent, Intesa Sanpaolo Vita:
  - fine-tuned, reviewed and extended the existing product range to better meet customer requirements;
  - provided commercial assistance to distribution networks, which led to a considerable increase in business;
  - launched projects to assist the ultimate parent, Intesa Sanpaolo, with a view to expanding opportunities for customer contact and service, including through both the extension of branch opening hours and out-of-branch activities;
  - integrated the pension plan business previously managed by Intesa Sanpaolo Previdenza to best harmonise pension products for customers in 2015.

- Intesa Sanpaolo Assicura undertook a number of projects aimed at increasing its role within the insurance group. In particular:
  - the non-life business was given greater importance in the Intesa Sanpaolo Group 2014-2017 business plan. Accordingly, the non-life products play a significant role as part of the "Bank 5", one of Intesa Sanpaolo Group's fundamental growth projects provided for in the business plan;
  - new products were launched for the motor business with the introduction in April of tariffs for customers requiring insurance cover but that do not travel long distances. During the year, the alignment and optimisation of tariffs continued and this will be stepped up again in 2015 based on technical results and the larger portfolio;
  - strong symbiosis with the distribution network to design promotions and assist sales of motor

insurance policies as well as household and healthcare insurance products in 2015.

The subsidiary also continued its actions to boost the technical performance of its creditor protection insurance (CPI) products and innovate other products.

Intesa Sanpaolo Life recorded record results in the insurance business, thanks to its offer of tailored, innovative products, like the co-investment in certain internal unit-linked funds. The internal funds' performances shored up customers' confidence. During the year, the subsidiary also continued its activities to improve its operational model and investigate whether to extend its offer to other international channels.

Thanks to the results of its strategies in line with the 2014-2017 business plan, the insurance group achieved the following in 2014:

- it maintained its leading role in the domestic life insurance sector;
- it recorded yields on investments of over €4 billion to the benefit of its policyholders;
- it reduced again the cost of funding and protection levels through product policies that maintained customer focus on its unit-linked products on the one hand and also maximised the return for policyholders on the other, retaining a system to protect principal upon maturity;
- it responsibly managed its resources;
- it implemented a policy to mitigate risks and improve its internal controls.

Performance

Overall performance

The **profit for the year attributable to the Group** came to €480.4 million, an improvement on the €346.7 million for 2013.

The Group achieved this result in a scenario where the financial markets performed positively for the entire year and customer satisfaction with its insurance products together with the distribution network's expertise and professionalism allowed it to record production results never seen before by an insurance group.

The Group's results were attributable to an excellent operating performance, mainly characterised by:

- a large increase in new life business for both traditional products (investments with DPF) and unit-linked products (mainly investments);
- growth in the non-life portfolio with a more balanced mix of CPI to other components, primarily motor insurance products;
- better benefit payments with a decreasing tendency for surrenders, mainly seen towards the end of the year;
- a significant rise in average assets under management thanks to inflows of over €11 billion and the revaluation of existing contracts by more than €4 billion;
- steady financial income;
- containment of operating costs.

Compared to 2013, this is mainly due to the following:

- the improved net financial income, including interest income and gains on sales, with negotiations in place to maintain the returns on segregated funds, and smaller fair value gains or losses recognised in profit or loss;

- progress in the technical performance of non-life business thanks to an improvement in the technical profit for marketed products, with particular reference to the "Viaggia Con Me" product and CPI products generated after 2010. On the other hand, a more contained negative contribution to the technical profit was seen from run-off products due to both changes made to the portfolio and its smaller size;

- smaller impact of commission expense associated with increased business in the bancassurance segment of traditional products (investments with DPF), which led to an additional increase in results compared to the already excellent growth rates seen in 2013.

The net gains on financial instruments amounted to €2,364 million against €2,196 million in 2013. The steady decline in market rates affected portfolio returns, especially for new investments. This trend was more than offset by the increase in assets under management and their sale given the rise in market prices thanks to the reduction in interest rates.

The **comprehensive income attributable to the Group** amounted to €749.6 million (€414.8 million for the previous year). This is principally an effect of the greater variation in the unrealized gain (losses) reserve (other comprehensive income), which increased by €269.5 million on the back of the rise of €68.3 million in the previous year due to the above-mentioned strong increase in the fair value of investments during 2014.

Risk management

The monitoring and steady cancellation of risks is a fundamental strategic axis for the Intesa Sanpaolo Vita Group. Particular importance is given to the internal controls, which are based on the following pillars:

- the internal control environment, based on senior management's awareness of the importance of correct identifying the principal tools making up the control system, i.e.:
  - o formalisation of roles, tasks and responsibilities (delegated powers, internal codes and procedures, circulation of organisational charts, segregation of duties, with the subsequent segregation of the processes sensitive to business risks);
  - o internal communication system (necessary information and production times needed to generate flows and reports, timely instructions, sensitivity and receptiveness of the operating personnel);
- the risk management process, that is the ongoing process to identify and analyse those internal and external factors that may prejudice attainment of company objectives in order to manage them (risk identification, measurement and monitoring);
- the adequacy of the methods used to design, structure and effectively perform controls at the various organisational levels (line/operational, hierarchical, risk management and internal audit), essential to allow senior management to check that their instructions are being followed correctly;
- the IT system, whose objective is to ensure the integrity and completeness of the data and information used to manage and monitor the company's processes and business;
- monitoring activities carried out by the relevant persons (line managers, risk management officers, internal auditors, senior management, board of statutory auditors, independent auditors, actuaries, pension fund managers (open pension funds and individual pension plans) and, for Intesa Sanpaolo Life, the committees responsible for audit and risk, investments and accounting and reporting to ensure continuous supervision of the internal controls and to identify and implement any improvements necessary to resolve critical issues identified, ensuring the maintenance, updating and improvement of the system.

As part of the larger Intesa Sanpaolo Group, the insurance group complies with its regulations to ensure the consistent and prompt management of business risks in line with the relevant national legislation. It monitors risk management results on an ongoing basis as well as developments in internal controls to protect the interests of policyholders and the integrity of the companies' assets.

The parent's governance system is described in the corporate governance documents, presented to and approved by the Board of Directors. In addition to its by-laws, the more significant documents are:

- directives on internal controls and the annual internal controls report;
- the risk management regulation;
- the proxies and powers system (approved in advance by the parent and subsequently by the boards of directors of the group companies, as well as by the supervisory board set up in compliance with Legislative decree no. 231, the audit committee and the local regulator). This system regulates the management independence vested in the various company bodies to allow them to carry out their duties, in accordance with the organisational principles governing delegation and supervision.

The organisational structure is defined in such a manner as to guarantee the segregation of duties and responsibilities between operational functions and control units, as well as the independence of the latter from the former.

In order to strengthen supervision of company operations, the insurance group companies have set up special committees to analyse management performance, investment management, commercial management, risk management and anti-money laundering issues across the various departments.

Internal controls are structured according to the guidelines set out below:

- segregation of duties and responsibilities: duties and responsibilities are divided among company bodies in a clear manner in order to avoid gaps or overlapping powers that may impinge upon the company's proper functioning;
- formalisation: the actions of the boards of directors and delegated parties must always be documented to allow the checking of management activities and decisions taken;
- independence of controls: the necessary independence of the control structures from the operational units must be assured.

The ultimate parent's risk management and control system, also adopted by the insurance group, involves the company bodies and the operational and supervisory units in the comprehensive management of the company and the Group, whilst respecting the different roles and levels of responsibility, which are intended to guarantee the adequacy of the system as a whole at all times.

The internal controls are commensurate with the Group's size and operational characteristics and the nature and intensity of risks, like the risk management system, which is commensurate with the size, nature and complexity of the activities carried out, in order to identify, assess and monitor the most significant risks, being those whose consequences may undermine the solvency of the parent and the Group or represent a serious obstacle to the fulfilment of their objectives.

Senior management is also vested with the task of propagating a "control culture", which ensures that staff at all levels are aware of their own roles, including in relation to control activity, and favours the involvement of all company units in the pursuit of the Group's objectives.

Rrisk management

The Intesa Sanpaolo Vita Group is committed to implementing an efficient and high-performance risk management system given its contribution to the balanced development of the insurance group. To assist this objective:

- clear risk governance and management principles have been defined;
- risk governance and management tools have been introduced;
- a risk governance and management culture has been promoted at all levels of the insurance group.

The parent has ultimate responsibility for the definition of risk management and internal control strategies and guidelines, also in its capacity as the parent of the insurance group, and to ensure their adequacy and solidity over time with regard to their completeness, functionality and effectiveness, in line with the size and operational characteristics of the companies and the insurance group, as well as the nature and intensity of the parent's and Group's risks. The subsidiaries are also vested with similar prerogatives within the context of the objectives allocated to them.

Specifically, the administrative bodies of the group companies are responsible for:

- setting objectives at regular intervals, in line with the capital adequacy level and the guidelines of the Intesa Sanpaolo Group as implemented by Intesa Sanpaolo Vita and its subsidiaries;
- approving risk management policies and strategies and risk tolerance levels for the parent and subsidiaries;
- regularly examining the results achieved, including those relating to stress testing activities, as well as the underlying risk profiles of the parent and the subsidiaries, as communicated by senior management and the independent risk control unit (the Risk Management Unit);
- acquiring information concerning the most significant critical issues in the area of risk management and internal controls of Intesa Sanpaolo Vita and its subsidiaries as identified by the various bodies responsible for their monitoring and control;
- the prompt assessment of the aforementioned critical issues and the implementation of the necessary corrective measures.

The internal controls consist of three lines of defence:

- line controls (first level);
- risk monitoring (second level);
- internal audit (third level).

The Risk Management Unit contributes to the second line of defence by reconciling the prerogatives of independence from line controls with close cooperation with the line controls that are responsible for the transactions performed. This Unit ensures that the Group's market, technical and operational risks are identified, assessed and monitored with a view to maintaining those risks within a limit that is consistent with the Group's assets, taking account of risk assumption, assessment and management policies as defined by the administrative body. It also prepares suitable reports and provides timely and systematic information to senior management and the board of directors.
The individual Risk Management Units contribute to the formulation of the investment policies of the companies and, on the basis of the fair value policy, define the models used for measuring financial assets. The risk control model is gradually evolving from an approach based on ex post management after the event to one based on prior verification. In addition to controls that can be implemented in real time, the Unit carries out daily, weekly and monthly checks, which are promptly submitted to senior management and the management body.
The ISP group companies' move towards compliance with the Solvency II directive is facilitated by the central role played by the Risk Management Unit in project and measurement activities and in relations with the authorities.

<u>Principal results of the risk management strategy</u>
The strategic priority afforded to the gradual exclusion of risks and their ongoing monitoring and management has achieved important results:
- the guarantees provided have been reviewed as part of the product definition process:
  - fixed-term guarantees rather than annually consolidated guarantees;
  - structuring of products and new offers to reduce the levels of minimum guaranteed returns, favouring capital protection rather than guarantee levels that limit flexibility and financial income;

These products optimise the capital profile under Solvency II and have led to improved performances for policyholders compared to the old generation products. The results obtained are particularly positive with 41% of product assets coupled with separate internal asset management represented by new business of the last few years;

- as part of the management of interest rate and spread risk, the term of assets was kept lower than the term of the liabilities, mitigating the reinvestment risk through the continuous reduction of average minimum guaranteed levels for assets under management;
- as part of the management of credit risk, a policy was introduced involving diversification and reduction of issuer exposures which, with the exception of the Italian, German and ultimate parent bonds, never exceed overall exposure of 1%;
- exposure has been contained as part of management of equity risk;
- as part of management of surrender risk, in addition to closely monitoring the trends and net cash flows for each asset under management, adequate liquidity was maintained to cover unforeseeable outcomes without necessarily having to make unplanned divestments;
- in order to mitigate liquidity risk, efforts continued in 2014 to focus the investment portfolio on actively traded and liquidable instruments by divesting positions comprised of structured instruments or that were not associated with sufficiently liquid trading markets;
- as part of the management of derivatives, in keeping with the policy of focusing investments on liquid instruments that are priceable and have measurement risks, the parent operated as a matter of preference on explicit derivatives, adequate linked to primary financial instruments, with the goal of mitigating interest rate risks (IRSs, futures, forwards), currency risks (DCSs and forwards) and credit spread risks (CDSs);
- as part of management of operational risks, the business and control processes were strengthened.

These results can clearly be seen in the stress tests and economic capital measurements made by the parent and by the improvement in the quality factor measured by the Internal Audit Unit, all within an operating context that saw the group achieve higher profitability levels than the previous year.
Part G of the notes ("Risks") provides additional qualitative and quantitative information about risk management.

The Intesa Sanpaolo Vita insurance group's contribution to the ultimate parent

The insurance group's contribution mainly consists of the profit from the insurance business and commissions paid to the distribution network.

millions €

	2014			2013			Change		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Technical margin	**-44**	**48**	**4**	**-13**	**40**	**27**	**-31**	**8**	**-23**
Net earned premiums	14,925	207	15,132	11,157	206	11,363	3,768	1	3,769
Claims paid	-6,453	-92	-6,545	-6,213	-98	-6,311	-240	6	-234
Net changes in insurance provisions	-9,883	-	-9,883	-6,136	-	-6,136	-3,747	-	-3,747
Gains (losses) on investments related to policyholders	1,670	-	1,670	1,490	-	1,490	180	-	180
Net fees on investment contract	113	-	113	91	-	91	22	-	22
Commission expense and Net commissions on pension funds for insurance contracts	-405	-45	-450	-372	-53	-425	-33	8	-25
Other technical income and expenses	-11	-22	-33	-30	-15	-45	19	-7	12
Net investment result	**789**	**27**	**816**	**648**	**20**	**668**	**141**	**7**	**148**
Operating income from investments	***3,876***	***27***	***3,903***	***2,994***	***20***	***3,014***	***882***	***7***	***889***
Net interest income	1,965	13	1,978	1,862	16	1,878	103	-3	100
Dividends	73	2	75	49	2	51	24	-	24
Gains (losses) on disposal	724	12	736	551	2	553	173	10	183
Unrealized gains (losses)	1,145	-	1,145	560	-	560	585	-	585
Portfolio management fees paid	-31	-	-31	-28	-	-28	-3	-	-3
Profits (losses) of third party investors of mutual funds	-	-	-						
Gains (losses) on investments related to policyholders	***-3,087***	***-***	***-3,087***	***-2,346***	***-***	***-2,346***	***-741***	***-***	***-741***
- of which insurance products	-1,547	-	-1,547	-1,423	-	-1,423	-124	-	-124
- of which net unrealised losses on insurance products pertaining to policyholders	-123	-	-123	-67	-	-67	-56	-	-56
- of which investment products	-1,417	-	-1,417	-856	-	-856	-561	-	-561
Total	**745**	**75**	**820**	**635**	**60**	**695**	**110**	**15**	**125**

The profit from the insurance business improved by €125 million or 18%.

Considering the commissions of roughly €651 million paid to the Intesa Sanpaolo Group networks, the insurance group contributed €1,471 million to the Intesa Sanpaolo Group revenue.

In addition, the group companies Eurizon Capital and Banca IMI contributed in the form of commissions received from the insurance group for OEIC, management and services.

INCOME STATEMENT for the year ended 31 December 2014

millions €

	A	B	C	D	E
Net earned premiums	**15,132**	**14,925**	**206**	**-**	**15,132**
Gross earned premiums	15,140	14,926	214	-	15,140
Ceded earned premiums	-8	-1	-8	-	-8
Commission income	303	303	-	-	303
Gains (losses) on financial instruments at fair value through profit and loss	-83	-83	0	-0	-83
Income from investments in subsidiaries, associates and joint ventures	-	-	-	-	-
Income from other financial instruments and lands and buildings	**2,515**	**2,487**	**27**	**1**	**2,516**
Interest income	1,919	1,906	13	-	1,919
Other income	77	75	2	1	78
Gains on disposal	518	506	12	-	518
Unrealized gains	-	-	-	-	-
Other revenues	189	181	8	13	202
TOTAL INCOME	**18,056**	**17,814**	**242**	**14**	**18,070**
Net insurance benefits and claims	**-16,449**	**-16,352**	**-97**	**0**	**-16,449**
Gross insurance benefits and claims	-16,459	-16,353	-107	0	-16,459
Reinsurers' share	10	0	10	-	10
Fee and commission expense	-182	-182	-	-0	-182
Expenses from investments in subsidiaries, associates and joint ventures	-	-	-	-	-
Expenses from other financial instruments and lands and buildings	**-66**	**-66**	**-0**	**-2**	**-69**
Interest expense	-31	-31	-0	0	-31
Other expense	-0	-0	-	-0	-0
Losses on disposal	-35	-35	-	-	-35
Unrealized losses	0	0	-	-2	-2
Operating expenses	**-289**	**-249**	**-40**	**-121**	**-410**
Commissions and other acquisition costs	-277	-232	-45	-34	-311
Investment management expenses	-32	-32	-0	-19	-51
Other administrative expenses	20	15	5	-68	-48
Other expenses	-250	-219	-30	-14	-264
TOTAL EXPENSES	**-17,237**	**-17,069**	**-168**	**-137**	**-17,374**
PROFIT (LOSS) BEFORE TAXES	**819**	**745**	**74**	**-123**	**696**
Income taxes	-	-	-	-216	-216
PROFIT (LOSS) AFTER TAXES	**819**	**745**	**74**	**-339**	**480**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	-	-	-	-
PROFIT (LOSS) FOR THE YEAR	**819**	**745**	**74**	**-339**	**480**

Key:

A	RGA: Profit from the insurance business
B	Breakdown of Life business profit
C	Breakdown of Non-life business profit
D	Operating costs - Revenue and income, costs and expense
E	Income statement for the year ended 31 December 2014

INCOME STATEMENT for the year ended 31 December 2013

millions €

	A	B	C	D	E
Net earned premiums	**11,363**	**11,158**	**205**	**-**	**11,363**
Gross earned premiums	11,370	11,158	212	-	11,370
Ceded earned premiums	-7	-	-7	-	-7
Commission income	266	266	-	-	266
Gains (losses) on financial instruments at fair value through profit and loss	204	203	1	30	234
Income from investments in subsidiaries, associates and joint ventures	-	-	-	-0	-0
Income from other financial instruments and lands and buildings	**2,220**	**2,199**	**21**	**2**	**2,221**
Interest income	1,813	1,797	16	-	1,813
Other income	50	48	2	2	52
Gains on disposal	357	354	3	-	357
Unrealized gains	-	-	-	-	-
Other revenues	60	50	10	16	76
TOTAL INCOME	**14,112**	**13,876**	**236**	**48**	**14,160**
Net insurance benefits and claims	**-12,467**	**-12,365**	**-102**	**7**	**-12,460**
Gross insurance benefits and claims	-12,472	-12,365	-107	7	-12,465
Reinsurers' share	5	-	5	-	5
Fee and commission expense	-168	-168	-	-	-168
Expenses from investments in subsidiaries, associates and joint ventures	-	-	-	-	-
Expenses from other financial instruments and lands and buildings	**-222**	**-220**	**-1**	**-8**	**-229**
Interest expense	-12	-12	-	-	-12
Other expense	-0	-0	-	0	0
Losses on disposal	-209	-208	-1	-	-209
Unrealized losses	-	-	-	-8	-8
Operating expenses	**-291**	**-243**	**-49**	**-125**	**-416**
Commissions and other acquisition costs	-282	-229	-52	-42	-324
Investment management expenses	-28	-28	-	-21	-48
Other administrative expenses	18	14	4	-62	-44
Other expenses	-270	-246	-25	-46	-317
TOTAL EXPENSES	**-13,418**	**-13,242**	**-176**	**-172**	**-13,590**
PROFIT (LOSS) BEFORE TAXES	**695**	**635**	**60**	**-125**	**570**
Income taxes	-	-	-	-223	-223
PROFIT (LOSS) AFTER TAXES	**695**	**635**	**60**	**-348**	**347**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	-	-		-
PROFIT (LOSS) FOR THE YEAR	**695**	**635**	**60**	**-348**	**347**

Key:
- A RGA: Profit from the insurance business
- B Breakdown of Life business profit
- C Breakdown of Non-life business profit
- D Operating costs - Revenue and income, costs and expense
- E Income statement for the year ended 31 December 2013

The principal new products

During the year, the existing savings and investment product portfolio of the retail segment was strengthened and revised to include new insurance products for private customers and to expand into the supplementary pension product business.

During the first six months of the year, the Group proposed "Risparmio 2.0 - Edizione 2014" ("Saving 2.0 - 2014 Edition") for retail customers that invest solely in administrated funds products. It also prepared the "Metto da parte" ("I put something aside") product for employees. This consists of a recurring premium class I accumulation plan. In the private customers segment, the Group launched a new single premium class I investment product via the Intesa Sanpaolo Private Banking distribution channel; this product is very competitively priced and flexible.

During the second half of the year, the Group rationalised the retail segment's class I products mainly to decrease the minimum guaranteed return on existing products, when allowed by contract. This strategy was implemented to standardise, as far as possible, the level of financial guarantees with new business guarantees. The project to align the portfolio with changes in the reference market also included replacing the segregated funds linked to "Base Sicura" ("Secure Base"), the key class I product.

Finally, following completion of the contribution by Intesa Sanpaolo Previdenza SIM S.p.A. of a business unit to Intesa Sanpaolo Vita S.p.A., the parent's range of pension fund products increased to include the open pension funds "Giustiniano, "Il Mio Domani", "Intesa Mia Previdenza" and PrevidSystem" in December 2014.

The subsidiary *Intesa Sanpaolo Life* launched significant projects during the year leading to the launch of a new unit-linked single premium product, Prospettiva 2.0 ("Perspective 2.0") in March 2014. This product has new investment solutions that update the product portfolio to reflect international best practices with the redesign and simplification of the calculation of management fees and retrocession payments to the sales networks. It also includes an innovative mechanism to ensure consistency between the policyholder's interest with those of the subsidiary.

With respect to the non-life business and especially the subsidiary *Intesa Sanpaolo Assicura*, it continued to focus on protection products for Italian households in the year.

With respect to ViaggiaConMe product ("Travel with Me"), a car insurance policy that provides both traditional insurance cover and the use of a remote electronic device enabling immediate assistance to be provided around the clock in the event of an accident or breakdown, the subsidiary developed the following projects during the year:

- introduction of two kilometre formulae for motorists who do not drive long distances to improve the service level in line with customer requirements; the two offers are designed for customers who travel an annual average of less than 5,000 km or 8,000 km;
- in tariff terms, the subsidiary introduced adjustments to improve its competitive position and assist commercial penetration in more profitable segments and areas as well as to retain claim-free policies at expiry;

the operating processes for the sales network were improved to simplify them.

A radio and internet advertising campaign took place in July to follow on from those performed in late 2012 and 2013 and promote the commercial projects.

Credit protection products (credit protection insurance) were affected by improvements in the processes and regulatory updates, such as:

- the sales process was revised communicating that it is not mandatory to have a policy until the loan has been disbursed and introduction of adequacy requirements for collective policies;
- compliance with the ABI Assofin protocol in June, with introduction of the 60 day withdrawal period on life or mixed products agreed for loans, the welcome letter and adjustment of the TAEG (annual lending percentage rate) on the total borrowing cost.

With respect to the other non-life lines of business excluding Aircraft, Ships, Surety and Credit, the Group completed its product to launch a new home protection policy.

In December, the procedure which will allow the Group branches to sell the "ACasaConMe" ("At home with me") product was rolled out. The sales launch was scheduled for January 2015.

The Group continued to work with Eurizon Capital with the introduction of a second collective policy alongside the accumulation plans offered to Intesa Sanpaolo customers.

The Group designed an extra captive assistance policy for customers of AEW, the Bolzano electricity utilities company, that have signed a gas supply contract.

Performance

During 2014, the group reported gross written premiums of €21,059.9 million for both the life and the non-life businesses and, in relation to the former, both products classified as insurance products and policies with a more financial content. Premiums increased by 48.5% on the previous year (€14,178.5 million).

Gross life written premiums amounted to €20,849.3 million, up 49.5% on the €13,946.2 million for 2013.

Gross non-life written premiums amounted to €210.6 million, down 9% on the €232 million for the previous year.

Both traditional products and unit-linked financial products performed well, up 34% and 112.4%, respectively.

millions €

	31-12-2014	31-12-2013	Change	
Collection of contracts classified as insurance and investment with DPF:	**14,926.0**	**11,157.1**	**3,768.9**	**33.8%**
- Traditional (class I)	14,761.5	11,017.9	3,743.7	34.0%
- Capitalisation (class V)	1.6	2.2	-0.6	-25.6%
- Unit Linked (class III)	20.4	23.3	-2.9	-12.4%
- Pension funds and Fip (VI)	142.4	113.7	28.7	25.2%
Collection of contracts classified as investment without DPF:	**5,923.4**	**2,789.1**	**3,134.3**	**112.4%**
- Index Linked (class III)	-	-	-	0.0%
- Unit Linked (class III)	5,923.4	2,789.1	3,134.3	112.4%
Total Life business	**20,849.3**	**13,946.2**	**6,903.2**	**49.5%**

New life business, including income from financial products without discretionary participation features (DPF), came to €20,625.2 million (+50.8%) compared to €13,673 million for 2013.

The distribution structure

The parent, Intesa Sanpaolo Vita, uses the branches of the Intesa Sanpaolo Group to distribute its pension, savings and investment products. The revised distribution agreement (after completion of the 2011 merger) expires in 2021 and has a renewal option.

The parent uses the bank branches of the Intesa Sanpaolo Group and the distribution network of Intesa Sanpaolo Personal Finance (former Neos Finance) to distribute its creditor protection insurance products.

It also avails of the financial advisors network of the Banca Fideuram Group to distribute the internal pension product "PIP Progetto Pensione" ("PIP Pension Project") and the open-ended pension fund "Sanpaolo Previdenza Aziende" ("Sanpaolo company pension plan").

A distribution agreement is in place for *Intesa Sanpaolo Life* products with the broker Marsh, which operates in Italy and Slovakia on the basis of referrals from the bank branches of the Intesa Sanpaolo Group and the financial advisors network of the Banca Fideuram group.

Finally, for *Intesa Sanpaolo Assicura*, its main distribution channel is through the branches of the Intesa Sanpaolo Group, in addition to the commercial agreement with Intesa Sanpaolo Personal Finance (a financial company which is part of the group). The subsidiary also has a distribution agreement with the financial advisors of the Banca Fideuram Group networks as well as distributing its products over the internet.

Reinsurance policy

During 2014 and in order to contain exposure on specific portfolios, the parent, Intesa Sanpaolo Vita, agreed proportionate reinsurance treaties on both a proportionate basis and an excess of loss basis for whole/term life insurance products with complementary covers for pension products. It also agreed an excess of loss treaty for catastrophic risks relating to the retained portion of all portfolios.

Other run-off treaties continue to apply, both on a proportionate and an excess of loss basis for life insurance policies and certain accident covers of non-life businesses (temporary and permanent disability).

It was not deemed necessary to agree additional reinsurance contracts, as is the case when the existing reinsurance treaties cannot be used, during the year.

The reinsurance treaties are agreed with major operators and the current situation complies with the provisions of IVASS (Institute for the supervision of private insurance companies) circular no. 574/D.

The reinsurer with the lowest rating is in line with the Master Resolution which provides for a minimum rating of A (S&P) for long tail business.

Intesa Sanpaolo Assicura's portfolio is protected by non-proportional excess of loss treaties in order to contain excessive and catastrophic exposure; retention has been reduced through proportional cover exclusively in relation to specific guarantees or products.

While continuing to assess the opportunities offered by the market, the Group does not engage in inwards reinsurance.

All its treaties are signed with leading specialist operators and comply with the guidelines for outwards reinsurance (as per ISVAP (the Italian Insurance Regulator) circular no. 574/D of 2005) approved by the boards of directors of the individual group companies.

Resort to additional reinsurance is limited to the rare cases in which the risk does not fall under existing reinsurance treaties.

Research and development

During the year, the activities for the Solvency II project continued. The new Solvency II Directive provides that an entity's solvency capital requirement must equal its economic capital held to limit the probability of ruin to 0.5% in any given year, that is to limit the frequency of insolvency events to once every 200 years. This requirement may be calculated using a standard formula or an internal model.

As regards legislative developments on the new capital regime applicable to insurance companies and its enactment, the parent continued the process to comply with the EIOPA Guidelines published at the end of October 2013 during the year. An initial preparatory stage is currently underway before enactment on 1 January 2016 of the Solvency II legislation. The related guidelines issued by EIOPA to the competent national authorities stipulate a range of basic requirements, which need to be adopted by insurance companies over the 2014-2015 two-year preparatory stage. These requirements relate specifically to the governance policies and the system of governance, ex ante risk assessment and capital management processes and the transmission of information (reporting) to national authorities, all with reference to the new prudential regulation. Accordingly, IVASS has issued the text of the new Regulation no. 20 after a public consultation which embodies part of the guidance contained in the EIOPA Guidelines to comply with the Solvency II regulation and some Letters to the market setting out guidelines and the first deadlines for completion of the preparatory stages.

EIOPA has also requested the European insurance market carry out a stress test using Solvency II logics. The parent participated in the exercise as per the specific request received through IVASS. Its objective was to test the European insurance companies' resilience to adverse market scenarios (core module) and to assess their resistance capacity to systematic prolonged exposure to low interest rates (low yield module). The exercise was carried out at the valuation date of 31 December 2013.

The parent also continued to develop the activities required to comply with the Solvency II regulation. In accordance with the related time schedule, this project is taking place both at insurance group level (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo Life) and consolidation level (the insurance group plus Fideuram Vita).

With respect to the stage of completion of the project, the main activities carried out in 2014 were:

- FLAOR report: the Group prepared its first FLAOR report, with different sections for each company, and sent it to IVASS in October 2014;
- Data Quality Management: the Group presented the data management system implementation plan to the board of directors on 30 October 2014, as required by article 12-bis of regulation no. 20;
- Governance: the policies required by regulation no. 20 were drawn up and resolved on by the board of directors within the legally established timeframe;
- Pillar I and Pillar III:
  - the Group selected the software to be used to prepare the Pillar III reports. The procedures to introduce the software are underway so as to be able to produce the quantitative report templates (QRT);
  - the scope of the Solvency II datamart to collect data “from” and “to” the actuarial calculation engine (MoSes) to calculate the stochastic and deterministic cash flows, necessary to calculate the SCR, was extended;
  - the methods to calculate assets, liabilities, SCR and MCR, how to prepare the Solvency II financial statements and the ORSA method were prepared.

In IT terms and considering the developments, the Group commenced the following activities during the year:
- definition of the IT development macro plan as required by EIOPA;
- completion of a Solvency II datamart to collect data “from” and “to” the actuarial calculation engine (MoSes) to calculate the stochastic and deterministic cash flows, necessary to calculate the SCR;
- selection and purchase of an Enterprise system to calculate the standard formula (Pillar I) and prepare the reports required by EIOPA (the quantitative reporting templates, Pillar III).

Staff

At 31 December 2014, the parent and subsidiaries had 543 employees, 23 more than at 31 December 2013. The Group has 24 resources seconded from other companies of the Intesa Sanpaolo Group and has seconded nine employees to other companies of the Intesa Sanpaolo Group.

	Intesa Sanpaolo Vita	Intesa Sanpaolo Life	Intesa Sanpaolo Assicura	**Totale**
Employees	359	50	118	527
- Managers	9	2	7	18
- Officers	158	7	43	208
- Other employees	192	41	68	301
Staff seconded from other companies of the Intesa Sanpaolo Group	14	1	9	24
Staff seconded to other companies of the Intesa Sanpaolo Group	6	-	3	9
Total	**367**	**51**	**124**	**542**
Other contractual forms	1	-	-	1
General total	**368**	**51**	**124**	**543**

On 20 May 2014, the insurance group companies and the ultimate parent (HR department) signed a trade union agreement in line with the Group’s initiatives. This provides for a “company bonus” and offers employees the option of joining a stock option plan and an investment plan (LECOIP).

The “company bonus” was introduced in 2012 and amounts to €820 or a gross amount of €630 which is the same for all employees. Both the company bonus and the alternative amount were available solely to non-management staff with a gross annual salary of less than €65,000, which is the minimum amount for insurance sector managers.

With respect to the “deferred share plan” and the “investment plan”, the 20 May 2014 agreement provided for:

1. the free assignment of Intesa Sanpaolo shares (free shares) to all employees for €920 each; the shares can be sold immediately but with a large tax and social security cost. If the employees hold on to the shares for three years, they only have to pay the capital gains tax;
2. the option to join the investment plan (LECOIP) giving employees the possibility to participate in the expected value growth forecast in the business plan; this decision is individual and voluntary and consists of co-investing in Intesa Sanpaolo shares. In this case briefly:
   - assignment of an additional number of free shares (matching shares) on the basis of an "individual lever"; the share value increased by another minimum €0.8;
   - guarantee of the value of the shares, which are tied up for the plan's duration, regardless of market prices; favourable tax and social security treatment;
   - participation in the shares' appreciation over the plan's duration. The calculation is based on the shares received and those discounted (free shares + matching shares x 4). The participation percentage is limited to 75% of the appreciation.

On 20 May 2014, another agreement was signed whereby, if certain legal conditions are met, employees can benefit from a favourable tax treatment of their remuneration components strictly related to productivity, such as, for example, the alternative amount to the company bonus and overtime.

Principal regulatory developments in the year

Sector regulations

The main regulatory changes which affected life insurance companies in the year were the following:

– **IVASS regulation no. 5 of 21 July 2014**, implementation measures on how to comply with the due diligence obligations for customers and registration by insurance companies and brokers pursuant to article 7.2 of Legislative decree no. 231 of 21 November 2007;
– **IVASS measure no. 21 of 21 October 2014**, amendments and integrations to regulations nos. 15/2008 (group), 18/2008 tier 2 capital (group margin), 7/2007 (consolidated financial statements), 26/2008 (equity investments) - compliance with Directive no. 2011/89 (financial conglomerates);
– **IVASS measure no. 22 of 21 October 2014**, amendments and integrations to regulation no. 36/2001 (investments and assets hedging technical provisions);
– **IVASS measure no. 23 of 18 November 2014**, amendments and integrations to ISVAP regulation no. 10 of 2 January 2008 about access procedures to insurance activities and the register of insurance companies as per title II of Legislative decree no. 209 of 7 September 2005, the Italian Private Insurance Code. Amendments and integrations to ISVAP regulation no. 33 of 10 March 2010 about access to and exercise of the resinsurance business as per titles V, VI, XIV and SVI of Legislative decree no. 209 of 7 September 2005, the Italian Private Insurance Code;
– **IVASS measure no. 27 of 23 December 2014**, limitations to the calculation of incentives and penalties as per article 3 of IVASS measure no. 18 of 5 August 2014;
– **IVASS measure no. 29 of 27 January 2015**, amendments and integrations to regulation no. 7 of 13 July 2007 about financial statements layouts of insurance and reinsurance companies that adopt IFRS as per the Italian Private Insurance Code.

Tax regulations

Article 3 of Law decree no. 66/2014 provided for a generalised rise in the withholding tax or substitute tax on financial income from 20% to 26%.

This measure is also applicable to returns on life insurance policies. Therefore, starting from 1 July 2014, insurance income on the same policy is subject to three different rates starting from 12.5% (on income received before 31 December 2011) and within a range of between 12.5% and 20% (for income received in the period from 1 January 2012 to 30 June 2014) and between 12.5% and 26% (for income received after 1 July 2014). The tax base for income received on investments in government and similar bonds is decreased so that the actual tax rate is 12.5%, which would have been the rate applied to investors that made direct investments in these bonds.

Following enactment of Law no. 190 of 23 December 2014 (the 2015 stability law), published in the Italian Official Journal of 29 December 2014, the tax rate applicable to supplementary pension products has been increased retroactively from 1 January 2014 from 11.5% to 20%.

As a result of the hike in the interest rates on government and similar bonds to above 12.5%, the Group's tax base decreased by 62.5% to make the tax rate on income taxed at the 20% rate equal to the favourable rate of 12.5%:

Moreover, the 2015 stability law changed the treatment of financial income received on the death of a policyholder, which had been exempt from the substitute tax up until 31 December 2014. Starting from 2015, this income is also subjected to a withholding tax paid by the life insurance companies.

Premiums and net payments relating to insurance contracts

Written premiums in the year for the life and non-life business, including reinsurance, amounted to €15,140.5 million, up 33% on the previous year. This increase mainly referred to the life business and principally to premiums for financial products with DPF.

millions €

	31-12-2014				31-12-2013			
	First year	Subsequent years	Single premiums	**Total**	First year	Subsequent years	Single premiums	**Total**
Life insurance products without DPF	1.0	28.9	309.2	**339.1**	1.5	36.6	308.3	**346.4**
Life insurance products with DPF	-	55.3	15.1	**70.4**	-	66.0	12.4	**78.4**
Life financial products with DPF	11.2	115.9	14,389.5	**14,516.6**	0.7	133.0	10,598.6	**10,732.3**
Non-life insurance products (*)				**214.4**				**213.0**
Total	**12.2**	**200.1**	**14,713.8**	**15,140.5**	**2.2**	**235.6**	**10,919.3**	**11,370.1**

(*) premiums for period

The claims paid in the life business increased slightly from €6,199.4 million in 2013 to €6,446.2 million in 2014. The amounts paid in the non-life business increased by 29% from €73.5 million in 2013 to €95.1 million in 2014. The increase in the non-life business is due to the growth in the size of the policy portfolio which reported a rising loss ratio in relative terms (from 49.4% in 2013 to 47% in 2014). The reinsurers' share (of claims paid) amount to €0.4 million for the life business and €3.2 million for the non-life business.

millions €

	Claims	Annuities	Surrenders	Maturities	Liquidation costs	**Total**
Insurance products without DPF	-92.1	-0.1	-604.9	-1,082.3	-15.9	**-1,795.3**
Insurance products with DPF	-11.9	-6.6	-70.8	-74.3	-	**-163.6**
Financial products with DPF	-1,146.9	-0.1	-2,935.8	-404.5	-	**-4,487.3**
Non-life business insurance products						**-95.1**
Total 31-12-2014	**-1,250.9**	**-6.8**	**-3,611.5**	**-1,561.1**	**-15.9**	**-6,541.2**
Insurance products without DPF	-130.2	-	-909.9	-819.1	-14.6	**-1,873.8**
Insurance products with DPF	-15.0	-6.4	-74.2	-77.9	-	**-173.5**
Financial products with DPF	-1,110.1	-0.1	-2,636.0	-405.9	-	**-4,152.1**
Non-life business insurance products						**-73.5**
Total 31-12-2013	**-1,255.3**	**-6.5**	**-3,620.1**	**-1,302.9**	**-14.6**	**-6,272.9**

Commissions

Net commissions on financial products without DPF, comprised of index-linked and financial unit-linked policies, amounted to €121.3 million, up 25.1% on 2013 (€97 million). This net increase is due to the unit-linked products as the index-linked product portfolio is gradually maturing.

More information is available in the notes to the consolidated financial statements.

Financial income and expense

Net gains on financial instruments increased to €2,363.8 million compared to €2,196.4 million for 2013. The €167.5 million increase is mainly due to the higher gains on the disposal of available-for-sale securities (€187.4 million) and smaller losses on disposal of €174.1 million. The increase is principally attributable to the larger volume of assets managed. Net gains on financial instruments at fair value through profit or loss decreased for the main part related to assets hedging the index-linked and unit-linked product provisions from €204.3 million in 2013 to -€83.2 million in 2014.

Commissions and operating expenses

Commissions and other acquisition costs amount to €311.2 million for the year, down 4% compared to €323.3 million for 2013. This decrease reflects the reduction in acquisition costs on new business and, with respect to the life business, mainly refers to the smaller costs incurred for communication and promotion activities as well as the greater concentration of production on products with lower commission rates. The lower acquisition costs for the non-life business are principally due to the different production mix and, to a lesser extent, the reduction in premium income.

Other administrative costs increased from €44.4 million for 2013 to €47.5 million for 2014, as did investment management costs going from €48.4 million for 2013 to €50.9 million for 2014.

Commissions and other acquisition costs as a percentage of total premium income came to 2.1% compared to 2.8% for 2013.

Other administrative costs as a percentage of total premium income were roughly 0.3% compared to about 0.7% for the previous year.

Other revenue and expenses

Other net expenses went from -€210.6 million for 2013 to -€62.2 million for 2014, mainly due to exchange rate trends.

Statement of financial position

Investments

The portfolio of financial investments amounts to €97,192.7 million (up 26.5% compared to 31 December 2013) and comprises available-for-sale securities (73.1%), securities at fair value through profit or loss (25.8%) with the remainder mostly consisting of financial assets held for trading.

millions €

	31-12-2014		31-12-2013		Change	
Financial assets available for sale	71,043.9	73.1%	54,649.3	71.1%	16,394.6	30.0%
Financial assets measured at fair value	25,071.2	25.8%	21,051.7	27.4%	4,019.5	19.1%
Financial assets held for trading	977.3	1.0%	1,063.1	1.4%	- 85.8	-8.1%
Land and buildings	19.4	0.0%	19.6	0.0%	- 0.2	-0.9%
Investments in subsidiaries, associates and joint ventures	-	0.0%	-	0.0%	-	n.a.
Loans and receivables	80.9	0.1%	78.1	0.1%	2.8	3.6%
Total	**97,192.7**	**100%**	**76,861.8**	**100%**	**20,330.9**	**26.5%**

The Group's investment transactions carried out during the year complied with the guidelines specified in the Finance Policy of the group companies and, in particular, with the general principles of prudence and enhancement of the quality of assets from a medium and long-term perspective.

Against the backdrop of global financial markets which maintained a favourable trend throughout the year, the Group continued to pursue a policy aimed at limiting the financial risk whilst at the same time maintaining a level of profitability that is commensurate with the commitments made to policyholders.

The component comprised of bonds and fixed income securities continues to be significant, accounting for 72% of the total. The bond portfolio includes bonds issued by the Italian government, foreign governments, international bodies and national banks and corporate bonds distributed over a broad range of issuers, including, in particular, companies from the Eurozone.

Equity

millions €

	31-12-2014	31-12-2013	Change
Capital and reserves attributable to the Group	**4,379.4**	**4,329.3**	**1.2%**
Group capital and reserves	3,308.5	3,661.6	-9.6%
Gains (losses) on financial assets available for sale	590.5	321.0	83.9%
Profit (loss)	480.4	346.7	38.6%

At 31 December 2014, the group reported equity of €4,379.5 million, including the profit for the year of €480.4 million, compared to equity at the start of the year of €4,329.3 million.

The different market values compared to the carrying amounts led to recognition of a €590.5 million fair value gain in the fair value reserve under equity compared to €321 million recognised at 31 December 2013.

During 2014, in addition to the variation mentioned above in the fair value reserve and the contribution of the profit for the year, the difference in capital and reserves attributable to the owners of the parent was influenced by the parent's capital management activities. It modified the composition of its available solvency margin by issuing subordinated bonds without a maturity of €750 million, which allowed it to repay €701 million to the ultimate parent during the year. The contribution of the pension business by Intesa Sanpaolo Previdenza was marginal in terms of its impact on equity but significant with respect to strategies and the assets acquired from the transaction. It led to new assets under management of roughly €1.8 billion and an increase in share capital and reserves of €0.1 million and €0.9 million, respectively. Further information relating to the changes in equity is provided in the section on non-recurring transactions and capital management.

Group solvency

The group solvency ratio (Solvency I ratio), defined as the ratio of the available margin to the required margin, confirms the Group's capital strength. This ratio was 173.9% at the end of the year (189.6% at 31 December 2013), resulting in a surplus of €2,051.8 million. The reduction in the solvency ratio is mainly due to production trends and changes in the statement of financial position captions.

Liabilities with policyholders

Liabilities with policyholders, which include insurance provisions of the life and non-life businesses as well as financial liabilities of the life business, increased by 26% from €75,216.1 million at 31 December 2013 to €94,878.0 million at the reporting date.

Insurance provisions and financial liabilities, considering deferred liabilities with policyholders as well, of the life business went from €74,741.2 million at 31 December 2013 to €94,393.8 million at 31 December 2014 (+26%).

Insurance provisions

The life business' insurance provisions increased by 27.6%. The increase is attributable to the revaluation of benefits to policyholders and the performance of production aggregates.

The increase in the non-life business insurance provisions was 2% from €474.9 million to €484.2 million.

Deferred liabilities with policyholders incorporating the policyholders' share of unrealized gains and losses increased from €1,307.0 million to €5,749.5 million.

Financial liabilities

Financial liabilities rose by 21.7% from €16,813.7 million at 31 December 2013 to €20,464.1 million at the reporting date. This increase is principally attributable to business trends and portfolio movements. It also incorporates unrealized gains and losses on investments to which those liabilities are related.

millions €

	31-12-2014	31-12-2013	Change
Liabilities due to policyholders for Life segment	**94,393.8**	**74,741.2**	**26.3%**
Insurance provisions and financial liabilities:	88,644.3	73,434.2	20.7%
traditional	64,574.1	53,524.7	20.6%
- of which financial liabilities	-	-	*n.a.*
- of which insurance provisions	*64,574.1*	*53,524.7*	*20.6%*
linked	24,070.2	19,909.5	20.9%
- of which financial liabilities	*20,464.1*	*16,813.7*	*21.7%*
- of which insurance provisions	*3,606.1*	*3,095.8*	*16.5%*
Deferred liabilities due to policyholders	5,749.5	1,307.0	339.9%
Insurance provisions for non-life segment	**484.2**	**474.9**	**2.0%**
Provision for unearned premiums	308.2	311.9	-1.2%
Provision for outstanding claims	175.1	162.3	7.9%
Other insurance provisions	0.9	0.7	30.5%
Liabilities due to policyholders	**94,878.0**	**75,216.1**	**26.1%**

Measurement of the fair value of financial assets and liabilities

This section summarises the criteria used by the Group to measure the fair value of financial instruments. As illustrated in the basis of preparation section of the notes to the consolidated financial statements, the application of IFRS 13 governing fair value measurement and related disclosure is mandatory from 1 January 2013.

The new standard does not extend the scope of fair value measurement. The aim, in fact, was to concentrate into a single standard the rules for fair value measurement previously contained in various standards, in some cases, with requirements in conflict with one another.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., not as part of a forced liquidation or distress sale) at the measurement date. Fair value is a market-based measurement that is not entity-specific.

An entity shall measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

In determining the fair value of a financial instrument, IFRS 13 establishes a hierarchy of criteria based on the origin, type and quality of the information used in the calculation. The aim of this classification is to establish a hierarchy in terms of reliability of the fair value based on the level of discretion applied by entities, giving precedence to the use of market-observable inputs that reflect the assumptions that market operators would make in pricing the asset or liability. The hierarchy also aims to increase consistency and comparability in fair value measurements.

There are three different input levels:

- **Level 1**: input represented by quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;
- **Level 2**: input other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly for the assets or liabilities to be measured;
- **Level 3**: unobservable inputs for the asset or liability.

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: highest priority is attributed to quoted prices (Level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instrument prices (Level 2) and lowest priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (Level 3).

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.

The valuation process for financial instruments (which is governed within Intesa Sanpaolo Group by the "Fair Value Policy") entails the following phases:

– identification of the sources for measurement: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
– certification and treatment of market data for measurements: this stage consists of the precise verification of the market parameters used (checking the integrity of data contained on the proprietary platform with respect to the source), reliability tests (consistency of each single figure with similar or comparable figures) and verification of actual application methods;
– validation of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the compliance of the various measurement techniques used with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement;
– monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing model in order to discover any gaps promptly and start the necessary verifications and actions.

The *Fair Value Policy* also provides for adjustments to reflect the model risk and other uncertainties relating to valuation. In particular, model risk is represented by the possibility that the valuation of a complex instrument is materially influenced by the model chosen. Indeed, it is possible that models using price elementary instruments with the same quality may give rise to different prices for exotic instruments. In these cases, where possible, alternative models are compared, and where necessary, model inputs are subjected to stress tests, thus obtaining useful elements to quantify fair value adjustments, expressed in terms of measurable financial indicators (vega, delta, correlation shifts), and periodically reviewed. These fair value adjustments, due to model risks, are part of a *Mark to Market Adjustment Policy* adopted for the purposes of considering, in addition to model risk described above, also other factors eligible to influence valuation and essentially attributable to:

– high and/or complex risk profile;
– position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration); and
– valuation difficulties due to the lack of liquid and observable market parameters.

In the case of Level 2 inputs, the valuation is not based on prices of the financial instrument being valued but on prices or credit spreads derived from official prices of instruments that are substantially similar in terms of price risk, using a given calculation method (pricing method). Resort to this approach entails searches for transactions on active markets relating to instruments that are comparable to the instrument being valued in risk factor terms. The calculation methods classified as Level 2 allows the reproduction of prices of financial instruments listed on active markets (model calibration) without including discretional parameters (i.e., parameters whose values cannot be obtained from prices of financial instruments on active markets or that cannot be pegged at levels that duplicate prices on active markets) that would have a significant influence on the final valuation price.

In order to calculate the fair value of certain types of financial instrument, valuation models are used that entail the use of parameters that cannot be observed directly on the market and, hence, require the valuer to make estimates and assumptions (Level 3).

As required by IFRS 13, the following tables provide quantitative information about significant unobservable inputs used for the fair value measurement of financial assets and financial liabilities valued at Level 3 as well as the effects of a change in one or more unobservable parameters used in the valuation technique used to calculate fair value.

thousands €

Financial assets/liabilities	Valuation technique	Main unobservable inputs	Minimum value of range of changes	Maximum value of range of changes	Unit	Fair value gain	Fair value loss
Structured securities	Two-factor model	Correlation	-30	19	%	1,025	- 7,500

thousands €

Financial assets/liabilities	Unobservable parameters	Sensitivity	Change in unobservable parameter
Securities held for trading and AFS	Correlation	163	1%

Additional information is given in the annexes to the notes "Assets and liabilities measured at fair value on a recurring and non-recurring basis: breakdown by fair value level" and "Assets and liabilities not measured at fair value: breakdown by fair value level".

The amount of securities transferred to another fair value level are specified below:

thousands €

	Transfers among levels as at 31-12-2014					
	to Level 1		to Level 2		to Level 3	
	from Level 2	from Level 3	from Level 1	from Level 3	from Level 1	from Level 2
Financial assets held for trading	2,244	-	-	-	-	-
Financial assets designated at fair value through profit and loss	53,562	-	-	-	290,688	-
Financial assets available for sale	40,699	-	59,147	9,920	-	-
Hedging derivatives	-	-	-	-	-	-
Financial assets measured at fair value through profit and loss	**96,505**	**-**	**59,147**	**9,920**	**290,688**	**-**
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities designated at fair value through profit and loss	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
Financial assets / liabilities at fair value	**-**	**-**	**-**	**-**	**-**	**-**

Transfers from one level to another are made on the basis of the empirical observation of intrinsic factors of the instrument being valued or its markets. Transfer from Level 1 to Level 2 takes place if an adequate number of inputs, i.e., a limited number of investors that hold the float, no longer exist. This event often materialises when the instrument nears maturity. Conversely, securities that upon issue are illiquid and for which trades are numerous and are thus classified in Level 1 are reclassified into Level 1 when an active market is identified.

The impact on profit or loss and equity of Level 3 securities recognised in the year and their changes are analysed below.

thousands €

	Income statement	Equity	Total
Available-for-sale financial assets	-	23,052	23,052
Financial assets held for trading	2,607	-	2,607
Financial assets held for trading / Financial assets designated at fair value through profit or loss	43,531	-	43,531
Loans and receivables	-	-	-

thousands €

	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss
Opening balance	**411,856**	**20,060**	**258,720**
Additions	**29,861**	**14,169**	**505,614**
Acquisitions	1		
Fairl value gains recognised in equity	23,339		
Fairl value gains recognised in profit or loss		3,493	37,289
Realised gains	2,768		6,276
Other increases	3,753	10,676	462,049
Decreases	**-127,292**	**-9,825**	**-159,836**
Sales and repayments	-88,294		-63,200
Fairl value losses recognised in equity	-287		
Fairl value losses recognised in profit or loss		-843	-34
Realised losses	-911	-43	
Other decreases	-37,800	-8,939	-96,602
Closing balance	**314,425**	**24,404**	**604,498**

Unrealized gains and losses on securities classified as available-for-sale are recognised in equity caption 1.1.7 “Fair value reserve” except for impairment losses which are recognised in profit or loss in caption 2.4.4. “Impairment losses”. Fair value gains or losses are recognised in caption 1.3 “Gains or losses on remeasurement of financial instruments at fair value through profit or loss” when they relate to securities classified as held for trading and at fair value through profit or loss.

BUSINESS SEGMENTS

The insurance group operates principally in the life business, whilst the contribution of the non-life business is gradually growing.

The insurance group is active in Italy and, to a lesser extent, in other European Union member states. Its activities in other countries is conducted entirely by the subsidiary Intesa Sanpaolo Life.

For details regarding the financial data relating to the two life segments, reference should be made to the notes to the consolidated financial statements while the performance of the two segments during the year is commented on below.

Life business

Insurance operations

The Group recorded gross premiums of €20,849.3 million for the year, relating to both premiums on insurance products and financial products with discretionary participation features, as well as gross inflows from financial products without a discretionary participation feature.

Gross premiums increased by 49.5% compared to the previous year.

millions €

	31-12-2014	31-12-2013	Change	
Collection of contracts classified as insurance and investment with DPF:	**14,926.0**	**11,157.1**	**3,768.9**	**33.8%**
- Traditional (class I)	14,761.5	11,017.9	3,743.7	34.0%
- Capitalisation (class V)	1.6	2.2	-0.6	-25.6%
- Unit Linked (class III)	20.4	23.3	-2.9	-12.4%
- Pension funds and Fip (VI)	142.4	113.7	28.7	25.2%
Collection of contracts classified as investment without DPF:	**5,923.4**	**2,789.1**	**3,134.3**	**112.4%**
- Index Linked (class III)	-	-	-	0.0%
- Unit Linked (class III)	5,923.4	2,789.1	3,134.3	112.4%
Total Life business	**20,849.3**	**13,946.2**	**6,903.2**	**49.5%**

At 31 December 2014, more than 3 million policies had been signed by group policyholders, up 3% on the previous year end.

Changes in the life insurance contracts are set out below:

	Contracts on 31-12-2013	New contracts	Other inflows	Payments and maturities	Other outflows	Contracts on 31-12-2014
Contracts under IFRS4	**2,970,987**	**708,025**	**-**	**-494,402**	**-90,825**	**3,093,785**
Traditional	1,203,792	222,728	-	-87,281	-10,839	1,328,400
Capitalisation	2,900	6	-	-240	-	2,666
Unit Linked	215,613	81,496	-	-30,434	-	266,675
Pension	39,766	13,003	-	-510	-484	51,775
F.I.P.	38,246	-	-	-1,267	-2,227	34,752
Temporary Death Policies	1,282,968	195,252	-	-276,044	-76,278	1,125,898
Index Linked	152,402	-	-	-97,701	-	54,701
Open-Ended Pension Funds	35,300	195,540	-	-925	-997	228,918
Contracts under IAS39	**109,605**	**-**	**-**	**-25,895**	**-4**	**83,706**
Unit Linked	105,701	-	-	-25,030	-4	80,667
Index Linked	3,352	-	-	-313	-	3,039
Specific financing	552	-	-	-552	-	-
Total	**3,080,592**	**708,025**	**-**	**-520,297**	**-90,829**	**3,177,491**

The changes in contracts take account of portfolio changes related to the contribution of its business unit by Intesa Sanpaolo Previdenza Sim S.p.A., as described earlier.

The net charges relating to claims, including the adjustment to the technical provisions, amount to €16,352 million, showing an increase on the €12,360 million recognised for 2013. This performance is the result of the combined effect of the containment of benefits paid and the increase in technical provisions, due principally to the favourable commercial performance.

With regard to amounts paid, charges due to claims decreased by 0.3% while the propensity of policyholders to surrender also decreased with a reduction in surrenders of 0.2% compared to 2013.

The provision for payable amounts, net of reinsurance, decreased by €24.4 million. The reduction in mathematical provisions after accounting for the reinsurers' share amounts to €9,256 million, whilst provisions resulting from pension fund management where the investment risk is borne by the policyholders decreased by €510 million. The other technical provisions at 31 December 2013, net of the reinsurers' share, decreased by a net €116 million.

Commissions and other acquisition costs, net of profit participation and other commissions received from reinsurers, amount to €257 million. They include acquisition costs relating to insurance contracts and investment contracts with discretionary participation features. In particular, the caption includes acquisition commissions of €153 million (-1%), other acquisition costs of €24 million (-22%) and collection commissions of €80 million (+8%).

Investment management costs amount to €51 million for 2014 (€48 million for 2013) and include general costs and personnel expenses related to the management of investment property and equity investments.

Administrative costs amount to €29 million, up from €27 million for 2013.

Non-life business

The Intesa Sanpaolo Vita Group is mainly active in the non-life business through its subsidiary Intesa Sanpaolo Assicura and with the accident and health insurance products incorporated into the parent from the former Centrovita Assicurazioni.

Gross premiums for the year amount to €210.6 million, a slight decrease on 2013 (€232.3 million). The banking channel contributed €188.0 million, the financial advisors channel contributed €4.9 million whilst the other channels contributed €17.8 million.

A breakdown by distribution channel is as follows:

millions €

	31-12-2014					31-12-2013					Change	
	Promoters	Bancassurance	Post office counters	Other channels	Total	Promoters	Bancassurance	Post office counters	Other channels	Total		
Health	4.5	6.5	-	2.1	13.1	5.0	7.1	-	-	12.1	0.9	7.7%
CPI	-	66.3	-	0.0	66.3	-	83.2	-	-	83.2	-16.9	-20.3%
Multi-guarantee on loans	-	16.9	-	-	16.9	-	20.1	-	-	20.1	-3.1	-15.5%
Property	-	0.1	-	-	0.1	-	-	-	-	-	0.1	n.a.
CPI on Neos leasing	-	0.1	-	-	0.1	-	-	-	-	-	0.1	n.a.
Motor	-	74.5	-	11.4	86.0	-	77.5	-	3.1	80.5	5.4	6.8%
Other banking-insurance products	-	3.3	-	-	3.3	-	11.6	-	1.1	12.7	-9.4	-74.1%
Multi-risks property	0.4	20.3	4.2	-	24.9	0.2	18.9	4.7	-	23.7	1.1	4.7%
Total	**4.9**	**188.0**	**4.2**	**13.6**	**210.6**	**5.2**	**218.2**	**4.7**	**4.2**	**232.3**	**-21.7**	**-9.4%**

The following table sets out the claims paid in the principal non-life lines of business:

millions €

	31-12-2014	31-12-2013	Change	
Accident	2.9	2.8	0.1	1.9%
Health	13.6	13.3	0.3	2.6%
Land vehicles	6.2	6.7	-0.4	-6.4%
Railway rolling stock	-	-	-	n.a.
Aircraft	-	-	-	n.a.
Ships	-	-	-	n.a.
Goods in transit	-	-	-	n.a.
Fire and natural events	2.9	2.6	0.2	8.6%
Other damage to property	2.1	1.7	0.3	19.2%
Credit	0.6	0.0	0.6	4084.9%
Surety	1.0	0.4	0.6	153.0%
Motor third party liability	37.9	27.6	10.4	37.6%
Aircraft liability	-	-	-	n.a.
Liability for ships	0.0	0.0	0.0	n.a.
Legal protection	0.3	0.1	0.2	177.1%
General third party liability	2.6	1.4	1.1	78.7%
Miscellaneous financial loss	23.8	15.6	8.2	52.7%
Assistance	1.1	1.2	-0.1	-9.4%
Total	**95.0**	**73.5**	**21.5**	**29.3%**

At 31 December 2014, non-life policies numbered 1,773,031.

Commissions and other acquisition costs, net of profit participation and other commissions received from reinsurers, amount to €55 million (€64 million for 2013). The decrease is due to the reduction in commissions.

Investment management costs amount to €0.4 million for 2014 (€0.4 million for 2013) and include general costs and personnel expenses related to the management of investment property and equity investments.

Administrative costs amount to €21 million, up from €20 million for 2013.

Other information

Principal risks and uncertainties for companies included in the consolidation scope

The Intesa Sanpaolo Group, which encompasses the companies included in the consolidation scope of Intesa Sanpaolo Vita, has had a Risk Management Unit. This department is responsible for the definition, implementation and monitoring of the methodological and organisational framework, as well as for the measurement of risk profiles, the verification of mitigation effectiveness and reporting to senior management.

Within this context, in accordance with the process defined by the ultimate parent for operational risks, the Intesa Sanpaolo Vita Group has set up a monitoring system for financial, insurance and operational risks through an integrated reporting system, which provides management with the information necessary to manage and/or reduce the risks taken on.

Section G "Information on risks" provides qualitative and quantitative disclosures on the principal risks and uncertainties to which the consolidated companies are exposed.

Going concern

The Group considers that the risks to which it is exposed do not raise any doubts as to its ability to continue as a going concern.

Non-recurring transactions and capital management

Union Life LTD

The Intesa Sanpaolo Group acquired the investment in Union Life in 2007 in a different strategic context. Despite the obvious growth prospects of the Chinese market as a whole, the Group deemed it appropriate to re-evaluate alternative strategies for Union Life LTD given:

- the Intesa Sanpaolo Group's objective of creating an insurance player focused on the Eurozone;
- the lack of operating synergies between Union Life and Intesa Sanpaolo Vita or other Intesa Sanpaolo Group companies (e.g., bancassurance contracts with Bank of Qingdao or management proxy/advisory contracts with Penghau);
- the objective differences in the Chinese market which has very different standards to the European markets and a business model based on an agency network channel which is effectively very different to Intesa Sanpaolo Vita's experience.

Based on the above considerations, the Group commenced negotiations to sell its interest to one of the other shareholders.

Subsequently, on 28 January 2014, the Group signed an agreement for the sale of the investment subject to conditions precedent tied solely to attainment of the required authorisations from the local supervisory authorities. The authorisation procedure involves many local authorities and so far it has obtained approval from the Chinese Insurance Regulatory Commission and registration of the transaction with the Chinese Ministry of Trade. At present, the procedures to obtain the additional authorisations to conclude the sale are underway.

Intesa Sanpaolo Previdenza SIM

The acquisition of the pension business previously carried out by Intesa Sanpaolo Previdenza SIM was executed with effect from 1 December 2014 through a capital increase serviced by the business unit comprising the four open-ended pension funds and the services provided to the Intesa Sanpaolo Group. The transaction commenced on 15 April 2014 when a letter was sent to Covip, IVASS and Bank of Italy about the joint request made with Intesa Sanpaolo Previdenza SIM ("ISPP") for the contribution of a business by ISPP to Intesa Sanpaolo Vita. This contribution was approved by Intesa Sanpaolo's Management Board on 27 March 2014, as part of the project to reorganise the pension business of the Intesa Sanpaolo Group, and by the Boards of Directors of Intesa Sanpaolo Vita and ISPP on 21 May 2014.

A business unit was used to service the capital increase, mainly consisting of (€m):

- Class D.II investments: 1,808.7
- Goodwill: 2.9
- Receivables for fund management commissions: 2.0
- Receivables for the contribution to ISP: 2.0
- Class D.II reserves: 1,808.7
- Commissions payable: 4.1
- Withholdings payable: 1.3

Merger of segregated funds

- On 1 January 2014, the segregated fund Sud Polo Vita Vivatre, set up in November 2007 after the spin-off from Intesa Sanpaolo Vita (then EurizonVita) of the business to Sud Polo Vita, was merged into the segregated fund Vivatre business, which it originally came from.
- On 9 June 2014, and as the authorisation period had expired, IVASS authorised the merger of the segregated fund Sud Polo Vita Vivapiù and Sud Polo Vita Vivadue, set up in November 2007 after the spin-off from Intesa Sanpaolo Vita (then EurizonVita) of the business to Sud Polo Vita, into the segregated fund Vivapiù and Vivadue, which they originally came from.

Capital management

Following the resolutions of its Board of Directors of 1 May 2012, the parent launched a plan aimed at restructuring the items of the available solvency margin. Accordingly, on 25 September 2014, the Board of Directors approved the plan's updating designed to restructure the solvency margin components available to the parent. It also commenced the activities leading to the placement on the market of a subordinated bond issue after the requisite regulatory authorisations have been obtained.

The main activities related to that restructuring plan implemented during 2014 are summarised below:

- On 17 December 2014, the parent issued subordinated bonds without a maturity for €750 million (ISIN XS1156024116). These bonds, listed on the Luxembourg stock exchange, do not have a maturity and bear interest at the fixed-floating rate. The coupon is payable in arrears on 17 December of each year starting from 17 December 2015 until 17 December 2024 (the First Call Date) and equals 4.75% per annum. After the First Call Date, the interest rate is the 6M Euribor +481.7 bp, payable every six months in arrears on 17 June and 17 December of each year. The transaction's joint lead managers were Banca IMI, BofA Merrill Lynch, Citi, HSBC, Morgan Stanley and UBS Investment Bank. Its aim was to include the subordinated bonds in the available solvency margin. Pursuant to article 45 of Legislative decree no. 209/2005, articles 1 and 22 of ISVAP regulation no. 19 of 14 March 2008 and article 16 of ISVAP regulation no. 18 of 22 March 2008, IVASS authorised the inclusion of these subordinated bonds in the parent's correct individual solvency margin up to a maximum of 25% of the lower value between the available margin and the requested solvency margin in its letter of 2 December 2014.
- On 18 December 2014, the shareholders of Intesa Sanpaolo Vita approved the distribution of other reserves of €701 million to the shareholders, paid on 22 December 2014.

Related party transactions

The Intesa Sanpaolo Vita Group has undertaken transactions with Intesa Sanpaolo Group companies as part of its ordinary operations. These transactions, which took place at normal market conditions to the mutual benefit of both parties, are analysed in greater detail in the "Other information" section of the notes to the consolidated financial statements.

Ownership structure

Intesa Sanpaolo Vita belongs to the Intesa Sanpaolo Group and is 99.99% controlled by Intesa Sanpaolo S.p.A. which also manages and coordinates it. Its residual share capital is held by 18 third party shareholders. Its share capital is comprised of 655,157,496 ordinary registered shares with no nominal amount.

At 31 December 2014, the Intesa Sanpaolo Vita Group held 4,411,486 shares of the ultimate parent, Intesa Sanpaolo. These shares were acquired in order to service the share incentive plan for senior management in relation to 2012, authorised by the shareholders of Intesa Sanpaolo in their meeting of 22 April 2013 and resolved upon by the boards of directors of Intesa Sanpaolo Vita and Intesa Sanpaolo Life. They were also acquired for the investment plan benefiting all employees (LECOIP plan) and investments included in pension products which are part of the parent's assets after contribution of the business unit by Intesa Sanpaolo Previdenza Sim. The carrying amount and fair value of the shares is €10.8 million.

A breakdown of the ultimate parent's shares held by the Intesa Sanpaolo Vita Group companies at year end is as follows (0.03% of the total shares):

thousands €

	Number of shares	Value 31.12.2014
Intesa Sanpaolo Vita SpA	4,275,912	10,318
Intesa Sanpaolo Assicura SpA	19,551	47
Intesa Sanpaolo Life Ltd	116,565	441
Total	**4,412,028**	**10,806**

Main offices

The parent's registered office is located in Corso Giulio Cesare 268, Turin and its administrative offices are located in Viale Stelvio 55/57, Milan.

Audit

KPMG S.p.A. performs the legally-required audit of the Group's consolidated financial statements.

Events after the reporting date and outlook

2014 leaves a legacy of hopes and doubts about the international macroeconomic and geopolitical situation and the domestic political and economic scenario.

The Euro's recovery of its competitive position vis-à-vis the US dollar, the expansionary monetary policies of Europe and the reduction in the cost of raw materials, first and foremost oil, are all factors that support growth in Europe and an exit from the recession in Italy.

On the other hand, uncertainty is rife about the Ukrainian crisis and the impact on exports to Russia, the extension of the unstable area caused by the strife related to the Caliphate in Syria, Iraq and Libya, China's difficulties and those of other emerging countries, unable to recover the growth rates seen in previous years. These issues may affect the Group's growth.

Bank of Italy and other macroeconomic study groups are cautiously optimistic about the next year.

The ECB intervened several times during 2014 and early 2015 to halt the deflationary trends and assist in kick-starting the Eurozone's recovery. After repurchasing investments, especially asset-backed securities, the European Central Bank launched a large-scale asset purchase programme on 22 January 2015 of up to €60 billion a month for the whole of 2015 and through to September 2016. This programme was the result of announcements to extend the ECB's financial statements and provide the Eurozone with the liquidity needed to develop its economy. Its monetary policies were anticipated by the markets where yields on ten-year German government bonds were below 40 bp and the ten-year Italian government bonds at 150 bp in January. The reduction in the base rate and the spread has a positive impact on the fair value of insurance companies while concurrently raising consciousness about investment policies to minimise reinvestment risks and protect policyholders' returns.

A few days after the ECB's announcements, the general elections in Greece of 25 January led to the formation of a new political majority, creating uncertainty. This new coalition's political programmes and Greece's precarious funding problems re-opened the debate about "Grexit". The movement for a compromise between the European and international institutions and the Greek government seemed to win the day mid February leading to the reabsorption of the rise in the spread seen at the end of January.

In Italy, the reforms introduced by the executive government continue and certain timid signs of recovery have been seen. The growth of the car market, a rise in mortgage loans disbursed, an estimate of the positive effects of the ECB's quantitative easing on GDP of 0.5% are not strong enough factors to ensure strong recovery in Italy but do indicate that a recovery is possible and to be encouraged.

New tax legislation related to the increase in the substitute tax on insurance and pension products has worsened the situation compared to the past for the same products but may result in more fund management business, which is currently the most affected by the tax manoeuvre, being directed to the insurance sector. The impacts of the capital tax due in the case of death and advances on post-employment benefit are less visible and probably less significant.

Investment price trends monitored over the first few weeks of 2015 were positive and in production terms 2015 has started in line with the performance seen in late 2014 with customers' greater interest in unit-linked products.

The general performance of the parent and its subsidiaries over the first few weeks of the current year confirms that no events occurred after the end of the year that may have a significant negative impact on the financial position of the group and the results of operations reported in the consolidated financial statements and in this report. The business and portfolio results, the positioning of the investment portfolio and the central scenario of the macro-economic forecasts summarised above suggests that, assuming the risks highlighted particularly in relation to the geopolitical situation do not materialise, it may be possible to achieve a positive operating result in 2015.

Turin, 26 February 2015

The Chairman of the Board of Directors

Luigi Maranzana

(signed on the original)

Consolidated financial statements

Statement of financial position

thousands €

	INTESA SANPAOLO VITA S.p.A.	Total 31-12-2014	Total 31-12-2013
1	**INTANGIBLE ASSETS**	**635,676**	**631,985**
1.1	Goodwill	634,580	631,656
1.2	Other intangible assets	1,096	329
2	**TANGIBLE ASSETS**	**634**	**884**
2.1	Lands and buildings (self used)	-	-
2.2	Other tangible assets	634	884
3	**AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**27,216**	**14,134**
4	**INVESTMENTS**	**97,192,771**	**76,861,851**
4.1	Lands and buildings (investment properties)	19,414	19,579
4.2	Investments in subsidiaries, associates and joint ventures	-	-
4.3	Investments held to maturity	-	-
4.4	Loans and receivables	80,934	78,138
4.5	Financial assets available for sale	71,043,926	54,649,328
4.6	Financial assets at fair value through profit and loss	26,048,497	22,114,806
5	**RECEIVABLES**	**482,557**	**588,435**
5.1	Receivables arising from direct insurance operations	17,129	24,405
5.2	Receivables arising from reinsurance operations	1,319	2,073
5.3	Other receivables	464,109	561,957
6	**OTHER ASSETS**	**1,706,345**	**1,494,670**
6.1	Non-current assets held for sale and discontinued operations	-	-
6.2	Deferred acquisition costs	48	331
6.3	Deferred tax assets	180,473	160,205
6.4	Current tax assets	1,359,560	1,248,102
6.5	Other assets	166,264	86,032
7	**CASH AND CASH EQUIVALENTS**	**2,560,638**	**2,117,695**
	TOTAL ASSETS	**102,605,837**	**81,709,654**

The figures as at 31 December 2013 have been restated when required by the IFRS and, where necessary, to reflect changes in the consolidation scope.

thousands €

	INTESA SANPAOLO VITA S.p.A.	Total 31-12-2014	Total 31-12-2013
1	**SHAREHOLDERS' EQUITY**	**4,379,449**	**4,329,327**
1.1	**attributable to the Group**	**4,379,449**	**4,329,327**
1.1.1	Share capital	320,423	320,323
1.1.2	Other equity instruments	-	-
1.1.3	Capital reserves	1,328,097	1,327,197
1.1.4	Revenue reserves and other reserves	1,660,635	2,014,450
1.1.5	(Own shares)	-	-
1.1.6	Reserve for currency translation differences	40	-3
1.1.7	Reserve for unrealized gains (losses) on available for sale financial assets	590,534	321,048
1.1.8	Reserve for other unrealized gains (losses) through equity	-686	-387
1.1.9	Result of the period	480,406	346,699
1.2	**attributable to minority interests**	**-**	**-**
1.2.1	Share capital and reserves	-	-
1.2.2	Reserve for other unrealized gains (losses) through equity	-	-
1.2.3	Result of the period	-	-
2	**OTHER PROVISIONS**	**10,648**	**8,315**
3	**INSURANCE PROVISIONS**	**74,413,933**	**58,402,370**
4	**FINANCIAL LIABILITIES**	**22,243,677**	**17,718,292**
4.1	Financial liabilities at fair value through profit and loss	20,834,274	17,100,776
4.2	Other financial liabilities	1,409,403	617,516
5	**PAYABLES**	**520,791**	**414,247**
5.1	Payables arising from direct insurance operations	89,323	78,069
5.2	Payables arising from reinsurance operations	1,132	863
5.3	Other payables	430,336	335,315
6	**OTHER LIABILITIES**	**1,037,339**	**837,103**
6.1	Non-current liabilities held for sale and discontinued operations	-	-
6.2	Deferred tax liabilities	602,399	463,439
6.3	Current tax liabilities	344,350	333,576
6.4	Other liabilities	90,590	40,088
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**102,605,837**	**81,709,654**

The figures as at 31 December 2013 have been restated when required by the IFRS and, where necessary, to reflect changes in the consolidation scope.

Income statement

thousands €

INTESA SANPAOLO VITA S.p.A.		Total 31-12-2014	Total 31-12-2013
1.1	Net earned premiums	15,131,940	11,363,051
1.1.1	*Gross earned premiums*	*15,140,326*	*11,370,118*
1.1.2	*Earned premiums ceded*	*-8,386*	*-7,067*
1.2	Commission income	303,453	265,507
1.3	Gains (losses) on financial instruments at fair value through profit and loss	-83,225	204,305
1.4	Income from investments in subsidiaries, associates and joint ventures	-	-
1.5	Income from other financial instruments and lands and buildings	2,515,653	2,221,417
1.5.1	*Interest income*	*1,919,443*	*1,812,621*
1.5.2	*Other income*	*78,131*	*51,924*
1.5.3	*Gains on disposal*	*518,079*	*356,872*
1.5.4	*Unrealized gains*		
1.6	Other income	201,794	75,984
1	**TOTAL INCOME**	**18,069,615**	**14,130,264**
2.1	Net insurance benefits and claims	-16,449,125	-12,459,632
2.1.1	*Claims paid and change in insurance provisions*	*-16,459,154*	*-12,464,676*
2.1.2	*Reinsurers' share*	*10,029*	*5,044*
2.2	Fee and commission expense	-182,124	-168,484
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-	
2.4	Expenses from other financial instruments and lands and buildings	-68,595	-229,459
2.4.1	*Interest expense*	*-31,375*	*-12,771*
2.4.2	*Other expenses*	*-15*	*25*
2.4.3	*Losses on disposal*	*-34,820*	*-209,008*
2.4.4	*Unrealized losses*	*-2,385*	*-7,705*
2.5	Operating expenses	-409,663	-416,063
2.5.1	*Commissions and other acquisition costs*	*-311,217*	*-323,281*
2.5.2	*Investment management expenses*	*-50,892*	*-48,372*
2.5.3	*Other administrative expenses*	*-47,554*	*-44,410*
2.6	Other expenses	-264,034	-286,607
2	**TOTAL EXPENSES**	**-17,373,541**	**-13,560,245**
	PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**696,074**	**570,019**
3	Income taxes	-215,668	-223,320
	PROFIT (LOSS) AFTER TAX FOR THE PERIOD	**480,406**	**346,699**
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	-
	CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**480,406**	**346,699**
	of which attributable to the Group	480,406	346,699
	of which attributable to minority interests	-	-

The figures for the year ended 31 December 2013 have been restated when required by the IFRS and, where necessary, to reflect changes in the consolidation scope.

Statement of comprehensive income

thousands €

INTESA SANPAOLO VITA S.p.A.	Total 31-12-2014	Total 31-12-2013
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**480,406**	**346,699**
Other comprehensive income after taxes without reclassification in the income statement	**-299**	**-222**
Change in shareholders' equity of subsidiaries		-
Changes in the revaluation reserve of intangible assets		-
Changes in the revaluation reserve of tangible assets		-
Gains (losses) of non-current assets held for sale and discontinued operations		-
Actuarial gains (losses) arising from defined benefit plans	-299	-222
Other items	-	-
Other comprehensive income after taxes with reclassification in the income statement	**269,529**	**68,367**
Foreign currency translation differences	43	-5
Net unrealized gains (losses) on available for sale financial assets	269,486	68,372
Net unrealized gains (losses) on cash flow hedging derivatives		-
Net unrealized gains (losses) on hedge of a net investment in foreign operation		-
Change in shareholders' equity of subsidiaries		-
Gains (losses) of non-current assets held for sale and discontinued operations		-
Other items		-
TOTAL OF OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**269,230**	**68,145**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**749,636**	**414,844**
of which attributable to the Group	**749,636**	**414,844**
of which attributable to minority interests	**-**	**-**

Statement of changes in equity

thousands €

INTESA SANPAOLO VITA S.p.A.		Amount as of 31-12-2012	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 31-12-2013
Shareholders' equity attributable to the Group	Share capital	320,323	-	-	-	-	-	320,323
	Other equity instruments	-	-	-	-	-	-	-
	Capital reserves	1,327,197	-	-	-	-	-	1,327,197
	Revenue reserves and other reserves	2,335,077	-	343,106	-	-663,733	-	2,014,450
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	342,806	-	3,893	-	-	-	346,699
	Other comprehensive income	252,513	-	-222	47,548	20,819	-	320,658
	Total attributable to the Group	**4,577,916**	**-**	**346,777**	**47,548**	**-642,914**	**-**	**4,329,327**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,577,916**	**-**	**346,777**	**47,548**	**-642,914**	**-**	**4,329,327**

INTESA SANPAOLO VITA S.p.A.		Amount as of 31-12-2013	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 31-12-2014
Shareholders' equity attributable to the Group	Share capital	320,323	-	100	-	-	-	320,423
	Other equity instruments	-	-	-	-	-	-	-
	Capital reserves	1,327,197	-	900	-	-	-	1,328,097
	Revenue reserves and other reserves	2,014,450	-	347,005	-	-700,820	-	1,660,635
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	346,699	-	133,707	-	-	-	480,406
	Other comprehensive income	320,658	-	-454	-35,331	305,015	-	589,888
	Total attributable to the Group	**4,329,327**	**-**	**481,258**	**-35,331**	**-395,805**	**-**	**4,379,449**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,329,327**	**-**	**481,258**	**-35,331**	**-395,805**	**-**	**4,379,449**

Statement of cash flows (indirect method)

thousands €

INTESA SANPAOLO VITA S.p.A.	31-12-2014	31-12-2013
Profit (loss) before taxes for the period	**696,074**	**570,019**
Change in non-cash items	**16,785,080**	**7,557,912**
Change in non-life provision from unearned premium	-10,936	23,993
Change in non-life provision for outstanding claims and other insurance provisions	6,792	29,885
Change in mathematical provisions and other life insurance provisions	16,272,111	7,279,163
Change in deferred acquisition costs	283	560
Change in provisions	2,333	-7,150
Non-cash income and expenses from financial instruments, investment property and equity investments	399,246	207,276
Other expenses	115,251	24,185
Change in receivables and payables generated by operating activities	**82,008**	**-996,236**
Change in receivables and payables on direct insurance and reinsurance operations	19,553	6,666
Change in other receivables and payables	62,455	-1,002,902
Income taxes paid	**-215,668**	**-223,320**
Net cash generated/absorbed by cash items related to investment and financing activity	**194,833**	**2,130,924**
Financial liabilities related to investment contracts	4,525,385	94,573
Payables to banks and customers	-	-
Loans and receivable from banks and customers	-	-
Other financial instruments at fair value through profit or loss	-4,330,552	2,036,351
CASH FLOW FROM OPERATING ACTIVITY	**17,542,327**	**9,039,299**
Net cash generated/absorbed by lands and buildings (investment property)	165	165
Net cash generated/absorbed by equity investments in subsidiaries, associates and joint ventures	-	13,200
Net cash generated/absorbed by loans and receivable	-2,796	11,412
Net cash generated/absorbed by held to maturity investments	-	-
Net cash generated/absorbed by available for sale financial assets	-16,396,983	-10,985,120
Net cash generated/absorbed by tangible and intangible assets	-	-
Other cash generated/absorbed by investment activity	-	-
CASH FLOW FROM INVESTING ACTIVITY	**-16,399,614**	**-10,960,343**
Net cash generated/absorbed by Group's share capital and equity instruments	-699,770	-663,660
Net cash generated/absorbed by own shares	-	-
Dividends payment		
Net cash generated/absorbed by minority interests' share capital and reserves	-	-
Net cash generated/absorbed by subordinated liabilities and participative financial instruments		
Net cash generated/absorbed by other financial liabilities		
CASH FLOW FROM FINANCING ACTIVITY	**-699,770**	**-663,660**
Effect of foreign-exchange differences on cash and cash equivalents		-
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	2,117,695	4,702,399
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**442,943**	**-2,584,704**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	2,560,638	2,117,695

The figures for the year ended 31 December 2013 have been restated when required by the IFRS and, where necessary, to reflect changes in the consolidation scope.

The undersigned states that the above is true and consistent with the accounting records.

The Parent's legal representatives (*)

The Chairman – Luigi Maranzana..(**)

(signed on the original)

Statutory auditors

Massimo Broccio - Chairman...

(signed on the original)

Paolo Mazzi...

(signed on the original)

Riccardo Ranalli...

(signed on the original)

(*) For foreign companies, the signature of the general representative for Italy is required.

(**) Specify the position held by the signatory representative.

Notes to the consolidated financial statements

Part A - Basis of preparation and accounting policies

Basis of preparation

THE LEGISLATIVE CONTEXT

As set forth by Legislative decree no. 38 of 28 February 2005, those companies falling under the scope of Legislative decree no. 209/05 "Codice delle Assicurazioni Private" (Italian Code for Private Insurance Companies), are required to draw up their consolidated financial statements, starting from 2005, in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission .

The Group's consolidated financial statements have, therefore, been prepared in compliance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) endorsed by the European Commission pursuant to EC regulation no. 1606 of 19 July 2002, as well as applying the standards or subsequent amendments endorsed after that date.

In order to better guide the interpretation and the application of the new accounting standards, further reference was made to the following documents, even though they have not been endorsed by the European Commission:

- "Framework for the preparation and presentation of financial statements" of the International Accounting Standards Board;
- "Implementation guidance, basis for conclusions" and any other documents prepared by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) to complete the issued standards.

Lastly, again in terms of interpretation, the documents regarding the application of the IFRS prepared by the Italian Standard Setter Body (Organismo Italiano di Contabilità, OIC), the Italian Association of Insurance Companies (Associazione Nazionale delle Imprese di Assicurazioni, ANIA) and the Italian Banking Association (Associazione Bancaria Italiana, ABI) were considered.

BASIS OF PRESENTATION

These consolidated financial statements comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. They are accompanied by a directors' report.

The consolidated financial statements have been prepared based on the instructions about layouts issued by the Italian Insurance Regulator (ISVAP) with regulation no. 7 of 13 July 2007, as subsequently amended and integrated. The information to be included in the notes to the consolidated financial statements has been supplemented with the additional disclosures required by the IFRS for the preparation of financial statements.

The consolidated financial statements have been drawn up in Euros as the functional currency. The amounts are expressed in thousands of Euros, unless specified otherwise.

Accounting policies

The accounting policies adopted to draw up these consolidated financial statements have been identified assuming the consolidated companies will continue to operate as it is deemed that there are no significant uncertainties that generate doubt as to their ability to continue as going concerns.

During the year, none of the companies included in the Intesa Sanpaolo Vita Group consolidation scope availed themselves of the possibility to change the classification of their financial instruments.

Application of EC regulation no. 1254/2012 which endorsed IFRS 10, IFRS 11 and IFRS 12 and introduced amendments to existing standards (IAS 27 and IAS 28) is mandatory from 1 January 2014. The new requirements introduced by the above regulation were integrated by subsequent regulations (nos. 313 and 1174 of 2013), also applicable from 1 January 2014.

IFRS 10 introduces a single model for consolidation to be applied by all entities, regardless of their nature. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This standard bases the concept of control on the concurrent existence of three elements:

- power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

In general, IFRS 10 requires a more detailed analysis of control and more subjectivity compared to the previous standards.

The impact of EC regulation no. 1254/2012 and, more specifically, IFRS 10 to the consolidation scope of Intesa Sanpaolo Vita mainly relates to the deconsolidation of the OEICs underlying policies, the risk of which is borne by the policyholders and therefore the Group is not exposed to variations in the returns generated by such OEICs. The restatement of the amounts at 31 December 2013 led to a decrease of roughly €2.4 billion in consolidated assets while it did not impact profit or loss.

These accounting policies have been identified assuming the consolidated companies will continue to operate as it is deemed that there are no significant uncertainties that generate doubt as to their ability to continue as going concerns.

Share-based payment

Based on the treasury share repurchase programme commenced by Intesa Sanpaolo S.p.A. to service the employee free share assignment plan, the Group has purchased the ultimate parent's shares.

These shares are measured at fair value. Fair value gains or losses on the shares are recognised in profit or loss with the concurrent recognition of personnel expense of the same amount and an increase in the related equity reserve for the ultimate parent's shares.

TRANSACTIONS WITH ENTITIES UNDER COMMON CONTROL

Business combinations between entities controlled by the same party both before and after the business combination and that control is not transitory (so called "under common control" according to IFRS 3.10) are outside the scope of IFRS 3 which normally provides for the application of the acquisition method to business combinations, requiring the fair value measurement of acquired assets and liabilities for the acquirer.

As there is no IFRS which specifically deals with these transactions, reference needs to be made to IAS 8.10, which provides that, in the absence of an IFRS or interpretation, a reliable and faithful presentation has to be ensured that reflects the economic substance of the transactions, regardless of their legal form.

Assuming the economic substance to be the ability to generate added value for all of the stakeholders (such as increased revenue, cost savings, realisation of synergies) that translates into significant changes in cash flows, both before and after the business combination, of the transferred assets, those transactions between entities subject to common control were accounted for, depending on whether they possess or lack the above-mentioned economic substance.

Where properly demonstrated economic substance existed, reference was made to the fair value of the assets sold for the acquirer and the recognition in the seller's profit or loss of the higher price of the transaction compared to the carrying amount of the transferred assets.

In the opposite case, the principle used was that of the continuity of values related to the assets sold, against the reduction/increase in the acquirer's equity for the higher/lower value paid, as compared to the carrying amount of the assets, with a parallel increase/decrease in the seller's equity.

This was the context of the contribution of Intesa Previdenza SIM S.p.A.'s business unit (more information is available in the "Other information" section of the directors' report).

INSURANCE PRODUCTS

Pursuant to IFRS 4, the policies portfolio was classified as insurance contracts and investment contracts with or without discretionary participation features (DPF), based on the significance of the underlying insurance risk, i.e., the risk related to the fact that, at the date the policy is signed, at least one of the following events is uncertain: the occurrence of the event, the time at which the event will occur, the economic impact for the insurer.

Insurance contracts are those contracts that transfer significant insurance risks. Investment contracts are those that transfer financial risks, without significant insurance risks.

Once the insurance risk transferred from the holder of a contract to the insurer is identified, the Group carries out assessments to measure its significance, fixing the determining level for the classification between 5% and 10%. Should the benefits that would be payable if the insured event occurs exceed by 10% over a longer period of time those that would be payable if no insurance event occur, then the contract is classified as an insurance contract. If, on the other hand, they remain at a level below 5%, then the contract is classified as a service or investment contract, with or without DPF. In the intermediate category, the significance of these benefits was assessed on a case-by-case basis, according to the specific nature of each agreement. This assessment was carried out considering any possible scenario, excluding scenarios that lack commercial substance, i.e., that have no discernible effect on the economics of the transaction.

No contracts were found that only provide for service features (IAS 18), or agreements that do not transfer a significant insurance risk and that provide for the supply of a service without creating financial assets or liabilities. Service features were only found with reference to products classified as financial instruments without DPF.

The product classification was based on the identification of the substantial nature of the agreement, with substance prevailing over form. Therefore, at the issue of the contract, the Group has taken into account the significance of the insurance risk and it did this basically contract by contract. However, when possible, it did this by significant groupings: by price, product or guarantee. If, within the context of the same price, there were both investment and insurance contracts, because the price was not consistent compared to the insurance risk, then the following steps were taken:

– if, within a price, only a small part of the agreements lacked a sufficient insurance risk, the whole price was still considered for insurance purposes and, similarly, where the part of the insurance contracts was not considered to be significant, the whole price was used for investment purposes;

– if a significant part of the contracts did not qualify as insurance contacts, these were divided into two parts, one containing investment contracts and the other insurance contracts.

For some products, like term life insurance and life annuities, it was not necessary to carry out any assessment of the insurance risk, because it was objectively significant due to the actual structure of the product itself.

The Group also analysed all the features that characterised the contract itself, including the existence and the nature of any options in it. The presence of specific options that, by themselves, qualify as insurance ones is enough to qualify the whole contract as an insurance one, subject to the verifying of the relevant risk significance.

Insurance products

Products for which the insurance risk is deemed significant include: term life insurance, annuity and mixed policies with guaranteed fixed annuity conversion rates at the time of issue, open-ended pension funds, some types of index-linked policies and all non-life policies. As far as these products are concerned, IFRS 4 basically confirms that the national insurance standards apply to the accounting treatment of the premiums, the claims paid and the change in the insurance provisions. Gross written premiums are to be recorded in the income statement under revenue; they include all amounts accrued during the year as a result of insurance contracts signed, net of cancellations; likewise, all premiums ceded to reinsurers are recorded under current year costs. Acquisition and collection commissions are expensed on an accruals basis. Obligations to policyholders are allocated to mathematical provisions against gross premiums, calculated analytically for each contract using the prospective method based on the demographic/financial assumptions currently used in the market.
In the case of insurance contracts with a discretionary participation feature, the insurance provisions were adjusted for shadow accounting. For these contracts, as set forth by the IFRS 4, the Group has decided not to unbundle the guaranteed component of the contract from the part containing a discretionary participation feature, thus consequently submitting the whole contract to the insurance liability adequacy test.
Pursuant to IFRS 4, the adjustments required for catastrophe and equalisation provisions in the non-life businesses have been carried out.

Financial products with discretionary participation features

Financial products included under segregated funds, despite their not being subject to significant insurance risk and which, therefore, contain discretionary participation features, include the majority of life policies and mixed class I policies, as well as class V capitalisation policies.

As established by IFRS 4, the Group has decided not to recognise the guaranteed element separately from the discretionary participation feature. The whole contract was thus subjected to the insurance liability adequacy test.

These products are recognised in accordance with IFRS 4, which may be summarised as follows:

their presentation in the financial statements is similar to that required by Italian GAAP and therefore any premiums, claims paid and changes in insurance provisions being recorded in the income statement. The acquisition and collection commissions are recognised in the income statement on an accruals basis;

they are measured using shadow accounting, which means allocating the portion of unrealized gains and losses on available-for-sale financial instruments attributable to policyholders to technical provisions and the portion attributable to the Group to equity. If, on the other hand, the financial instruments are recognised at fair value through profit or loss, any unrealized gains or losses are recognised in profit or loss, giving rise to a change in the insurance provisions equal to the amount of the policyholders' portion.

Financial products

Financial products without a significant insurance risk and which are not included in segregated funds, and therefore do not envisage discretionary participation features, basically comprise part of the index-linked and unit-linked policies, as well as policies with an eligible asset, if they are not included in segregation funds, and policies for post-employment benefits (AIL) that cannot be revalued. These products are accounted for according to the principles set forth in IAS 39, as summarised below:

- they are recognised as financial liabilities and are measured at fair value, based on the established option, or at amortised cost; specifically, the part of index-linked and unit-linked policies considered to be investment contracts are carried at fair value through profit or loss, while the products with eligible assets that are not included in segregated funds are measured at amortised cost;
- any separable marginal insurance component of index-linked and unit-linked products is measured separately, i.e., unbundling. This insurance component is provided for in the insurance provisions; the insurance component is not unbundled for index-linked products with a non-marginal insurance component, which were originally classified as insurance products in the companies that belonged to another group at that time;

The income statement does not reflect the premiums, the claims paid and the change in the provisions. However, it shows the revenue components, represented by the fee and commission income - including loadings and management commissions - and the surrender gains, as well as the cost items, consisting of the other expense and the commission expense. These include, among other things, the acquisition costs of the above-mentioned investment contracts. The changes in the value of the financial liabilities relative to the unit-linked and index-linked policies that are classified as investment products measured at fair value are recognised in profit or loss in the caption "Fair value gains and losses on financial instruments at fair value through profit or loss". Adjustments to financial liabilities measured at amortised cost are recognised as interest income or expense. In more detail, IAS 39 and IAS 18 establish that the revenue and costs relative to the products in question must be identified and separated into the following two components: (i) origination, to be recognised in profit or loss when the product is issued and (ii) investment management service, to be deferred over the product's life according to how the service is supplied.

Specifically, for financial products without discretionary participation features, only the component of investment management services was identified. Costs to be capitalised, i.e., deferred acquisition costs (DAC), were identified for all single premium index-linked and unit-linked financial products and for some recurring single premium unit-linked products with a lump-sum commission, which is adequately covered by the future loading, and the initial loading, deferred income, to be recognised as a liability has only been identified for the single premium products with explicit loading on the premium. In both cases, straight-line amortisation was carried out, assuming, with reasonable approximation, that the management activity would by supplied on a constant basis over time.

For the recurring premium unit-linked rates, acquisition commissions continued to be recognised in the income statement, on an accruals basis, matching the relative loading on the recurring premiums.

In the case of products with an eligible asset and not included under separately-managed businesses, revenue and costs are included in the calculation of the amortised costs. For these products, the DAC and the deferred income were not recognised separately as assets and liabilities, respectively, with the consequent reversal of the operating expense. The Group maintained that it could approximate the net effect of deferred income and DAC by keeping the operating expenses provision, calculated according to Italian GAAP.

FINANCIAL INSTRUMENTS AND DERIVATIVES

Fair value

Regulation (EU) no. 1255/2012 endorsed IFRS 13 - Fair value measurement. The new standard does not extend the scope of fair value, but rather provides a guide as to how to measure the fair value of financial instruments and non-financial assets and liabilities when already required or permitted by other standards. The rules for measurement at fair value, previously contained in various standards, in some cases with requirements in conflict with one another, were thus concentrated into a single standard.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In operational terms, the existence of official quotations in an active market is the best indication of fair value. Therefore, these quotations represented the prices used, as a priority, to measure the financial assets and liabilities. The financial instruments that have an official quotation in an active market were classified as "level 1".

When no quotation on an active market exists (true for a marginal part of the investment portfolio), the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date. Such techniques include:

reference to market values indirectly connected to the instrument to be valued and deduced from products with the same risk profile (Comparable Approach -"level 2" financial instruments);

valuations performed using - even partially - inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the valuator (Mark-to-Model - "level 3" financial instruments).

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy. The availability of a price from an active market excluded the need to use one of the other measurement methods.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include assets held for trading and assets designated at fair value.

Financial assets held for trading include the following:

– debt or equity instruments that are mainly purchased for purposes of a short-term profit;

– derivatives, with the exception of those designated as hedging instruments.

Assets designated at fair value include financial assets connected to index-linked and unit-linked investment contracts, or the management of pension funds, as well as hedging derivatives. They also include financial assets originally related to financial liabilities or technical provisions related to unit-linked products that are temporarily held as investments in unrestricted capital or allocated to internal segregated assets due to the customer's exercise of its surrender option.

Financial assets at fair value through profit or loss are initially recognised in the statement of financial position at their fair value, which is generally the same as the price paid for them. They are subsequently measured considering changes in fair value. The fair value gain or loss is recognised in the income statement.

To determine the fair value of financial instruments quoted on active markets, the relative market quotation is used. Where there is no active market, fair value is measured by referring to the prices supplied by external operators, or by using valuation models that are mainly based on objective financial variables, as well as taking into account the prices that are found regarding recent transactions and quotations for similar financial instruments.

Securities and related derivatives, for which the fair value cannot be determined in a reliable manner, are measured at cost, which is adjusted for any impairment losses, which are not reversed.

The derivatives are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. An exception to this is the case where the contract relates to index-linked or unit-linked type products. In this circumstance, in fact, the net assets used to hedge the obligations to the policyholders are shown in caption 4.6 "Financial assets at fair value through profit or loss". The Group offsets the fair value gains and losses coming from transactions with the same counterparty, whenever this setoff is established contractually.

Loans and receivables

Loans and receivables include non-derivative financial assets, including debt instruments, with fixed or determinable payments, which are not quoted on an active market and which are not classified at acquisition as available- for-sale financial assets. This caption mainly comprises loans and receivables with customers regarding loans on policies, reinsurance deposits and repurchase agreements.

Loans and receivables are recognised when they are issued.

Loans and receivables are initially recognised at their fair value, which is usually the same as the amount disbursed and to which any directly attributable transaction costs are added, if they are material and determinable.

They are subsequently measured at amortised cost, using the effective interest method. Any gains and losses are recognised in profit or loss when these assets are derecognised, or when they have undergone impairment, as well as through the repayment process. The amortised cost method is not used for current loans and receivables, due to the expected immateriality of the impact of applying the effective interest method.

The Group, using its measurement experience, utilises all the information available, which is based on events that have already taken place as well as observable data at the measurement date to assess any situation that brings about an impairment loss and to calculate the related amount. The impairment losses are calculated as the difference between the carrying amount of the assets and the present value of the estimated future cash flows, discounted at the original effective interest rate. Reversals of impairment losses are recognised in the income statement, up to the amount of the cost of the financial assets.

Some types of insurance policies issued by the Group provide for the right of the policyholder to obtain loans, within the limits of the accrued surrender value and at conditions set out when the loan is granted; these loans are measured at amortised cost, which coincides, as a rule, with their nominal amount.

Available-for-sale financial assets

Available-for-sale financial assets include financial assets other than loans and receivables, held-to-maturity investments and financial assets at fair value through profit or loss. They include debt instruments, equity instruments and OEIC units that do not qualify as investments in subsidiaries, associates and joint ventures.

Upon initial recognition, available-for-sale financial assets are recognised in the statement of financial position at their fair value, which normally corresponds to the amount paid to acquire them, plus any transaction costs, if material and determinable, directly attributable to their acquisition.

They are subsequently measured at fair value with any change in fair value recognised in a specific equity reserve. Unlisted equity instruments, for which the fair value cannot be calculated in a reliable or verifiable way, also in consideration of the relevance of the ranges of values retractable from the application of the valuation models used in market practices, are recognised at cost. The fair value gains or losses are recognised in profit or loss at the time of their disposal or if an impairment loss is ascertained. Investments in unlisted closed-end private equity funds or venture capital funds for which the fund manager communicates the net asset value in timeframes that are not compatible with the drafting of the financial statements, are measured based on their last known value, which is their cost or, alternatively the last value communicated by the fund manager. With respect to debt instruments classified as available for sale, the amount of the relative yields, based on the amortised cost technique, is recognised in profit or loss in the same way as the effects relative to the changes in the exchange rates.

The Group, using its measurement experience, utilises all the information available, which is based on events that have already taken place and on observable data at the measurement date to assess any situation that brings about an impairment loss and to calculate the related amount. A significant or prolonged drop in the fair value of an equity instrument to below cost can be considered as objective evidence of impairment.

Recognition of any impairment losses on the equity instruments implies the following two steps:

– checking whether there are specific indicators of impairment;

– calculating the impairment loss.

The impairment indicators are essentially divided into two categories: indicators deriving from factors specifically relating to the company being valued, and therefore qualitative, and for listed securities, indicators deriving from the market values of the company.

Within the first category, the following indicators are considered significant: the generation of losses or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company.

With respect to the second category, a significant or prolonged reduction in fair value to below cost is particularly important. Specifically, in relation to the second amount, a fair value reduction of over 30% is considered significant, and a reduction of over 24 months is considered a “prolonged” continuous reduction.

If one of these thresholds is exceeded, an impairment loss is recognised. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment loss must also be corroborated by the result of specific analyses of the security and the investment.

The impairment loss is calculated with reference to the financial asset’s fair value.

For an illustration of the valuation techniques used to determine fair value, see the relevant section.

Impairment losses on equity instruments cannot be reversed in profit or loss, if the reasons for the impairment loss are no longer valid. Therefore, these reversals are recognised in the specific equity reserve. On the other hand, a reversal related to debt instruments is posted to the income statement up to the amortised cost of the financial assets involved.

For financial instruments that represent investments in closed-end private equity funds, the fair value of the investment is deduced from a qualitative and quantitative analysis of the investment, a contributory element of which is also the fund's net asset value.

As far as investments in bonds are concerned, after measurement of their fair value, a test is performed to verify impairment and, if the elements exist, the fair value loss is posted to the income statement.

As part of the test, the following are considered as indicators to identify the positions to be analysed:

- the persistence of a negative fair value for over six months;
- the presence of debt restructuring plans;
- the Group's participation in debt restructuring plans;
- the presence of credit events;
- the existence of actions by the issuer aimed at suspending the payment of the coupons, or their reduction, at postponing the reimbursement of the positions, at the replacement of the financial instruments with others before the due date.

The presence of one or more of the indicators described above brings about the analysis of the positions and the decision as to whether or not to recognise an impairment loss.

Cash flow hedges

Hedging transactions are aimed at neutralising potential losses on a specific type of risk, through the realisable gains from the hedging instrument.

For the purpose of applying hedge accounting, governed by the IFRS, the relationship between the hedging instruments and the hedged items is formally documented, including the risk management goals, the hedging strategy and the methods used for checking on the effectiveness of the hedging. The checking of the effectiveness of the hedge is foreseen both at the beginning of the transaction and periodically during it. Generally, a hedging transaction is considered effective if, both at its beginning and during its lifespan, the changes in the fair value, or in the cash flows of the hedged item are almost completely matched by the changes in the fair value, or in the cash flows of the hedging derivative, which means that the effectiveness falls within a range going from 80% to 125%.

The hedging relationship ceases to exist if the hedge carried out through the derivative disappears, or is no longer highly effective, if the derivative expires, if it is sold, terminated or exercised, if the hedged item is sold, expires or is reimbursed, or if it is no longer highly probable that the future transaction that is being hedged will take place.

LANDS AND BUILDINGS (INVESTMENT PROPERTIES) AND OTHER TANGIBLE ASSETS

Investment property includes all properties held and owned by the Group to earn rentals or for capital appreciation or both. They are measured at cost.

Property, plant and equipment includes chattels, furnishings, plant, equipment and office machines.

Other items of property, plant and equipment are initially recognised at cost, including the ancillary charges that are directly recognisable at the acquisition and commissioning of the asset. They are subsequently recognised net of depreciation and impairment losses.

Subsequent expenditure either increases the carrying amount of the asset or is recognised separately only when it brings about an increase in the future economic benefits deriving from the investment's use. The other subsequent expenditure is expensed when incurred.

Depreciation is charged in equal annual amounts over the remaining useful life of each asset. The remaining useful life of the depreciated property, plant and equipment is periodically checked. If the initial estimates are adjusted, then the relative amount of the depreciation is also changed.

In the case of property, the lands and buildings are separate assets for accounting purposes and are recognised separately at the time of their acquisition. Lands has an indefinite useful life and, therefore, is not depreciated.

INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets, without physical substance. They are owned to be used over more than one year. They include goodwill and software that is either developed internally or acquired from third parties.

Goodwill

Goodwill is the excess of the cost of acquisition incurred compared to the net fair value, at the acquisition date, of the assets and liabilities that constitute entities or business units.

Goodwill is not subject to systematic amortisation but is tested for impairment regularly. This test is carried out with reference to the cash-generating unit that the goodwill is attributable to. Impairment losses on goodwill are recognised in the income statement when its recoverable amount is lower than its carrying amount.

Other intangible assets

Other intangible assets include the expenses for the software acquired from third parties, or developed internally.

The expenses relating to the internally developed software are recognised as intangible assets, subject to a check of the technical feasibility of the completion of the related projects and their ability to generate future financial benefits. During the development stage, these assets are measured at cost, including any direct ancillary charges and any expenses for the internal personnel employed in their development. In the case of a negative outcome of the check, the expenses are recognised in profit or loss.

Intangible assets for software developed internally, or acquired from third parties, are amortised systematically, starting from its completion and the entry into operation of the applications, based on the relative useful life that is estimated as being three years. Whenever the recoverable amount of these assets is lower than their carrying amount, the difference is recognised in profit or loss.

An intangible asset is derecognised whenever, due to its disposal or impairment, it is no longer able to generate future benefits.

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss mainly consist of the liabilities connected to index-linked and unit-linked investment contracts that do not present a significant insurance risk and therefore do not fall under the scope of IFRS 4. For these contracts, the Group has opted for a fair value measurement. This choice is due to the fact that Italian GAAP, regarding the valuation of assets and liabilities, are very close to what is required by IAS 39. The recognition in the income statement of fair value gains or losses enables the correlation with the measurement of the underlying assets.

The carrying amount of the contract at the measurement date, expressed for the unit-linked and index-linked investments as the equivalent of the units and as the price of the structured investment, respectively, reflects the fair value of the underlying assets. Furthermore, the amounts to which the policyholder would have a legal right in the case of surrender, or the heirs in the case of a death, are calculated starting from the contract’s carrying amount, i.e. the market price. Taking into account that the units of the available funds and of the structured investment have a periodic quotation, it is reasonable to assume that, at least for the deposit component, a price that is quoted in an active market exists. Accordingly, with reference to the deposit component, the provision set up based on Italian GAAP is very close to fair value.

The insurance component was unbundled from the above products when the Group has set up an additional term life provision, included under the mathematical provisions, under Italian GAAP.

Financial liabilities also include the provision necessary for the settlement of the bonus, required in some types of unit-linked policies, or the expiration guarantee, if necessary.

Financial liabilities at fair value through profit or loss also include derivatives that have a negative fair value at the reporting date.

Other financial liabilities

The other financial liabilities include liabilities with customers, the deposits received from reinsurers and any financial component that is present in the reinsurance contracts. The captions are recognised at amortised cost.

The category also includes contracts with eligible assets, referred to in article 16 of ISVAP Regulation no. 21, which are measured at amortised cost. For these contracts, the treatment used provides for the calculation of an internal rate of return so that, at the issue of the contract, the premium net of the acquisition and management loading is equal to the present value of the future cash flows.

For a specific product, coupon redemptions are established, and appropriately considered in the calculation of the internal rate of return.

Based on the internal rate of return, the provision is calculated at amortised cost with its consequent reversal based on the pure premiums, calculated according to Italian GAAP.

Other financial liabilities also include subordinated liabilities, the creditors' repayment of which is subordinated to the settlement of the senior debt in the case of the Group's liquidation.

Subordinated liabilities are measured at the amortised cost of each individual loan.

INSURANCE PROVISIONS

Insurance provisions of the life business

Insurance provisions relate to insurance contracts and to financial contracts included under segregated funds having discretionary participation features that, in accordance with IFRS 4, are calculated under Italian GAAP. Any insurance component contained in the index-linked and unit-linked financial products, if it can be unbundled, is measured separately and is calculated under Italian GAAP.

Provision for outstanding claims

The provision for outstanding claims includes the amounts that the Group has settled as a result of payment due dates, claims, surrenders, periodic payment dates and annuity instalments, but has not yet paid at the measurement date and for which the right to receive the payment has already accrued by 31 December.

Mathematical provisions

The mathematical provisions refer to the provisions set aside based on the pure premiums, the provisions for additional health, professional and sports premiums, the premium carry-over and the additional provision relative to additional benefits, for term life, of the index-linked policies.

The provisions for additional health, professional and sports premiums are not less than the total overall amount of the additional premiums for the year on an accruals basis.

Insurance provisions where investment risk is borne by policyholders and provisions arising from pension fund management

The caption refers to the provisions related to insurance contracts whose benefits are connected to investment funds, market indices and pension funds. Pursuant to article 38 of Legislative decree no. 173/97, the technical provisions put in place to cover the obligations of insurance contracts, whose return is determined based on investments or indices and, therefore, for which the risk is borne by the policyholders, are calculated with reference to the obligations established by the contracts that are represented, as closely as possible, by the reference assets, pursuant to article 41 of Legislative decree no. 209/05.

Other insurance provisions

The other insurance provisions include the following:

- the provisions for future expenses, which have been set up to cover future contract management costs;
- the provisions set up following the liability adequacy test;
- the additional provisions and the provisions calculated based on the foreseeable returns resulting from the application of the criteria referred to in ISVAP Regulation no. 21 of 28 March 2008;
- the provision for premium reversals that are relative to the collective policies in the format "single yearly premium for term life" that contractually establishes the repayment of a part of the net premium paid and which is based on the mortality rate of the group of policyholders covered by the policy;
- the provisions for complementary covers that include the risk of death following accidents, permanent disability due to an accident, serious illness and the absence of self-sufficiency in carrying out the actions of daily life. The provision for complementary covers was calculated on an accruals basis;
- deferred liabilities with policyholders, which means the elements of discretionary participation features of the contracts included under separately-managed businesses. The identification of the deferred liabilities takes place through applying shadow accounting, i.e., allocating to the policyholders a part of the fair value gains or losses recognised on the available-for-sale financial assets and financial assets at fair value through profit or loss that constitute the separately-managed businesses.

Liability adequacy test

In line with the provisions set forth in IFRS 4, for the purpose of checking the adequacy of the technical provisions at the reporting date, a liability adequacy test (LAT) was carried out.

The test was made to check that the provisions, net of the deferred acquisition costs, connected to the contracts acquired through business combinations, can cover the obligations to the policyholders.

These obligations are defined by the present value of the expected future cash flows generated by the existing portfolio at the measurement date. The cash flows, calculated based on realistic assumptions, include tariff premiums, commissions on premiums, payments for the insured benefits, implicitly the financial income not allocated to the contracts, expenses, as well as the maintenance fees to pay to the network.

The assumptions used for determining the cash flows, both financial on the prospective rates of return and demographic/actuarial, were defined based on a detailed analysis of the portfolio of the assets and liabilities.

The liabilities of the portfolio were tested by distinguishing by segregated funds each tariff type and projecting the portfolio closed at 31 December based on the typical features of the individual tariff, such as the measure and structure of the financial commitment, the minimum rate committed, the type and periodicity of the premium, the sales network and the technical bases. The test was also carried out for the pure risk contracts. The procedure involved summarising the contracts portfolio into model points that represented almost the whole portfolio. The grouping criterion ensures a high level of information about liabilities.

The capital insured, for the contracts that are part of the segregated funds, were revalued over time based on the minimum guaranteed rate of the policy. All the estimated cash flows were discounted to present value using the Euro Swap curve in force at the measurement date, adjusted by an illiquidity premium component for the purpose of taking into account the risk/return profile of the assets typically present in the connected funds.

The adequacy test was carried out using information technology and methodological supports that are currently used and developed by the Group for the measurement of the intrinsic deterministic value.

Insurance provisions of the non-life business

The insurance provisions relative to non-life products are determined according to the criteria currently in force for the separate financial statements drawn up under Italian GAAP, in accordance with IFRS 4, with the exception of the equalisation and catastrophic provisions, which are not considered because they are not allowed by the IFRS.

The insurance provisions of the non-life business include the premium provision, claims provision and ageing provision. Specifically:

– the provision for unearned premiums includes the provision for unearned premiums and the provision for unexpired risks. The provision for unearned premiums consists of the amounts of the gross premiums recognised during the current year but belonging to future years. The calculation is made analytically, line by line, on a pro rata basis, deducting the acquisition costs that can be directly allocated. The provision for unexpired risks consists of the amount to be set aside to cover the risks incumbent on the Group after the reporting date, to cover all the compensation and expenses coming from insurance contracts that gave rise to the creation of the provision for unearned premiums, in so far as the total amount of the estimated cost of the expected claims is higher than that of the provision for unearned premiums and the premiums that will be due under the terms of these contracts. The calculation is made by line of business, taking as the basis the ratio of claims to currently generated premiums on an accruals basis, also taking into account the indicator in the previous years. The premium provisions of the ceded business are computed by using the same criteria followed for the direct business;

– the provision for outstanding claims is determined analytically, by using a prudent valuation of the damage based on objective elements and ultimate cost logic, to the extent necessary to cover the Group's commitments for the payment of the claims and the relative direct and indirect settlement expenses. The provision is not discounted. It is also updated according to the "continuous provisioning" principle. Therefore, this means that any additional piece of information regarding the valuation of a claim necessarily causes a revisiting of the relative amount in the provision. The analytical valuation of the claims is followed by the actuarial analysis and check of the inventory data, through the examination of the results of the run-offs over time of the previous generations and the consequent check of the provision's future capacity to cover the generations still open. With regard to the MTPL business, for the purposes of calculating the amounts of the provision to be recognised, the provisions set forth under Presidential decrees nos. 973/1970 and 45/1981 have been taken into account. According to said regulations, the claims provision plus the amount of the claims paid and the relative settlement expenses, at the end of each year cannot be less, in no case whatsoever, than 75% of the premiums recognisable for the year of occurrence of each of the last five generations. The claims provision also includes the estimate of the incurred but not reported (IBNR) claims, calculated according to the criteria established by ISVAP Regulation no. 16;

– the ageing provision is specifically made for the healthcare line in compliance with article 37 of Legislative decree no. 209/2005.

The criteria for the recognition of the provisions also takes into account those factors that could have an impact on the future cash flows, e.g. peaks of IBNR claims, any territorial inconsistencies in the valuation of the personal injury in the general and motor third party liability businesses.

The criteria for the insurance provisioning based on Italian GAAP, with specific reference to "ultimate cost" for the claims provision and to the provision for unexpired risks, are consistent with those defined by the liability adequacy test, satisfying the requirements established by IFRS 4.

LIABILITIES

Direct and indirect insurance receivables

Trade payables arising from direct and indirect insurance transactions are recognised at their nominal amounts.

Post-employment benefits

The liability for post-employment benefits is recognised based on its actuarial value, because it qualifies as a defined benefit plan pursuant to IAS 19. Benefits recognised before the legislative changes introduced with effect from 1 January 2007 are treated as a defined benefit plan and measured using actuarial techniques. Benefits accrued after this date are treated as a defined contribution plan as the employer's obligation solely consists of paying the contributions to the pension fund and/or INPS (the Italian social security institution).

Seniority bonuses

The liability for employee seniority bonuses is recognised, pursuant to IAS 19, based on its actuarial value, because it qualifies as an employee benefit based on a defined benefit plan. Recognition follows the criteria described above for the post-employment benefits.

Post-employment health benefits

The liability relative to health benefits granted to the group managers and their family members after the employment relationship ends, under a health scheme operated through specific agreements, is recognised based on its actuarial value, because it qualifies a post-employment benefit, pursuant to IAS 19.

The calculation of the present value of the Group's obligations is carried out by an external actuary using the projected unit credit method, which considers each period of membership accrued in the health scheme as a unit of vested benefits.

OTHER FINANCIAL STATEMENTS CAPTIONS AND OTHER INFORMATION

Cash and cash equivalents

Cash and demand deposits are recognised at their nominal amount.

Deferred acquisition costs

They include the costs incurred to acquire a particular type of long-term insurance contracts, which are amortised over their term. As required by IFRS 4, these costs are recognised in accordance with Italian GAAP.

Deferred commission income and expense

Deferred commission income and expense refers, respectively, to loading and acquisition commissions connected to financial products without discretionary participation features, such as the index-linked policies and part of the unit-linked policies, classified, as established by IAS 39, among the financial liabilities at fair value through profit or loss. According to IAS 39 and IAS 18, loading and acquisition commissions relating to the above products are identified and separated into the following two components:

– the financial instrument, to be recognised in the income statement when the product is issued;

– the investment management service, to be spread over the lives of the product, according to the stage of completion of the service rendered.

The costs and revenue relative to the financial instrument component, theoretically attributable to the issuance of the investment contract [IAS 18.14 (a) and (b) (iii)] and, therefore, to be recognised in the income statement, were assumed to be nil, maintaining that this approximation is acceptable considering the fact that for standard contracts the issuing activities are minimal.

Up-front loading was attributed to the investment management services component as revenue, while the acquisition commissions are considered as an incremental cost and directly attributable to the acquisition of the contract. These costs give the basis for the recognition of an intangible asset that represents the contractual relationship established with the investor and the relative right of the Group to debit the revenues for the future managing of the investments. The amortisation of this asset is adequately covered with the initial loading and the any future management fees. These costs, associated with the investment management services component, were capitalised (DAC) and amortised in accordance with IAS 18. The initial loading is recognised as a liability (deferred income) and taken to the income statement gradually as the management services are rendered.

Specifically, the costs to be capitalised are identified for all the single premium products and for the recurring single premium products with lump-sum commissions that are adequately covered by the future loading. Initial loading to be recognised as liabilities was only identified for the single premium products with an explicit loading on the premium.

In both cases, straight-line amortisation was applied, assuming, with a good approximation that the management service is supplied constantly over time.

For all the investment contracts that required the recognition of a deferred income reserve, the relative management cost provision calculated according to Italian GAAP was reversed.

The acquisition commissions were deferred because, in agreement with the provisions set forth in IAS 36, they are recoverable through the initial loading and the future management fees.

For the purpose of checking the recoverability of the residual acquisition commissions, the Group examines the cost risk as part of the tariff risk. The check of the recoverability was made a priori through a profit testing analysis and, afterwards, over the contract term by means of annual checks of the sustainability of the assumptions, at the time of the valuations of the embedded value.

The test is made by grouping the portfolio by tariff. In choosing the annual projection assumptions, it is checked that the revenue is no less than expected, for reasons such as the dissolution of contracts, or market movements different from those used in the profit testing. Lastly, the costs are examined to check that they are not higher than forecast. For this purpose, a detailed analytical model was built that breaks down the costs by macro product category and by product life cycle.

Tax assets and liabilities

Income tax, calculated under domestic tax regulations, is accounted for as an expense on an accruals basis, in line with the method followed to recognise the costs and income that generated it. Therefore, it represents the balance of current and deferred taxes relating to the profit or loss for the year.

Due to participation in the national tax consolidation scheme and complying with both the tax consolidation agreement and the current relevant law and practice, the parent has calculated its "potential" IRES (corporate tax) expense, recognising a balancing entry as a payable or receivable for payments on account or withholding taxes incurred, with the consolidating company, which is the only partly required to settle taxes.

Current tax assets and liabilities, governed by IAS 12, represent the tax positions of the individual consolidated companies with the relevant taxation authorities. Specifically:

– current tax liabilities are calculated based on a prudent forecast of the tax expense due for the year, based on the relative legislation currently in force;

– current tax assets include payments on account and other tax assets, or other tax credits from previous years that the Group can set off against the taxes of following years. These assets also include tax credits for which reimbursement has been claimed from the relevant tax authorities. Lastly, tax assets include the tax credit made up of the amounts paid to the tax authorities, pursuant to Legislative decree no. 209/2002 converted, with changes, by Law no. 265 of 22 November 2002 and Legislative decree no. 168/2004, converted by Law no. 191 of 30 July 2004. This credit was recognised at its nominal amount.

Deferred taxes are calculated, pursuant to IAS 12, according to the liability method, taking into account the tax effect of the temporary differences between the carrying amount of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. In particular:

- "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years;
- deferred tax liabilities are calculated by applying the enacted tax rates to taxable temporary differences that will probably generate a tax liability, and to the deductible temporary differences whose recoverability is reasonably certain;
- deferred tax assets and liabilities related to the same tax and due in the same period are offset. In the years where deductible temporary differences are greater than taxable temporary differences, the related deferred tax assets are included under assets. On the other hand, in the years where taxable temporary differences are greater than deductible temporary differences, the related deferred tax liabilities are included under liabilities;
- if deferred tax assets and liabilities refer to items affecting the income statement, the balancing entry is recognised under income taxes. Where deferred tax assets and liabilities relate to transactions that have been recorded in equity without affecting profit or loss (such as adjustments for IFRS first-time adoption, fair value changes in available-for-sale financial assets or of cash flow hedges), the balancing entry is made in equity, under specific reserves where so provided (e.g., fair value reserves).

Amount ceded to reinsurers' from insurance provisions

Obligations of the reinsurers, arising from reinsurance relationships regarding contracts governed by IFRS 4, are recognised and, except for any different measurement regarding the recoverability of the receivable, accounted for in line with the standards applicable to the underlying direct insurance contracts. Deposits paid by the reinsurance companies to the ceding companies are not included.

Direct and indirect insurance receivables

Premiums due from policyholders are measured at their fair value at the date of initial recognition which usually matches their nominal amount. For accounting purposes, no use is made of discounting methods, because these are short-term receivables and the related effects would not be material. They are subsequently measured at each reporting date, taking into account any impairment losses.

Provisions for risks and charges

The provisions for risks and charges are made up of liabilities of uncertain amounts or due dates that are recognised, because of the following:

- there is a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

If material, the provisions are discounted to present value using current market rates. Continuity of the above conditions is periodically reviewed.

Foreign currency transactions

Foreign currency transactions are translated into Euros using the spot rates in force at the transaction date.

Monetary items are translated at the closing rate, while non-monetary items, that are not hedged for currency risk and not measured at fair value, are translated at the exchange rate in force at the date of their initial recognition. The realised exchange rate differences on monetary and non-monetary items are recognised in the income statement.

Exchange differences relative to the translation of monetary items using rates that are different from those of the initial recognition, or of the end of the preceding year, are recognised in the income statement.

Exchange differences relative to the translation of non-monetary items at exchange rates that are different from those of the initial recognition, when applicable based on the above criterion, are recognised as follows:

- in the income statement, when they are non-monetary items hedged for currency risk, to the extent the hedge is effective;
- alternatively, in the income statement or equity, when they are non-monetary items measured at fair value, following the rules for the recognition of the changes in fair value relative to them.

Cost and revenue recognition

Revenue from the sales of goods is recognised at the fair value of the payment received for them, when the following conditions are observed:

– the Group has transferred to the buyer the risks and rewards of the ownership of the goods;

– the amount of the revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group.

Commission income and other income on the providing of services are recognised in the years when the services are supplied, or with reference to the stage of completion of the service. Specifically, income from the sale of financial products that have no significant insurance risks are recognised over the term of the contracts. Costs relative to the acquisition of these contracts are accounted for in the income statement in the same year as when the income is recognised.

Other income is recognised on an accruals basis. Specifically:

– interest, inclusive of income and similar expense, is recognised using the effective interest method;

– dividends are recognised when the right to receive the relative payment has accrued, which means when the related resolution is passed;

– with respect to transactions in financial instruments, the difference between the fair value of the instruments compared to the amount paid, or cashed in, is recognised in profit or loss only in those cases when the fair value can be reliably measured, when valuation models are used that are based on market parameters and when observable prices exist for recent transactions in the same market where the instrument is traded. In the absence of these conditions, the estimated difference is recognised in the income statement on an accruals basis over the transaction term.

Costs are recorded in the income statement in the year in which the related revenue is recognised. If matching can be attributed generally or indirectly, the costs are allocated to more than one year according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenue are expensed immediately.

Regular way purchases and sales of financial assets

With respect to the recognition of regular way purchases and sales of financial assets - that are carried out based on contracts whose terms require the delivery of the asset within a timeframe established by regulations or market conventions - the Group decided to make reference to the settlement date.

Derecognition criteria

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or when the asset is sold, substantially transferring all the risks and rewards connected to the assets.

Financial liabilities are derecognised when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued securities.

Part B - Consolidation policies and scope

Consolidation policies

These consolidated financial statements include, as well as the financial statements of the parent, Intesa Sanpaolo Vita, those of the subsidiaries Intesa Sanpaolo Life, Intesa Sanpaolo Assicura, EurizonVita (Beijing) Business Advisory and Intesa Sanpaolo Smart Care.

In compliance with IFRS 10, all the investments in subsidiaries, including those working in business sectors that are different to those of the parent, are consolidated with the line-by-line method, which establishes the following:

– the financial statements drawn up according to the IFRS of the parent and its subsidiaries are grouped line by line, summing all the carrying amounts of the assets, liabilities, equity, revenue and costs;

– the carrying amount of the parent's investments in each subsidiary and the corresponding part of their equity are eliminated and the non-controlling interest in the profit or loss for the year and in equity is shown separately;

– any positive differences between the carrying amount of the parent's investments in each subsidiary and the corresponding part of their equity are allocated to the subsidiary's relevant assets and, for the remaining part, to goodwill at the time of first consolidation and, afterwards, among the equity reserves. Any negative differences are recognised in profit or loss. In the case where the investments held by the parent come from transactions carried out with Intesa Sanpaolo Group companies, because they are transactions between entities under common control and in the absence of explicit information regarding this situation in the IFRS, the same carrying amount was maintained;

– intragroup balances and transactions, including revenue, costs and dividends, are eliminated.

All the financial statements of the companies included in the consolidation scope have the same reporting date and are expressed in Euro.

Segment reporting by geographical segment is not presented because the Group mainly operates in Italy.

The SPEs, OEICs, and mutual funds in which the internal funds of the unit-linked products are invested, included in the consolidation scope before application of IFRS 10, have been excluded as they do not meet the conditions for consolidation under this new standard. Therefore, the Group restated the amounts at 31 December 2013 which affected the statement of financial position by €2.4 billion and did not affect the profit for the previous year.

The financial statements used for consolidation are those at 31 December 2014 as they were approved by the relevant bodies of the subsidiaries, adjusted where necessary to comply with the parent's accounting policies. All the group entities and companies use the Euro as their functional and presentation currency.

Segment reporting is based on the significant business segments in which the Group operates as follows:

- non-life insurance business;
- life insurance business.

Details are given in the annexes to the notes "Statement of financial position by business segment" and "Income statement by business segment".

The life insurance business segment includes the non-insurance subsidiary Smart Care.

Consolidation scope

Investments in subsidiaries, including in companies operating in business sectors that are different from that of the parent, are consolidated.

Special purpose vehicles, OEICs and mutual funds are also consolidated when they are controlled by the parent as per IFRS 10.

A list of the companies consolidated at 31 December 2014 is provided in the annex to the notes "Consolidation scope".

INTANGIBLE ASSETS (caption 1)

They amount to €635,676 thousand (€631,895 thousand at 31 December 2013).

This caption mainly comprises goodwill and the expenses incurred for software acquired from third parties or developed internally. The table below provides a breakdown of the caption:

thousands €

	Cost	Deemed cost or fair value	Book value as at 31/12/2014	Cost	Deemed cost or fair value	Book value as at 31/12/2014
Goodwill	634,580		634,580	631,656		631,656
Other intangible assets	1,096		1,096	329		329
Total	**635,676**	**-**	**635,676**	**631,985**	**-**	**631,985**

Goodwill of €634,580 thousand shows a €2,924 thousand increase on 31 December 2013, following the contribution of Intesa Sanpaolo Previdenza SIM S.p.A.'s business unit on 1 December 2014. In addition, it is essentially referred to the non-recurring transactions in which the Group was involved, especially the merger of Intesa Sanpaolo Vita and Sud Polo into the parent at 31 December 2011.

Goodwill was tested for impairment by benchmarking it against the overall intrinsic value of the Life portfolio measured at 31 December 2013. The discount rate used to calculate the intrinsic value was derived from:

- for the revaluable portfolio: the Italian government reference curve at 31 December 2013 adjusted downwards for the so-called "Fundamental spread" component, variable by curve node (56 basis points at 7 years);
- for the rest of the portfolio: the euroswap curve at 31 December 2013.

This measurement, which gives values considerably higher than goodwill, was supported by the elements characterising the operations in 2014 and mainly:

– the positive trend of new business, recording significant amounts and products with relative profitability above the portfolio's average, resulting in an increase in assets under management;

– the policy to contain operating costs, continued again in 2014, also contributes to improving the future profitability of the existing portfolio;

– the positive financial market performance maintained the positive balance of the fair gains/losses on the segregated assets.

Moreover, the good performance of new business in early 2015 and forecasts for the entire year are consistent with the 2014 results, without indicating subsequent events that may negatively affect measurement.

The measurement at 31 December 2013 and changes in the reporting period result in a higher portfolio fair value compared to its carrying amount; therefore, no impairment losses were recognised.

The increase in the carrying amount of other intangible assets compared to 31 December 2013 is due to the acquisitions made in 2014 net of the amortisation for the year.

The table below provides a breakdown of the changes during 2014:

thousands €

	Goodwill	Other intangible assets: developed internally		Other intangible assets: other		Total 31/12/2014	Total 31/12/2013
		Finite life	Indefinite life	Finite life	Indefinite life		
Gross opening balance	647,455	-	-	7,988	-	655,443	655,105
Total net impairment losses	-15,799	-	-	-7,659	-	-23,458	-23,211
Net opening balance	**631,656**	**-**	**-**	**329**	**-**	**631,985**	**631,894**
Increases	**2,924**	**-**	**-**	**851**	**-**	**3,775**	**338**
- Acquisitions	-	-	-	770	-	770	313
- New entities included in the consolidation scope	-		-	-	-	-	-
- Increases in internally developed assets	-	-	-	-	-	-	-
- Other increases	2,924	-	-	81	-	3,005	25
Decreases	**-**	**-**	**-**	**-84**	**-**	**-84**	**-247**
- Sales	-	-	-	-	-	-	-
- Amortisation	-	-	-	-84	-	-84	-247
- Impairment losses recognised in profit or loss	-	-	-	-	-	-	-
- Transfers to assets held for sale	-		-	-	-	-	-
- Other decreases	-	-	-	-	-	-	-
- Entities excluded from the consolidation scope	-		-	-	-	-	-
Closing balance	**634,580**	**-**	**-**	**1,096**	**-**	**635,676**	**631,985**
Total net impairment losses	-15,799	-	-	-7,743		-23,542	-23,458
Gross closing balance	650,379	-	-	8,839		659,218	655,443

Tangible assets (caption 2.2)

This caption, amounting to €634 thousand (€884 thousand at 31 December 2013), mainly comprises chattels, electronic systems, equipment and office machines.

The table below provides a breakdown of the changes that took place during 2014:

thousands €

	Furniture and fittings	Electronic systems and equipment	Other assets	Total 31/12/2014	Total 31/12/2013
Gross opening balance	1,198	1,520	403	3,121	2,662
Total net impairment losses	-791	-1,083	-363	-2,237	-2,004
Net opening balance	**407**	**437**	**40**	**884**	**658**
Increases	**49**	**48**	**-**	**97**	**472**
- Acquisitions	43	40	-	83	471
- New entities included in the consolidation scope	-	-	-	-	-
- Other increases	6	8	-	14	1
Decreases	**-109**	**-217**	**-21**	**-347**	**-246**
- Sales	-	-	-	-	-
- Depreciation	-97	-217	-21	-335	-233
- Transfers to assets held for sale	-	-	-	-	-
- Other decreases	-12	-	-	-12	-13
- Entities excluded from the consolidation scope	-	-	-	-	-
Closing balance	**347**	**268**	**19**	**634**	**884**
Total net impairment losses	-900	-1,300	-384	-2,584	-2,237
Gross closing balance	1,247	1,568	403	3,218	3,121

AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS (caption 3)

The balance amounts to €27,216 thousand (€14,134 thousand at 31 December 2013), with an increase of €13,082 thousand compared to 31 December 2013. This variation is mainly due to the need to enter into proportionate reinsurance treaties (covering legal protection and assistance). The breakdown by provision type is shown in the annex to the notes "Breakdown of reinsurers' share of technical provisions".

The reinsurance treaties are entered into with leading counterparties whose degree of solvency is supported by the high ratings assigned.

INVESTMENTS (caption 4)

Total investments (investment property, equity investments and financial assets), which include the property in Via Hoepli 10, Milan, amount to €97,192,771 thousand (€76,861,851 thousand at 31 December 2013).

Lands and buildings (investment properties) (caption 4.1)

This caption amounts to €19,414 thousand and is essentially unchanged from 31 December 2013 (€19,579 thousand). The table below provides a breakdown of the changes that took place during 2014:

thousands €

	Land	Buildings	Total 31/12/2014	Total 31/12/2013
Gross opening balance	16,302	4,942	21,244	21,244
Total net impairment losses	-	-1,665	-1,665	-1,500
Net opening balance	**16,302**	**3,277**	**19,579**	**19,744**
Increases	**-**	**-**	**-**	**-**
- Acquisitions	-	-	-	-
- Transfers from investment property	-	-	-	-
- Other increases	-	-	-	-
Decreases	**-**	**-165**	**-165**	**-165**
- Sales	-	-	-	-
- Depreciation	-	-165	-165	-165
- Losses on sales	-	-	-	-
- Other decreases	-	-	-	-
Closing balance	**16,302**	**3,112**	**19,414**	**19,579**
Total net impairment losses	-	-1,830	-1,830	-1,665
Gross closing balance	16,302	4,942	21,244	21,244

The building component is depreciated over 30 years using a rate of 3.33%.

Financial assets (captions 4.3, 4.4 , 4.5 and 4.6)

Financial assets amount to €97,173,357 thousand (€76,842,272 thousand at 31 December 2013). The related breakdown by classification category and investment type is given in the annex to the notes "Breakdown of financial assets".

Loans and receivables (caption 4.4)

They amount to €80,934 thousand (€78,138 thousand at 31 December 2013) as follows:

thousands €

	31/12/2014	31/12/2013
Loans and receivables with bank customers	**1,179**	2,008
Loans and receivables with banks	**76,976**	73,403
Deposits with ceding companies	**-**	91
Other loans and receivables	**2,779**	2,636
- loans on policies	392	467
- secured loans	-	0
- employee loans	-	0
- other	2,387	2,169
Total	**80,934**	**78,138**

The maximum exposure to the credit risk on loans and receivables is €80,934 thousand, i.e., the carrying amount of such assets.

Loans and receivables with banks mainly consist of debt instruments and are mostly short-term.

"Other" includes the investment in BluGem Luxembourg and profit participating equity certificates.

A breakdown of the caption by fair value level is provided in the annex to the notes "Assets and liabilities not measured at fair value: breakdown by fair value level".

Available-for-sale financial assets (caption 4.5)

They amount to €71,043,926 thousand (€54,649,328 thousand at 31 December 2013), mainly comprise bonds and may be broken down as follows:

thousands €

	31/12/2014				31/12/2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities	63,736,060	1,986,652	146,257	65,868,969	49,626,535	2,075,731	260,498	51,962,764
- Structured	1,071,269	293,101	146,257	1,510,627	599,775	282,429	192,715	1,074,919
- Other	62,664,791	1,693,551	-	64,358,342	49,026,760	1,793,302	67,783	50,887,845
Equity instruments	685,364	1	160,867	846,232	618,367	1	145,261	763,629
- Measured at cost	-	-	51	51	-	-	51	51
- Measured at fair value	685,364	1	160,816	846,181	618,367	1	145,210	763,578
UCI Shares	4,238,786	82,638	7,301	4,328,725	1,837,115	79,723	6,097	1,922,935
Total	**68,660,210**	**2,069,291**	**314,425**	**71,043,926**	**52,082,017**	**2,155,455**	**411,856**	**54,649,328**

Changes in the Level 3 assets are presented in the annex to the notes "Changes in Level 3 financial assets and liabilities".

The impairment test of investments classified as available-for-sale, which was conducted in compliance with the criteria set out in detail in the section on the accounting policies, led to recognition of losses of €2,220 thousand. This amount includes impairment losses on bonds (€540 thousand), equity instruments (€486 thousand) and OEIC units (€1,194 thousand).

The table below provides a breakdown of the changes that took place during 2014:

thousands €

	Debt securities	Equity instruments	UCI shares	Total 31/12/2014	Total 31/12/2013
Opening balance	**51,962,764**	**763,629**	**1,922,935**	**54,649,328**	**43,671,913**
Increases	**28,572,716**	**217,513**	**3,705,489**	**32,495,718**	**35,458,162**
Acquisitions	22,131,276	139,364	3,502,460	25,773,100	30,034,794
Reversals of impairment losses	-	-	-	-	-
Reversals of impairment losses recognised in profit or loss	-	-	-	-	-
Fair value gains recognised in equity	5,380,306	77,247	106,884	5,564,437	1,544,601
Fair value gains recognised in profit or loss	-	-	-	-	149
Transfers from other portfolios	-	-	-	-	-
Realised gains	459,848	-	68,800	528,648	341,245
Other increases	601,286	902	27,345	629,533	3,537,373
Decreases	**-14,666,511**	**-134,910**	**-1,299,699**	**-16,101,120**	**-24,480,747**
Sales	-9,801,780	-108,192	-1,242,198	-11,152,170	-18,212,481
Repayments	-2,549,478	-	-	-2,549,478	-1,895,146
Impairment losses recognised in profit or loss	-540	-486	-1,194	-2,220	-7,540
Impairment losses	-	-	-	-	-
Fair value losses recognised in equity	-480,808	-24,949	-26,805	-532,562	-218,005
Fair value losses recognised in profit or loss	-	-	-	-	-
Transfers to other portfolios	-	-	-	-	-
Realised losses	-23,772	-	-15,581	-39,353	-206,460
Other decreases	-1,912,941	-1,283	-16,116	-1,930,340	-3,904,148
Exchange rate losses	102,808	-	2,195	105,003	-36,967
Closing balance	**65,868,969**	**846,232**	**4,328,725**	**71,043,926**	**54,649,328**

The following table shows the carrying amount of the Group's exposure to sovereign risk:

thousands €

	DEBT SECURITIES	
	Government bonds	Other
	Carrying amount	Carrying amount
Schengen countries	53,239,280	10,865,867
AUSTRIA	6,038	2,265
BELGIUM	6,488	34,563
BULGARIA	-	3,108
CZECH REPUBLIC	-	-
CYPRUS	-	-
CROATIA	-	-
DENMARK	-	37,930
ESTONIA	-	-
FINLAND	3,268	-
FRANCE	115,588	626,059
GERMANY	1,728,930	265,488
GREECE	-	-
IRELAND	115,591	238,770
ICELAND	-	-
ITALY	49,475,762	7,239,141
LATVIA	-	-
LIECHTENSTEIN	-	-
LITUANIA	-	-
LUXEMBOURG	-	548,709
MALTA	-	-
NORWAY	-	6,001
NETHERLANDS	80,002	638,779
POLAND	-	-
PORTUGAL	25,937	14,137
UK	-	668,558
ROMANIA	48,696	-
SLOVACCHIA	-	-
SLOVENIA	7,014	-
SPAIN	1,597,908	539,449
SWEDEN	-	2,910
HUNGARY	28,057	-
North Africa	-	-
ALGERIA	-	-
EGYPT	-	-
LIBYA	-	-
TUNISIA	-	-
MOROCCO	-	-
JAPAN	-	-
America	308,547	804,115
Other countries	298,425	352,735
TOTAL	**53,846,252**	**12,022,718**

Financial assets at fair value through profit or loss (caption 4.6)

They amount to €26,048,497 thousand (€22,114,806 thousand at 31 December 2013) and include assets held for trading (€977,295 thousand) and assets designated at fair value through profit or loss (€25,071,202 thousand).

Financial assets held for trading

Financial assets held for trading amount to €977,295 thousand (€1,063,134 thousand at 31 December 2013).

Changes in Level 3 financial assets held for trading are set out in the annex to the notes "Changes in Level 3 financial assets and liabilities".

The breakdown of the caption at 31 December 2014 is set out below:

thousands €

	31/12/2014				31/12/2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities	224,681	134,273	24,064	383,018	192,735	243,841	19,023	455,599
- Structured	7,420	91,113	24,064	122,597	12,678	206,330	19,023	238,031
- Other	217,261	43,160	-	260,421	180,057	37,511	-	217,568
Equity instruments	-	-	-	-	-	-	-	-
UCI units	410,352	-	-	410,352	397,651	-	-	397,651
Derivatives	36	183,549	340	183,925	8,193	200,654	1,037	209,884
Total	**635,069**	**317,822**	**24,404**	**977,295**	**598,579**	**444,495**	**20,060**	**1,063,134**

The table below provides a breakdown of the changes in the caption, with the exclusion of derivatives, that took place during 2014:

thousands €

	Debt securities	Equity instruments	UCI Shares	Total 31/12/2014	Total 31/12/2013
Opening balance	**455,599**	**-**	**397,651**	**853,250**	**1,095,282**
Increases	**231,524**	**-**	**61,262**	**292,786**	**1,475,952**
Increases	21,726	-	2,596	24,322	296,925
Acquisitions	-	-	-	-	-
Reversals of impairment losses recognised in profit or loss	-	-	-	-	-
Fair value gains recognised in equity	65,279	-	13,041	78,320	25,892
Fair value gains recognised in profit or loss	-	-	-	-	-
Transfers from other portfolios	1,048	-	986	2,034	-
Realised gains	143,471	-	44,639	188,110	1,153,135
Other increases	-	-	-	-	-
Decreases	**-304,105**	**-**	**-48,561**	**-352,666**	**-1,717,984**
Sales	-144,013	-	-48,561	-192,574	-1,444,270
Repayments	-141,878	-	-	-141,878	-111,437
Impairment losses recognised in profit or loss	-	-	-	-	-
Fair value losses recognised in equity	-	-	-	-	-
Fair value losses recognised in profit or loss	-304	-	-	-304	-907
Transfers to other portfolios	-	-	-	-	-
Realised losses	-287	-	-	-287	-
Other decreases	-17,623	-	-	-17,623	-161,370
Exchange rate losses	-	-	-	-	-
Closing balance	**383,018**	**-**	**410,352**	**793,370**	**853,250**

Assets designated at fair value through profit or loss

Assets designated at fair value through profit or loss amount to €25,071,202 thousand (€21,051,672 thousand at 31 December 2013).

The breakdown of the caption at 31 December 2014 is set out below:

thousands €

	31-12-2014				31-12-2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities	2,334,595	1,153,966	237,244	3,725,805	483,270	3,771,844	258,720	4,513,834
- Structured	148,930	756,889	237,244	1,143,062	110,919	2,092,177	258,720	2,461,816
- Other	2,185,665	397,078	-	2,582,743	372,350	1,679,667	-	2,052,017
Equity instruments	450,761	-	-	450,761	5,513	-	-	5,513
UCI shares	20,527,382	-	-	20,527,382	16,165,818	-	-	16,165,818
Other financial investments	-	-	367,254	367,254	248,833	117,674	-	366,507
Derivatives	-	-	-	-	-	-	-	-
Total	**23,312,738**	**1,153,966**	**604,498**	**25,071,202**	**16,903,434**	**3,889,518**	**258,720**	**21,051,672**

Derivative instruments are associated with primary investments held by the Group or with derivative transactions aimed at the acquisition of primary investments. The associated derivatives are aimed at minimising the financial risks in the investment portfolio.

At the reporting date, the parent had 21 forward hedges of -€48,716 thousand. It carried out an effectiveness test at year end with positive results.

The table below provides a breakdown of the changes in the caption, with the exclusion of derivatives, that took place during 2014:

thousands €

	Debt securities	Equity instruments	UCI shares	Other financial investments	Total 31/12/2014	Total 31/12/2013
Opening balance	**4,513,834**	**5,513**	**16,165,818**	**366,507**	**21,051,672**	**23,051,089**
Increases	**1,854,317**	**470,328**	**14,366,141**	**42,108**	**16,732,894**	**6,732,727**
Acquisitions	272,954	11,388	1,295,569	-	1,579,911	1,664,526
Reversals of impairment losses recognised in profit or loss	-	-	-	-	-	-
Fair value gains recognised in equity	-	-	-	-	-	-
Fair value gains recognised in profit or loss	91,564	5,364	1,112,790	-	1,209,718	612,507
Transfers from other portfolios	-	-	-	-	-	-
Realised gains	71,740	76	424,590	47	496,453	427,116
Other increases	1,418,059	453,500	11,533,192	42,061	13,446,812	4,028,578
Decreases	**-2,642,346**	**-25,080**	**-10,004,577**	**-41,361**	**-12,713,364**	**-8,732,144**
Sales	-352,023	-10,860	-2,342,012	-	-2,704,895	-2,626,551
Repayments	-1,162,972	-	-	-	-1,162,972	-758,775
Impairment losses recognised in profit or loss	-	-	-	-	-	-17,956
Fair value losses recognised in equity	-	-	-	-	-	-
Fair value losses recognised in profit or loss	-6,406	-13,254	-117,786	-	-137,446	-249,090
Transfers to other portfolios	-	-	-	-	-	-
Realised losses	-32,236	-676	-59,154	-253	-92,319	-99,633
Other decreases	-1,088,709	-290	-7,485,625	-41,108	-8,615,732	-4,980,139
Exchange rate losses	-	-	-	-	-	-
Closing balance	**3,725,805**	**450,761**	**20,527,382**	**367,254**	**25,071,202**	**21,051,672**

Changes in Level 3 assets designated at air value through profit or loss are set out in the annex to the notes “Changes in Level 3 financial assets and liabilities”.

The category also includes assets used to hedge contracts where the financial risk is borne by the policyholders, which amount to €24,118,632 thousand.

The annex to the notes “Financial assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by policyholders and arising from pension fund management” shows a comparison with the Group’s commitments vis-à-vis policyholders.

The table below provides a breakdown of the changes in the caption, with the exclusion of derivatives, that took place during 2014:

OTHER RECEIVABLES (caption 5)

They amount to €482,557 thousand (€588,435 thousand at 31 December 2013).

Sundry receivables include, in particular, receivables from the ultimate parent for payment of the IRES advance (€262,947 thousand), tax assets (€46,646 thousand), management commissions on unit-linked and index-linked policies (€55,212 thousand) and other receivables of €99,304 thousand, mainly consisting of hedges of the margins on derivatives agreed with Credit Suisse, Deutsche Bank, Bank of New York, Citibank, Goldman Sachs and Barclays.

The following table sets out details of the caption at 31 December 2014:

thousands €

	31/12/2014	31/12/2013
Direct insurance receivables (caption 5.1)	**17,129**	**24,405**
Premiums due from policyholders	10,250	11,137
Receivables from insurance brokers	3,592	8,920
Co-insurance receivables	2,298	3,827
Other	989	521
Reinsurance receivables (caption 5.2)	**1,319**	**2,073**
Other receivables (voce 5.3)	**464,109**	**561,957**
Tax assets	46,646	38,030
Management commissions on unit-linked policies	55,212	38,921
Receivables from the ultimate parent for tax payments on account	262,947	450,295
Other receivables	99,304	34,711
Total	**482,557**	**588,435**

OTHER ASSETS (caption 6)

They amount to €1,706,345 thousand (€1,494,670 thousand at 31 December 2013).

thousands €

	31/12/2014	31/12/2013
Non-current assets held for sale and disposal groups	-	-
Deferred acquisition costs	48	331
Deferred tax assets	180,473	160,205
Current tax assets	1,359,560	1,248,102
Other assets	166,264	86,032
Deferred commission expense on investment contracts	*138,064*	*73,558*
Other	*28,200*	*12,474*
Total	**1,706,345**	**1,494,670**

Deferred acquisition costs (caption 6.2)

This caption includes deferred acquisition costs associated with insurance contracts, mainly related to the Group's non-life insurance portfolio (€48 thousand).

Deferred tax assets (caption 6.3)

This caption includes deferred tax assets through profit or loss of €180,473 thousand (€160,205 thousand at 31 December 2013).

thousands €

	31/12/2014	31/12/2013
Deferred tax assets through profit or loss	180,244	160,058
Deferred tax assets through equity	229	147
Total	**180,473**	**160,205**

The table below shows the changes in this caption:

thousands €

	Deferred tax assets through profit or loss	Deferred tax assets through equity	Total 31/12/2014	Total 31/12/2013
Opening balance	**160,058**	**147**	**160,205**	**131,347**
Increases	**76,695**	**145**	**76,840**	**68,421**
New entities included in the consolidation scope	-	-	-	-
Deferred tax assets recognised in the year	63,200	145	63,345	55,494
- *reversals of impairment losses*		-	-	-
- *other*	*63,200*	*145*	*63,345*	*55,494*
New taxes or tax rate increases	-	-	-	-
Other increases	13,495	-	13,495	12,927
Decreases	**-56,509**	**-63**	**-56,572**	**-39,563**
Deferred tax assets derecognised in the year			-	-
Reversals	-56,508	-	-56,508	-39,563
Tax rate reductions	-	-	-	-
Other decreases	-1	-63	-64	-
Closing balance	**180,244**	**229**	**180,473**	**160,205**

Deferred tax assets derive from deductible temporary differences, such as losses on securities, amortisation of insurance contract portfolios, accruals to provisions for risks and charges, amortisation of intangible assets and unused tax losses carried forward. They were calculated using the current tax rate.

Current tax assets (caption 6.4)

Current tax assets amount to €1,359,560 thousand (€1,248,102 thousand at 31 December 2013). The caption includes payments on account and other tax receivables for withholdings or prior year tax assets that can be offset against taxes of subsequent years. The caption also comprises tax assets on mathematical provisions pursuant to article 1.2 of Legislative decree no. 209/2002 as converted by article 1 of Law no. 265/2002 and subsequent amendments.

The following table sets out details of the caption at 31 December 2014:

thousands €

	31/12/2014	31/12/2013
Direct taxes	108,332	156,526
Tax on mathematical provisions	1,251,228	1,091,576
Total	**1,359,560**	**1,248,102**

Other assets (caption 6.5)

Other assets amount to €166,264 thousand (€86,032 thousand at 31 December 2013). The caption mainly comprises deferred commission costs of €138,064 thousand associated with products of a financial nature without discretionary participation features, such as index-linked and unit-linked policies.

The following table sets out details of the caption at 31 December 2014:

thousands €

	31/12/2014	31/12/2013
Deferred commission expense on investment contracts	138,064	73,558
Other	28,200	12,474
Total	**166,264**	**86,032**

Other assets mainly comprise amounts relating to units issued and repaid of unit-linked policies with a bank value date of January 2015 and an accounting value of 31 December 2014 (€17,436 thousand) as well as other prepayments and accrued income (€8,000 thousand).

CASH AND CASH EQUIVALENTS (caption 7)

At 31 December 2014, cash and cash equivalents amount to €2,560,638 thousand (€2,117,695 thousand at 31 December 2013). The caption includes cash and cash equivalents and demand deposits, including treasury current accounts.

SHAREHOLDERS' EQUITY (caption 1)

This caption includes equity instruments making up equity, in line with the rules laid down by the Italian Civil Code and the laws regulating the insurance sector, taking into account the necessary adjustments for consolidation. The table below provides a breakdown of the caption at 31 December 2014:

thousands €

	31/12/2014	31/12/2013
Share capital	320,423	320,323
Capital reserves	1,328,097	1,327,197
Revenue reserve and other reserves	1,660,635	2,014,450
Own shares	-	-
Reserve for currency translation differences	40	- 3
Reserve for unrealized gains and losses on assets available for sale	590,534	321,048
Other gains or losses recognised directly in equity	- 686	- 387
Profit for the year attributable to the Group	480,406	346,699
Total equity attributable to the Group	**4,379,449**	**4,329,327**

The change in equity mainly reflects the profit for the year, the distribution by the parent to the ultimate parent, Intesa Sanpaolo (€701 million) and the variation in the reserve for unrealized gains and losses. For further information on the distribution of equity captions, reference is made to the section on non-recurring and capital management transactions.

The €1 million increase in share capital and the equity-related reserves refers to the contribution of the Intesa Sanpaolo Previdenza SIM S.p.A. business unit on 1 December 2014.

Share capital (caption 1.1.1)

The parent's share capital amounts to €320,423 thousand, divided into 655,157,496 ordinary registered shares with no nominal amount.

Capital reserves (caption 1.1.3)

These reserves of €1,328,097 thousand include the parent's share premium reserve.

Revenue reserve and other reserves (caption 1.1.4)

The caption includes the legal reserve, the statutory reserve, the extraordinary reserve and other reserves. It also includes the IFRS FTA reserve. These reserves amount to €1,660,635 thousand compared to €2,014,450 thousand at 31 December 2013.

The increase is mainly due to the allocation of the profit for the prior year and the parent's return of €701 million to the ultimate parent.

Reserve for unrealized gains and losses on assets available for sale (caption 1.1.7)

The caption includes fair value gains and losses deriving from the remeasurement of financial instruments classified as available-for-sale financial assets.

As a result of application of shadow accounting, the differences between the fair value and cost of the aforementioned instruments, net of the tax effects, are recognised in this reserve for the sole part pertaining to the Group. The policyholders' portion is included under the technical provisions.

The table below provides a breakdown of the caption at 31 December 2014:

thousands €

	31/12/2014			31/12/2013		
	Unrealized gains	Unrealized losses	Total	Unrealized gains	Unrealized losses	Total
Total gross of shadow accounting	6,831,998	-74,381	6,757,617	2,145,393	-117,394	2,027,999
- Debt securities	6,474,822	-24,096	6,450,726	1,910,183	-71,182	1,839,001
- Equity instruments	183,841	-5,430	178,411	144,755	-1,409	143,346
- UCI shares	173,335	-44,855	128,480	90,455	-44,803	45,652
Shadow accounting	-5,935,055	72,494	-5,862,561	-1,638,542	96,326	-1,542,216
Total gross of income taxes	896,943	-1,887	895,056	506,851	-21,068	485,783
Tax effects	-307,820	3,298	-304,522	-173,956	9,221	-164,735
Total	**589,123**	**1,411**	**590,534**	**332,895**	**-11,847**	**321,048**

The following table shows changes in the caption in the year:

thousands €

	Debt securities	Equity instruments	UCI shares	31/12/2014	31/12/2013
Opening balance	**278,781**	**36,688**	**5,579**	**321,048**	**252,676**
Increases	**282,095**	**10,297**	**4,301**	**296,693**	**94,991**
Unrealized gains	441,049	15,510	9,884	466,443	235,788
Accruals	-1,843	66	2,559	782	56,394
Other increases	-157,111	-5,279	-8,142	-170,532	-197,191
Decreases	**-21,510**	**-5,344**	**-353**	**-27,207**	**-26,619**
Unrealized losses	-39,317	-1,992	-3,278	-44,587	-34,396
Impairment losses	-4	-37	-20	-61	118
Utilisations	-33,401	-691	-1,960	-36,052	-8,964
Other decreases	51,212	-2,624	4,905	53,493	16,623
Closing balance	**539,366**	**41,641**	**9,527**	**590,534**	**321,048**

OTHER PROVISIONS (caption 2)

The caption amounts to €10,648 thousand at 31 December 2014 (€8,315 thousand at 31 December 2013) and comprises other provisions of €10,648 thousand (€8,315 thousand at 31 December 2013). Other provisions mainly include accruals for future personnel expense and for product disputes. The other decreases principally consists of savings on expenses provided for in relation to the merger of Intesa Sanpaolo Vita.

The following table shows changes in the caption in the year:

thousands €

	Other provisions	31/12/2014	31/12/2013
Opening balance	**8,315**	**8,315**	**15,465**
Increases	**3,941**	**3,941**	**2,674**
- Additions	2,473	2,473	-
- Accruals	451	451	860
- Other increases	1,017	1,017	1,814
Decreases	**-1,608**	**-1,608**	**-9,824**
- Utilisations	-1,558	-1,558	-4,774
- Other decreases	-50	-50	-5,050
Closing balance	**10,648**	**10,648**	**8,315**

INSURANCE PROVISIONS (caption 3)

The table below provides a breakdown of the caption at 31 December 2014:

thousands €

	Direct business	Indirect business	31/12/2014	31/12/2013
Non-life insurance provisions	**484,165**	**-**	**484,165**	**474,900**
Provision for unearned premiums	308,151	-	308,151	311,925
Provision for outstanding claims	175,099	-	175,099	162,274
Other insurance provisions	915	-	915	701
of which following the liability adequacy test	-	-	-	-
Life insurance provisions	**73,929,768**	**-**	**73,929,768**	**57,927,470**
Mathematical provisions	64,149,579	-	64,149,579	53,118,271
Provision for outstanding claims	306,626	-	306,626	281,936
Insurance provisions where investment risk is borne by policyholders and provisions arising from pension fund management	3,606,131	-	3,606,131	3,095,767
Other insurance provisions	5,867,432	-	5,867,432	1,431,496
Total	**74,413,933**	**-**	**74,413,933**	**58,402,370**

The insurance provisions of the life business grew by 28%. This change can be attributed to the portfolio's performance which records net cash inflows, the revaluation of benefits and the trend of the shadow accounting provision (included in the other insurance provisions), which shows a significant increase, especially in relation to the performance of the financial markets.

The Group performed the liability adequacy test (LAT).

The table below shows the details of the mathematical provisions and the insurance provisions where the investment risk is borne by the policyholders:

thousands €

	Mathematical provisions	Insurance provisions where investment risk is borne by policyholders	Total 31/12/2014	Total 31/12/2013
Opening balance	**53,118,271**	**3,095,767**	**56,214,038**	**50,181,020**
New entities included in the consolidation scope	-	-	-	-
Change in premiums	14,634,251	116,378	14,750,629	11,239,419
Income and other bonuses recognised to policyholde	1,455,284	84,646	1,539,930	1,309,344
Exchange rate differences	-	-	-	-
Portfolio transactions	-12,329	1,774,967	1,762,638	-279,663
Change in payments	-5,008,576	-1,465,627	-6,474,203	-6,233,455
Other variations	-37,322	-	-37,322	-2,627
Closing balance	**64,149,579**	**3,606,131**	**67,755,710**	**56,214,038**

Insurance provisions and financial liabilities of the life business

Insurance provisions and financial liabilities amount to €94,393,838 thousand (€74,741,217 thousand at 31

December 2013). Contracts falling within the scope of IFRS 4, insurance contracts and investment contracts with DPF account for 97% of the life portfolio (89% at 31 December 2013), while the investment contracts falling within the scope of IAS 39 account for just 3% (11% at 31 December 2013).

Non-life insurance provisions

In the non-life segment, the insurance provisions are substantially in line with the previous year end (+2% at 31 December 2014). They are mainly referred to the portfolio held by Intesa Sanpaolo Assicura.

The breakdown by line of business of the provision for unearned premiums at 31 December 2014 is detailed in the following table:

thousands €

	Provision for unearned premiums	Provision for unexpired risks	Total provision for unearned premiums	Claims provisions	Other provisions
Accident	43,233	-	43,233	9,879	45
Health	61,556	-	61,556	28,650	870
Land vehicles	5,217	-	5,217	2,160	-
Fire and natural events	64,781	-	64,781	4,458	-
Other damage to property	2,808	-	2,808	3,208	-
Credit	8,415	3,920	12,335	2,384	-
Surety	379	281	660	1,147	-
Motor third party liability	28,873	-	28,873	81,334	-
Liability for ships	1	-	1	63	-
Legal protection	457	-	457	1,091	-
General third party liability	2,186	-	2,186	6,579	-
Miscellaneous financial loss	83,774	-	83,774	33,642	-
Assistance	2,270	-	2,270	504	-
Total	**303,950**	**4,201**	**308,151**	**175,099**	**915**

The comparison of the provision for unearned premiums by line of business with the previous year is detailed in the following table:

thousands €

	Provision for unearned premiums 31/12/2014	Provision for unearned premiums 31/12/2013
Accident	43,233	44,071
Health	61,556	64,201
Land vehicles	5,217	4,745
Fire and natural events	64,781	60,891
Other damage to property	2,808	3,222
Motor third party liability	12,335	29,091
Aircraft liability	660	-
Liability for ships	28,873	8
General third party liability	-	2,093
Credit	1	9,007
Surety	457	1,841
Miscellaneous financial loss	2,186	90,477
Legal protection	83,774	377
Assistance	2,270	1,901
Total	**308,151**	**311,925**

The comparison of the provision for outstanding claims by line of business with the previous year is detailed in the following table:

thousands €

	Total 31/12/2014	Total 31/12/2013
Accident	9,879	10,324
Health	28,650	25,666
Land vehicles	2,160	3,648
Railway rolling stock	-	-
Aircraft	-	-
Ships	-	-
Goods in transit	-	-
Fire and natural events	4,458	5,795
Other damage to property	3,208	3,083
Credit	2,384	614
Surety	1,147	2,376
Motor third party liability	81,334	62,963
Aircraft liability	-	-
Liability for ships	63	-
Legal protection	1,091	735
General third party liability	6,579	8,698
Miscellaneous financial loss	33,642	38,075
Assistance	504	297
Total claim provisions	**175,099**	**162,274**

With reference to the provision for outstanding claims, the tables below show the triangular matrix of development of the claims for the main lines in which the Group operates (gross of reinsurance) for the last five years from 2010 to 2014. The amounts are stated in thousands of Euros. Given the marginality of the parent's non-life portfolio, the report on the development of the claims is only detailed with reference to Intesa Assicura S.p.A..

In order to gain a better understanding of the tables, the following is specified:

– the "Estimate of ultimate cumulative claims costs" is the result of the sum, by each accident year N, of the cumulative claims paid and the residual provision for outstanding claims at the end of the development year N+t. The amounts thus obtained represent the revision over time of the estimated ultimate cost of the claims in the accident year N with the evolution of their run-off;

– the "Cumulative claims paid to date" represent the cumulative amount of the payments made until 31 December 2014 on claims in accident year N;

– the "Provision for outstanding claims at the reporting date" represents the amount, for each accident year, of the claims that are still provided for at 31 December 2014;

– the "Other claims provisions" identify the claims provision from accident years prior to 2010.

Accident	**Year of generation/occurrence**	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	5,076	5,171	4,089	4,358	5,213	
	at 31/12 of year N+1	3,345	4,506	3,098	3,749		
	at 31/12 of year N+2	2,394	3,817	2,700			
	at 31/12 of year N+3	2,284	3,315				
	at 31/12 of year N+4	2,073					
Cumulative amounts paid to date		2,029	3,211	1,699	1,785	399	9,123
Claims provision at the reporting date		44	104	1,001	1,964	4,814	7,927
Final claims provision for years before 2010							149
Total claims provision at 31/12/2014							**8,076**

Health	Year of generation/occurrence	2010	2011	2012	2013	2014	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	18,283	16,663	16,121	18,733	21,030	
	at 31/12 of year N+1	16,020	16,779	16,505	17,174		
	at 31/12 of year N+2	14,859	15,208	15,745			
	at 31/12 of year N+3	13,443	13,928				
	at 31/12 of year N+4	13,116					
Cumulative claims paid to date		12,609	12,807	12,719	9,812	6,171	54,118
Provision ofr outstanding claims at the reporting date		507	1,121	3,026	7,362	14,859	26,875
Final provision for outstanding claims for years before 2010							1,775
Total provision for outstanding claims at 31/12/2014							**28,650**

Land vehicles	Year of generation/occurrence	2010	2011	2012	2013	2014	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	2,916	3,901	3,873	7,646	5,638	
	at 31/12 of year N+1	2,553	3,626	4,277	7,290		
	at 31/12 of year N+2	2,500	3,840	3,967			
	at 31/12 of year N+3	2,648	3,833				
	at 31/12 of year N+4	2,704					
Cumulative amounts paid to date		2,413	3,675	3,939	7,115	4,731	21,873
Claims provision at the reporting date		291	158	28	175	907	1,559
Final claims provision for years before 2010							601
Total claims provision at 31/12/2014							**2,160**

Fire and natural events	Year of generation/occurrence	2010	2011	2012	2013	2014	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	5,901	2,888	4,137	4,548	4,043	
	at 31/12 of year N+1	3,527	2,384	3,079	2,964		
	at 31/12 of year N+2	2,997	2,139	2,778			
	at 31/12 of year N+3	2,828	1,857				
	at 31/12 of year N+4	2,726					
Cumulative amounts paid to date		2,618	1,524	2,593	2,385	1,160	10,280
Claims provision at the reporting date		108	333	185	579	2,883	4,088
Final claims provision for years before 2010							370
Total claims provision at 31/12/2014							**4,458**

Other damage to property	Year of generation/occurrence	2010	2011	2012	2013	2014	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	8,191	2,722	3,242	2,979	3,632	
	at 31/12 of year N+1	7,188	1,797	1,936	1,827		
	at 31/12 of year N+2	7,014	1,549	1,764			
	at 31/12 of year N+3	7,014	1,492				
	at 31/12 of year N+4	7,002					
Cumulative amounts paid to date		6,781	1,362	1,628	1,642	1,223	12,636
Claims provision at the reporting date		221	130	136	185	2,409	3,081
Final claims provision for years before 2010							127
Total claims provision at 31/12/2014							**3,208**

MTPL and seacraft	Year of generation/occurrence	2010	2011	2012	2013	2014	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	9,552	19,010	34,354	46,001	52,603	
	at 31/12 of year N+1	10,080	25,699	35,168	50,031		
	at 31/12 of year N+2	10,397	28,004	33,249			
	at 31/12 of year N+3	10,425	28,020				
	at 31/12 of year N+4	10,503					
Cumulative amounts paid to date		9,334	19,775	21,620	25,959	16,999	93,687
Claims provision at the reporting date		1,169	8,245	11,629	24,072	35,604	80,719
Final claims provision for years before 2010							678
Total claims provision at 31/12/2014							**81,397**

GTPL	Year of generation/occurrence	2010	2011	2012	2013	2014	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	4,028	2,871	2,702	3,487	3,588	
	at 31/12 of year N+1	3,039	2,220	3,352	2,065		
	at 31/12 of year N+2	2,525	1,740	2,645			
	at 31/12 of year N+3	2,388	1,677				
	at 31/12 of year N+4	2,253					
Cumulative claims paid to date		1,918	1,387	1,532	1,208	585	6,630
Provision ofr outstanding claims at the reporting date		335	290	1,113	857	3,003	5,598
Final provision for outstanding claims for years before 2010							981
Total provision for outstanding claims at 31/12/2014							**6,579**

Miscellaneous financial loss	Year of generation/occurrence	2010	2011	2012	2013	2014	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	11,720	15,076	23,225	24,342	23,469	
	at 31/12 of year N+1	13,709	20,681	23,536	21,312		
	at 31/12 of year N+2	11,045	16,793	24,397			
	at 31/12 of year N+3	9,965	15,620				
	at 31/12 of year N+4	9,381					
Cumulative amounts paid to date		9,112	13,544	19,180	14,775	4,195	60,806
Claims provision at the reporting date		269	2,076	5,217	6,537	19,274	33,373
Final claims provision for years before 2010							269
Total claims provision at 31/12/2014							**33,642**

FINANCIAL LIABILITIES (caption 4)

Financial liabilities amount to €22,243,677 thousand (€17,718,292 thousand at 31 December 2013). The related breakdown by category and investment type is given in the annex to the notes "Breakdown of financial liabilities".

Financial liabilities at fair value through profit or loss (caption 4.1)

They amount to €20,834,274 thousand (€17,100,776 thousand at 31 December 2013) and include financial liabilities held for trading and financial liabilities at fair value through profit or loss. The breakdown by level is shown in the annex to the notes "*Breakdown of financial assets and liabilities by level*".

Financial liabilities held for trading

They amount to €370,204 thousand at 31 December 2014 and are related to the negative value of non-hedging derivatives and hedging derivatives, consisting of forwards on Italian government bonds held to reduce the Group's exposure to risks of a rise in interest rates on such bonds (€48,716 thousand).

Financial liabilities designated at fair value through profit or loss

The caption includes the financial liabilities associated with index-linked and unit-linked investment contracts which do not present a significant insurance risk and, therefore, do not fall within the scope of IFRS 4.

thousands €

	31/12/2014	31/12/2013
Liabilities from index-linked and unit-linked contracts issued by the group	20,464,070	16,813,747
Hedging derivatives	-	-
Total	**20,464,070**	**16,813,747**

Since the fair value of the financial liabilities represented by index-linked and unit-linked product deposits is not tied to the creditworthiness of the issuing companies but rather to that of the hedging assets, reference is made to the section of the notes on the disclosure on risks for further information on this aspect.

Other financial liabilities (caption 4.2)

The caption includes subordinated liabilities and financial liabilities associated with investment contracts with eligible asset products.

The table below gives a breakdown of the caption.

thousands €

	31/12/2014	31/12/2013
Subordinated liabilities	1,337,556	617,218
Financial liabilities associated with policies with eligible assets	-	-
Other financial liabilities	62,511	298
Deposits received from reinsurers	9,336	-
Total	**1,409,403**	**617,516**

Subordinated liabilities

The caption comprises financial liabilities, recognised at amortised cost, pertaining to the parent, the creditors' repayment of which is subordinated to the settlement of the senior debt in the case of the Group's liquidation.

Subordinated liabilities, amounting to €1,337,556 thousand, are broken down as follows:

thousands €

Issuer	Interest rate	Grant date	Maturity date	Carrying amount
Intesa Sanpaolo	12-month Euribor + 35 bps	27/06/2005	29/06/2015	25,108
Intesa Sanpaolo	For first 5 years 3-month Euribor + 300 bps	30/12/2008	30/12/2018	30,003
Intesa Sanpaolo	1-year Euribor + 150 bps	30/06/2011	not applicable	3,796
Intesa Sanpaolo	1-year Euribor + 170 bps	30/06/2011	not applicable	1,960
Intesa Sanpaolo	For first 10 years +4.80% - afterwards 3-month Euribor 360 + 140 bps	30/06/2011	not applicable	4,900
Intesa Sanpaolo	For first ten years +4.86%	30/06/2011	not applicable	2,940
Intesa Sanpaolo	For first ten years +5.06%	30/06/2011	not applicable	2,450
Intesa Sanpaolo	For first ten years +5.06%	30/06/2011	not applicable	490
Cassa di Risparmio di Firenze	1-year Euribor + 150 bps	20/04/1999	not applicable	3,965
Cassa di Risparmio di Firenze	6-month Euribor + 170 bps	17/04/2000	not applicable	2,048
Cassa di Risparmio di Firenze	For first 10 years +4.80% - afterwards 3-month Euribor 360 + 140 bps	15/05/2003	not applicable	5,109
Cassa di Risparmio di Firenze	For first 10 years +4.86% - afterwards 3-month Euribor 360 + 1.70%	22/12/2004	not applicable	3,064
Cassa di Risparmio di Firenze	For first 10 years +5.06% - afterwards 3-month Euribor 360 + 6.80%	26/10/2006	not applicable	2,572
Cassa di Risparmio di Firenze	For first 10 years +5.06% - afterwards 3-month Euribor 360 + 6.80%	26/10/2006	not applicable	514
INTESA SANPAOLO VITA S.p.A.	Dated Subordinated Notes due 18 September 2018 5.35%	18/09/2013	18/09/2018	503,297
INTESA SANPAOLO VITA S.p.A.	Fixed-to-Floating Undated Subordinated Notes (first call 17/12/2024)	17/12/2014	not applicable	745,339
Total				**1,337,556**

The aforesaid loans do not provide for early repayment or provisions allowing their conversion into equity or into another type of liability.

The change in subordinated liabilities is determined by the partial repayment of subordinated loans and by the issue of the non-convertible subordinated bonds ISIN XS1156024116 issued by Intesa Sanpaolo Vita on 17 December 2014. The bonds have the following characteristics:

- value of the issue: €750 million;
- bond unit nominal amount: €100,000.00 (one hundred thousand and zero cents);
- issue price: 100% (one hundred per cent) of the unit nominal amount;
- issue date: 17 December 2014;
- undetermined maturity (in perpetuity) with a call option (early redemption option upon the issuer's request after obtaining the required regulatory authorisations) exercisable from the tenth year from the issue date and subsequently at each interest payment date;
- interest: fixed rate equal to 4.75% per year from the issue date to 17 December 2024; floating rate equal to the 6M Euribor plus a 481.7 bp spread after 18 December 2024;
- coupon payment frequency: annual until the first call option exercise date, after which every six months;
- redemption: redemption upon exercise of the call option of 100% (one hundred per cent) of the nominal amount of each bond, provided that the applicable legal and regulatory requirements are met;

- early redemption: apart from the dates when the call options can potentially be exercised, early redemption option pertaining solely to the parent and subject to authorisation from the competent authority, in the so-called Tax or Regulatory Event cases;
- deferral of payment of interest: the issue provides for deferral of payment of interest when the parent does not have a sufficient available solvency margin to cover the required solvency margin;
- covering of losses: pursuant to article 45.8.e) of Legislative decree no. 209/2005 and article 17.2.c) of ISVAP regulation no. 19 of 14 March 2008, the issue provides that debt and accrued unpaid interest shall temporarily cover the losses so that the parent can continue its activities regularly;
- subordination: in the event of liquidation of the parent, the bonds are subordinated to all its obligations not equally subordinated (including obligations vis-à-vis policyholders);
- amendments to the bond regulation: the regulation shall include a clause whereby any amendments thereto shall be approved in advance by the competent authority;
- listing: the bonds are listed on Luxembourg's regulated market;
- intended bondholders: qualified Italian and foreign investors, with the exclusion of any placement with the general public, as well as offers in the countries where the offer would require specific authorisations.

The two issues placed by Intesa Sanpaolo Vita, recognised at amortised cost, include the placing costs of €3,518 thousand and €5,965 thousand, respectively, for the bonds issued in September 2013 (nominal amount of €500 million) and December 2014 (€750 million).

LIABILITIES (caption 5)

The following table sets out details of the caption at 31 December 2014:

thouands €

	31/12/2014	31/12/2013
Direct insurance liabilities	89,323	78,069
Reinsurance liabilities	1,132	863
Other liabilities	430,336	335,315
Total	**520,791**	**414,247**

The caption "Direct insurance liabilities" of €89,323 thousand mainly includes commissions payable to distribution networks, as well as items to be settled deriving from co-insurance agreements.

"Other liabilities" includes trade payables arising from direct and indirect insurance transactions of €137,236 thousand and the IRES payments on account of €168,943 thousand. The caption also comprises the liability for post-employment benefits.

Post-employment benefits

This caption shows the following changes during the year:

thousands €

	31/12/2014	31/12/2013
Opening balance	**2,653**	**2,410**
Increases	**828**	**734**
- New entities included in the consolidation scope	-	-
- Current service cost	358	359
- Transfers between group companies	-	-
- Interest cost	437	147
- Other increases	33	228
Decreases	**- 336**	**- 491**
- Benefits paid	-	- 162
- Current service cost	-	-
- Curtailments	-	-
- Other decreases	- 336	- 329
- Entities excluded from the consolidation scope	-	-
Closing balance	**3,145**	**2,653**

OTHER LIABILITIES (caption 6)

Deferred tax liabilities (caption 6.2)

This caption includes deferred tax liabilities, as defined and regulated by IAS 12. The caption increased during the year from €463,439 thousand to €602,399 thousand.

The following table sets out details of the caption at 31 December 2014:

thousands €

	31/12/2014	31/12/2013
Deferred tax liabilities through profit or loss	297,699	298,528
Deferred tax liabilities through equity	304,700	164,911
Total	**602,399**	**463,439**

The table below shows the changes that took place during the year:

thousands €

	Profit or loss	Equity	Total at 31/12/2014	Total at 31/12/2013
Opening balance	**298,528**	**164,911**	**463,439**	**410,079**
Increases	**41,505**	**140,204**	**181,709**	**87,801**
- Deferred tax liabilities recognised in the year	28,052	135,123	163,175	72,672
- New taxes or tax rate increases	-	-	-	-
- New entities included in the consolidation scope	-	-	-	-
- Other increases	13,453	5,081	18,534	15,129
Decreases	**- 42,334**	**- 415**	**- 42,749**	**- 34,441**
- Deferred tax liabilities derecognised in the year			-	-
- Reversals	- 42,334	- 20	- 42,354	- 33,882
- Tax rate reductions			-	-
- Other decreases	-	- 395	- 395	- 559
- Entities excluded from the consolidation scope			-	-
Closing balance	**297,699**	**304,700**	**602,399**	**463,439**

Current tax liabilities (caption 6.3)

The caption, amounting to €344,350 thousand, mainly comprises the accrual for the tax on the mathematical provisions (Law no. 265/2002) accrued at the reporting date which will be paid in 2015.

Other liabilities (caption 6.4)

The following table sets out details of this caption:

thousands €

	31/12/2014	31/12/2013
Deferred liabilities relating to investment contracts	4,320	8,864
Pension funds	422	211
Seniority bonuses	2,131	1,475
Deferred operating costs	-	-
Other liabilities	83,717	29,538
Total	**90,590**	**40,088**

The caption mainly includes liabilities relating to deferred commission income associated with index and unit-linked investment contracts with an insurance risk considered to be not significant and to long-term employee benefits.

Deferred liabilities relating to investment contracts refer to index-linked policies (€3,097 thousand, €7,990 thousand at 31 December 2013) and unit-linked policies (€1,223 thousand, €874 thousand at 31 December 2013).

Deferred operating costs include the portion of the future expenses provision set aside for financial contracts in relation to which it was not necessary to defer the loading.

Other liabilities mainly include the provision for retention commissions. These liabilities refer to the accrual for the cost of retention commissions accrued at the reporting date, even though the related obligation has not materialised since their payment is subject to the retention of the contracts in the portfolio on the renewal date.

TAX POSITION

INTESA SANPAOLO VITA

Following the preliminary assessment report issued by the Guardia di Finanza (Italian tax police) on 12 September 2005, the Turin 1 Tax Office served an assessment report to the former Assicurazioni Internazionali di Previdenza S.p.A. (formerly Noricum Vita S.p.A), concerning income tax relating to 2003 on 22 March 2006.

The tax authorities alleged that the income calculation had taken into account costs pertaining to other years. These referred to commissions relating to life insurance contracts and fees for technical/administrative consultancies amounting to €807 thousand.

The parent lodged an appeal against this assessment before the Turin Provincial Tax Commission which cancelled the assessment report with its judgment no. 106 filed on 9 February 2007.

The tax authorities appealed before the Piedmont Regional Tax Commission. The second level judges upheld the decision already handed down by the lower court in their judgment no. 1 filed on 12 January 2009, thereby reconfirming the full cancellation of the assessment report. With deed served on 4 March 2010, the tax authorities lodged an appeal before the Supreme Court.

On 29 April 2010, the parent lodged a counter-appeal with the secretary's office of the Supreme Court. The date of the hearing for the discussion of the dispute has not yet been scheduled.

On 31 January 2007, a partial tax inspection was commenced for the purposes of the direct income taxes, IRPEG - IRES and IRAP pertaining to 2003, 2004 and 2005, and for VAT purposes for 2003, 2004, 2005 and 2006, which ended with the notification of a preliminary assessment report on 29 March 2007.

The most significant findings raised by the Italian tax police referred to the alleged existence of services subject to VAT within the scope of co-insurance contracts entered into by the parent acting in the dual capacity of delegating and delegated company.

On 19 May 2007, the Turin Tax Office served two assessment reports for just 2003, containing five separate claims: four for VAT purposes and one for IRAP purposes, assessing an overall higher VAT amount of €3,700 thousand and a higher IRAP amount of €28.6 thousand, thereby imposing a fine of €6,638 thousand.

On 26 July 2007, the parent challenged the assessment reports and lodged appeals before the Provincial Tax Commission of Turin, which cancelled the aforesaid reports with judgments nos. 41 and 42, filed on 10 June 2008. In July 2009, the appeals were served, lodged by the Turin 1 Tax Office, before the Piedmont Regional Tax Commission. The parent filed an entry of appearance with deeds and counterclaims on 5 November 2009.

The hearing for the discussion of the appeals took place on 1 February 2010 and, with judgment no. 32 filed on 11 May 2010, the Piedmont Regional Tax Commission upheld the full cancellation of the assessment reports referred to 2003.

During the first six months of 2011, the Tax Office lodged an appeal before the Supreme Court and the parent filed an entry of appearance before the court with a counter-appeal in September 2011. At the date of this report, no date has yet been scheduled for the hearing for the discussion of the dispute.

Again as a result of the aforesaid preliminary assessment report, on 30 August 2007, the Turin 1 Tax Office served two assessments reports for 2004 solely for VAT purposes, thereby assessing a higher VAT amount of €2,700 thousand and imposing a fine of €2,300 thousand.

On 8 November 2007, the parent challenged the assessment reports and lodged appeals before the Turin Provincial Tax Commission, which cancelled them with the judgment no. 91 filed on 11 November 2008. The Turin 1 Tax Office lodged appeals before the Piedmont Regional Tax Commission on 21 December 2009. The parent filed an entry of appearance before the court with deeds and counterclaims on 8 February 2010.

The hearing was scheduled for 10 November 2010, after which the Piedmont Regional Tax Commission, with judgment no. 45 filed on 17 February 2011, upheld the first level decision about the full cancellation of the assessment reports.

In April 2012, the Tax Office lodged an appeal before the Supreme Court. In September 2012, the parent lodged a counter-appeal. At the date of this report, the date of the hearing for the discussion of the dispute has not yet been scheduled.

On 21 December 2010, and again as a result of the aforesaid preliminary assessment report prepared by the Italian tax police on 29 March 2007, an assessment report was served on the parent which assessed, for 2005, a higher VAT amount of €360 thousand, a higher IRAP amount of €20 thousand and imposed fines of €654 thousand.

Similarly to the previous years, the aforesaid assessments arise from the aforementioned tax inspection conducted by the Italian tax police in 2007 and refer to the non-recognition of the exemption, for VAT purposes, of the delegation commissions in co-insurance contracts.

The parent challenged the assessment on 14 February 2011. The hearing before the Turin Provincial Tax Commission took place on 14 December 2011 and, with judgment no. 9 filed on 25 January 2012, the court fully cancelled the assessment report.

In July 2012, the Tax Office lodged an appeal before the Regional Tax Commission of Piedmont and the parent, in October 2012, filed counterclaims against the Tax Office's appeal. The hearing before the Piedmont Regional Tax Commission was scheduled to take place on 27 March 2014. The Commission rejected the Tax Office's appeal with its judgement no. 523 filed on 10 April 2014, confirming the full cancellation of the challenged assessment. The Tax Office presented an appeal to the Supreme Court notified on 27 November 2014 and the parent presented its counter-appeal in January 2015.

On 7 December 2011, again as a result of the aforesaid preliminary assessment report prepared by the Italian tax police in March 2007, an assessment notice was served to the parent which assessed, for 2006, a higher VAT amount of €218 thousand and fines of €339 thousand.

On 31 January 2012, the parent lodged an appeal against the report before the Turin Provincial Tax Commission. The dispute was discussed on 14 February 2013 and the Provincial Tax Commission of Turin, with judgment no. 38 filed on 18 March 2013, partially rejected the appeal lodged by the parent. The decision was unfavourable with regard to the recognition of the VAT exemption for the delegation commissions, whereas it was favourable with regard to the inapplicability of the fines. On 9 September 2013, the parent lodged an appeal before the Piedmont Regional Tax Commission. The date of the hearing for the discussion of the dispute has not yet been scheduled.

In February 2011, an amendment sheet was served to the former Sud Polo Vita S.p.A. (merged on 31 December 2011) relating to alleged anomalies in the determination of the registration duty pertaining to the transfer of a business unit, transaction which was completed in March 2008 and related to the life business unit. The assessed tax amounts to €345 thousand in addition to fines of an equal amount.

In April 2011, an appeal was lodged before the Milan Provincial Tax Commission. With its judgment of 16 October 2012, the Commission rejected the appeal. On 1 February 2013, the parent lodged an appeal before the Lombardy Regional Commission in order to seek a review of the unfavourable decision of the first level judges.

The hearing took place on 2 October 2013 and, with judgment no. 267 filed on 21 January 2014, the Regional Tax Commission of Lombardy upheld the parent's appeal, fully reversing the decision of the first level judges and cancelling the Tax Office's assessment. The Tax Office has not appealed against this ruling and therefore it became final in July 2014. Therefore, the dispute can be taken to be settled in the parent's favour.

On 14 May 2012, the Tax Office, Piedmont Regional Department, Large Taxpayers' Office, commenced a tax inspection relating to 2009 of former Sud Polo Vita S.p.A. (merged on 31 December 2012). The inspection ended on 30 July 2012 with the parent being served a preliminary assessment report contesting the following: an alleged greater IRES tax base deriving from impairment losses on securities not considered deductible of €5,305 thousand and greater potential tax of €1,459 thousand, as well as an alleged greater IRAP tax base of €563 thousand and greater potential tax of €38 thousand.

The parent expressly stated in the report that, irrespective of the existence of grounds for the assessed taxes, former Sud Polo Vita S.p.A., for IRES purposes, had usable losses carried forward of a much higher amount than that resulting from the alleged higher tax base. For this reason, given the possibility to deduct the losses carried forward, no greater tax and, consequently, no fine is due. Similarly, for IRAP purposes, the parent reported that the assessment arose as a result of a mere reclassification error between one line of the tax return and the other but, in actual fact, no higher tax amount was due. In order to manage the dispute with the Tax Office more efficiently, the parent applied for the mutually-agreed settlement procedure in December 2012. Discussions commenced on 27 March 2014 and completed on 2 December 2014 with the signing of the mutually agreed settlement procedure. This led to the settlement of potential disputes and payment of €2,046 thousand as taxes, reduced fines and interest compared to the €3,712 thousand that would have been due had the parent received the assessment report. Therefore, it saved €1,666 thousand in less taxes, fines and interest.

The Tax Office recognised the right to reimbursement of IRES of €1,638 thousand generated on the losses carried forward of the merged former Sud Polo Vita S.p.A. in 2009. Therefore, the final cost due by the parent to settle this tax dispute is €408 thousand (€2,046 thousand less €1,638 thousand).

On 20 June 2012, an assessment report was served on the parent in its role as the entity merging former Centrovita Assicurazioni S.p.A. (merged into it on 31 December 2011). The report disputed, for 2006, a higher VAT amount of €312 thousand and fines of €313 thousand.

On 23 September 2012, the parent lodged an appeal before the Florence Provincial Tax Commission. At the date of this report, the hearing for the discussion of the dispute has not yet been scheduled.

On 28 November 2012, an assessment report was served to the parent in its role as the entity merging former Centrovita Assicurazioni S.p.A. (merged into it on 31 December 2011). The report assessed, for 2007, a higher VAT amount of €278 thousand and fines of €349 thousand.

On 22 January 2013, the parent lodged an appeal before the Florence Provincial Tax Commission. At the date of this report, the hearing for the discussion of the dispute has not yet been scheduled.

On 14 January 2013, two assessment reports were served to the parent, again in its role as the entity merging former Centrovita Assicurazioni S.p.A.. The reports assessed, for 2008 and 2009, higher VAT amounts of €273 thousand and €239 thousand as well as fines of €342 thousand and €304 thousand.

The tax assessments addressed to former Centrovita Assicurazioni S.p.A. have a common basis and refer to the failure to recognise the exemption, for VAT purposes, of the delegation commissions in co-insurance contracts. As such, these same findings also concerned former Eurizon Vita with regard to the tax periods from 2003 to 2006, already described in the previous paragraphs, disputes which the parent considers possible to settle with favourable outcomes given that it has always obtained extremely positive results at every stage of the court proceedings.

Therefore, on 5 March 2013, the parent lodged appeals for 2008 and 2009 before the Florence Provincial Tax Commission.

The Provincial Tax Commission set a date to hear the four proceedings before its Third Section as requested by the Florence Provincial Tax Office. The first level hearing was held on 10 June 2014 and the Commission accepted the appeals made by the parent in its ruling no. 939 filed on 15 July 2014, after having grouped the proceedings. Accordingly, it fully cancelled the above four challenged payment orders.

To date, the Tax Office has not presented an appeal against this first level ruling.

On the basis of the current situation of the tax dispute, in financial terms, over 90% of the pending litigation before tax courts turned out to have entirely favourable outcomes for the parent at all stages of the proceedings. Therefore, the Group is confident that it will be able to continue with the management of the pending litigation without incurring significant tax liabilities.

Intesa Sanpaolo Assicura

Following the end of the inspection conducted by the Turin tax police squad relating to direct and indirect taxes for 2007 and 2008, as well as, limited to the co-insurance contracts, from 2004 to 2008, the tax police formalised the following:

- the correctness of the accruals made to the claims provision pursuant to article 111 of Presidential decree no. 917/86;
- the correctness of the tax treatment for VAT purposes of the expenses incurred by way of delegation commissions within the scope of the co-insurance contracts.

With reference to the first issue, on 26 July 2013, the Piedmont Regional Tax Office annulled by internal review the assessment reports relating to direct IRES and IRAP taxes for 2007. In December, the same tax office served assessment reports for 2008 assessing a higher tax base of €422 thousand. The company lodged an appeal in February 2014. The Piedmont Regional Tax Office annulled by internal review the finding in June while the appeal for the proxy commission worth approximately €2 thousand is still pending.

With regard to the second issue, on 12 July 2010, the Turin 1 Revenue Office upheld the company's grounds and ruled on the annulment of the proceedings under way for 2004, 2005 and 2006. For the same dispute, on 24 October 2012, the Regional Department of Piedmont - Large Taxpayers' Office issued an assessment report for 2007. The company lodged an appeal against the report before the Turin Provincial Tax Commission, which cancelled the judgment filed on 24 July 2013. The Regional Tax Office presented a counter-appeal in February 2014. The amount is question is about €10 thousand.

On 1 April 2014, the Turin Revenue Office commenced an inspection into the correct calculation of direct taxes (IRES and IRAP) and indirect taxes (VAT) for 2011. The inspection was completed in October 2014. A formal check of the accounting books, registers and entries, the keeping of which is mandatory, did not identify irregularities with respect to the relevant regulations. The company agreed with the findings of the preliminary assessment report and paid fines and interest of €103 thousand, mainly for the challenged recognition of changes in the claims provisions on an accruals basis.

Other companies included in the consolidation scope

The other companies included in the scope of consolidation do not present any tax disputes.

Part D - Notes to the income statement

REVENUE

Net earned premiums (caption 1.1)

The net earned premiums for the year amount to €15,131,940 thousand, showing an increase of 33% compared to 2013. The increase is the result of the expertise and professionalism of the distribution networks, the insurance group companies' performances and financial market trends which confirmed the group products' attractiveness. The improved service quality of the last few years also enhanced the perception of quality and efficiency of the companies with potential future effects and this is expected to garner greater results through digital insurance and sales methods other than the bank branch counters.

thousands €

	2014			2013		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-life gross earned premiums	214,367	- 7,881	206,486	213,010	- 6,604	206,406
Gross written premiums	*210,593*	*- 5,842*	*204,751*	*232,337*	*- 5,559*	*226,778*
Change in provision ofr unearned premiums	*3,774*	*- 2,039*	*1,735*	*- 19,327*	*- 1,045*	*- 20,372*
Life gross written premiums	14,925,959	- 505	14,925,454	11,157,108	- 463	11,156,645
Total	**15,140,326**	**- 8,386**	**15,131,940**	**11,370,118**	**- 7,067**	**11,363,051**

Commission income (caption 1.2)

Commissions refer to financial contracts which do not have a significant insurance risk and do not include discretionary participation features, such as index-linked and unit-linked policies.

Commission income includes premium loading and, for the unit-linked policies, the management commissions on contracts with investments in an internal fund. Other commission income includes the management commissions retroceded by the managers to the companies for unit-linked products.

The following table shows the details of commission income for the year:

thousands €

	2014	2013
Unit-linked financial products	266,096	228,233
Index-linked financial products	4,893	8,378
Other commission income	32,464	28,896
Total	**303,453**	**265,507**

Gains (losses) on financial instruments at fair value through profit and loss (caption 1.3)

This caption is a net loss of €83,225 thousand (net gain of €204,305 thousand for 2013). It is broken down in the annex "Gains and losses on financial instruments and investments".

The smaller net gains on financial instruments at fair value through profit or loss are mainly due to the smaller change in fair value observed on financial markets compared to the previous year which affected both instruments designated at fair value through profit or loss and investments held for trading.

Income from other financial instruments and lands and buildings (caption 1.5)

This caption amounts to €2,515,653 thousand (€2,221,417 thousand for 2013). The increase is substantially due to the larger volume of average assets under management and the higher gains on disposals compared to 2013.

A breakdown of the caption is given in the annex to the notes "Gains and losses on financial instruments and investments".

OTHER INCOME (caption 1.6)

This item amounts to €201,794 thousand (€75,984 thousand for 2013) and mainly consists of other technical income (€52,267 thousand), mostly relating to the management commissions for unit-linked products classified as insurance products, and exchange rate gains on investments (€138,387 thousand).

EXPENSES

Net insurance benefits and claims (caption 2.1)

The caption amounts to €16,449,125 thousand (€12,459,632 thousand for 2013) as follows:

thousands €

	2014			2013		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-life net insurance benefits and claims	**-106,931**	**9,973**	**-96,958**	**-105,184**	**5,461**	**-99,723**
Claims paid	-95,052	3,226	-91,826	-73,506	3,782	-69,724
Change in provision for outstanding claims	-12,826	6,747	-6,079	-32,287	1,679	-30,608
Change in recoveries	1,161	-	1,161	614	-	614
Change in other insurance provisions	-214	-	-214	-5	-	-5
Life net insurance benefits and claims	**-16,352,223**	**56**	**-16,352,167**	**-12,359,492**	**-417**	**-12,359,909**
Claims paid	-6,446,144	383	-6,445,761	-6,199,347	647	-6,198,700
Change in provision for outstanding claims	-24,690	262	-24,428	-31,469	-66	-31,535
Change in mathematical provisions	-9,255,433	-589	-9,256,022	-7,587,053	-998	-7,588,051
Change in insurance provisions where investment risk is borne by policyholders and provisions arising from pension fund management	-510,364	-	-510,364	1,507,862	-	1,507,862
Change in other insurance provisions	-115,592	-	-115,592	-49,485	-	-49,485
Total	**-16,459,154**	**10,029**	**-16,449,125**	**-12,464,676**	**5,044**	**-12,459,632**

The increase in amounts paid in the life business (32%) is mostly due to the larger number of maturities compared to the previous year.

FEE AND COMMISSION EXPENSE (caption 2.2)

Fee and commission expense includes the commissions for the acquisition of contracts classified as financial and, for the unit-linked policies, the management commissions retroceded to placement agents.

The following table gives a breakdown of the caption for the year:

thousands €

	2014	2013
Commission expense for management and dealing services	848	468
Unit-linked financial products	149,694	132,411
Index-linked financial products	30,141	34,077
Retroceded commission income on unit-linked funds	973	882
Other commission expense	468	646
Total	**182,124**	**168,484**

Expenses from other financial instruments and lands and buildings (caption 2.4)

The caption amounts to €68,595 thousand (€229,459 thousand for 2013).

Its breakdown is provided in the annex to the notes "Gains and losses on financial instruments and investments". The caption mainly consists of realised losses of €34,820 thousand on available-for-sale investments and interest expense of €31,375 thousand.

OPERATING EXPENSES (caption 2.5)

The following table gives a breakdown of the costs in question:

thousands €

	2014	2013
Gross commissions and other acquisition costs	**311,920**	**324,174**
Acquisition commissions	196,722	204,862
Other acquisition costs	33,751	42,243
Change in deferred acquisition costs	472	1,186
Premium collection commissions	80,975	75,883
Profit participation and other commissions received from reinsurers	**- 703**	**- 893**
Investment management costs	**50,892**	**48,372**
Other administrative costs	**47,554**	**44,410**
Total	**409,663**	**416,063**

The investment management costs mainly consist of costs of financial instruments (€15,138 thousand) and investment management commissions and custody expenses (€35,754 thousand).

The change in other administrative costs is due to the rise in personnel expense, partly offset by the reduction in operating costs and operating and organisational developments of the parent.

OTHER EXPENSES (caption 2.6)

This caption, equal to €264,034 thousand (€286,607 thousand for 2013) includes, inter alia, the net accruals to the provisions for risks and charges (€834 thousand), depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets (€451 thousand), exchange rate losses (€10,813 thousand) and other technical costs (€242,130 thousand). The latter amount mostly consists of retention commissions paid to the sales network.

INCOME TAXES (caption 3)

This caption represents the consolidated tax expense calculated in compliance with the rules in force in the different countries where the group companies operate, taking into account the effects of deferred tax assets and liabilities.

The following table sets out details of this caption:

thousands €

	2014	2014
Current taxes	236,642	235,342
Change in current taxes of previous years	-	-
Change in deferred tax assets	-6,692	-15,847
Change in deferred tax liabilities	-14,282	3,825
Total	**215,668**	**223,320**

The following table shows the reconciliation of the theoretical tax charge and the total income tax expense:

thousands €

	2014	2013
Profit before taxes	*696,074*	*570,019*
Theoretical tax expense	*238,893*	*195,631*
Ordinary rate applicable	34.32%	34.32%
Tax impacts relating to:	*-23,225*	*30,811*
Different tax rates for foreign subsidiaries	-12,899	-9,354
Additional 2013 IRES (8.5%)	-	49,750
Effect of increase (decrease) compared to ordinary rate	*-3,063*	-9,445
Other	-7,263	-140
Effective tax expense	**215,668**	**226,442**
Effective rate	**30.98%**	**39.73%**

Part E - Other information

Fees of the independent auditors

In compliance with article 149-duodecies of the Issuer Regulation of Consob, as amended with resolutions nos. 15915 dated 3 May 2007 and 15960 dated 30 May 2007, the following table discloses the fees for 2014 for the audit services and other services provided by the independent auditors and companies belonging to its network. The amounts are shown in thousands of Euro (not including VAT) and do not include costs:

thousands €

Type of service	Party providing the service	Beneficiary	Note	Fees
Audit	KPMG S.p.A.	Intesa Sanpaolo Vita		823
Attestation services	KPMG S.p.A.	Intesa Sanpaolo Vita	(1)	957
Other services	KPMG S.p.A.	Intesa Sanpaolo Vita	(2)	147
Audit	KPMG S.p.A.	Subsidiaries		229
Attestation services	KPMG S.p.A.	Subsidiaries	(1)	-
Other services	KPMG S.p.A.	Subsidiaries	(2)	41
			Total	**2,197**

(1)) Fees for the review of the financial statements of the separately-managed businesses, internal funds, open-ended pension funds, isue of the comfort letter for the issue of the bonds, the procedures for the issue price of the shares for the capital increase excluding the option right pursuant to article 2441 of the Italian Civil Code

(2) Agreed-upon procedures

Part F - Related parties

The group companies have performed transactions with companies of the Intesa Sanpaolo Group as part of their normal operations, which are summarised below. These transactions were carried out at normal market conditions and to both parties' mutual advantage. The Group did not carry out atypical and/or unusual transactions during the year, either intragroup, with related parties or third parties.

thousands €

	Ultimate parent	Entities controlled by the ultimate parent	TOTAL
Loans and receivables	96,164	1,960	98,124
Available-for-sale financial assets	3,732,795	11,759	3,744,554
Financial assets at fair value through profit or loss	643,382	597,627	1,241,009
Other receivables	265,215	6,505	271,720
Other assets	602,644	2,923	605,567
Cash and cash equivalents	2,304,697	10,618	2,315,315
ASSETS	**7,644,897**	**631,392**	**8,276,289**
Insurance provisions	713,273		713,273
Financial liabilities	71,648	18,497	90,145
Unrealized gains and losses equity reserve	298,854	5,160	304,014
Liabilities	218,412	61,858	280,270
Other liabilities	30,778	25,334	56,112
LIABILITIES	**1,332,965**	**110,849**	**1,443,814**
Net earned premiums	0	0	0
Fee and commission income	300	1,953	2,253
Gains on investments	75,777	36,026	111,803
Net gains on available-for-sale financial assets	155,022	2,201	157,223
Other income	16,977	13,877	30,854
Net insurance benefits and claims	-25,227	-931	-26,158
Fee and commission expense	-18,377	-30,507	-48,884
Commissions and other acquisition costs	-147,114	-121,372	-268,486
Investment management costs	0	-27,219	-27,219
Other administrative costs	-2,778	-7,669	-10,447
Other costs	-90,068	-93,499	-183,567
INCOME STATEMENT	**-35,488**	**-227,140**	**-262,628**

Assets and liabilities mainly refer to:

- ownership of bonds issued by the ultimate parent, Intesa Sanpaolo, or its subsidiaries;
- ownership of UCI shares managed by Intesa Group companies;
- financial protection arrangements for unit-linked products;
- receivables and payables relating to personnel secondment or recharging of costs for the use of equipped space made available by the Group;
- commission expense which is deferred and relates to contracts which do not fall under the scope of application of IFRS 4;
- deposits on current accounts opened with group banks;
- security deposits with Intesa Sanpaolo and its subsidiaries;
- liabilities for investment contracts which do not fall under the scope of application of IFRS 4;
- liabilities relating to an insurance capitalisation contract for the partial accumulation of post-employment benefits of employees of Intesa Sanpaolo;
- subordinated loans;
- commissions payable to the Intesa Sanpaolo networks accrued by the latter against the placement of products of insurance companies;
- receivables and payables with the ultimate parent Intesa Sanpaolo for the tax consolidation scheme for IRES purposes;

- payables to Intesa Sanpaolo Group companies that provide IT services.

Income and expense refer mainly to:

- net gains on the financial instruments issued by group companies;
- fees that have accrued on current accounts opened with banks;
- costs and income from existing service contracts involving the reciprocal secondment of personnel or making available equipped spaces;
- other net expenses from liquidations of insurance services to group companies and the change in the technical provisions;
- interest expense on subordinated loans;
- the cost of commission fees and commission expense to the network for the placement of insurance or investment contracts;
- management commissions recognised to group companies that manage the securities portfolios;
- expenses for IT services supplied by the outsourcer of the Intesa Sanpaolo Group.

Significant non-recurring events and transactions

Please see the "Other information" section of the Directors' report for information on significant non-recurring events and transactions.

Part G - Information on risks

INSURANCE RISKS

1. Introduction

Intesa Sanpaolo Vita acknowledges the strategic importance of a system of risk management and internal controls as these are:

- a fundamental part of the Group's governance system, designed to ensure that its operations comply with strategies and internal rules and based on healthy and prudent management principles;
- essential to provide the company bodies with information so that they are fully cognisant of the situation, efficiently manage risks and their interaction, amend strategies and policies and adapt the Group's organisation appropriately;
- important to ensure compliance with general and sector regulations, especially those issued by the prudent supervisory authority and to encourage the adoption of a correct control culture.

2. General

The parent has provided the Group with the tools (methodological, organisational and procedural, etc.) to protect and guarantee to all stakeholders that the individual group companies and the insurance group as a whole operate(s) correctly.

Specifically, the parent has:

- issued instructions about the internal controls, appropriate to the scope, nature and complexity of existing and potential business risks and those of the Group; it updates such instructions to comply with the IVASS (Italian Insurance Supervisory Authority) regulations ruling from time to time;
- formalised the internal audit, compliance, AML and risk management units, establishing their duties, powers and responsibilities and how they are to report to the board of directors.

In addition, the parent has:

- a suitable system of powers and proxies to ensure the normal performance of its operations without ambiguity; this system provides for independent decision-making powers of the various internal units to allow them to carry out their duties, in line with the organisational delegation and control principles;
- an organisational structure that ensures segregation of duties and responsibilities among the operating units and control units, as well as the latter units' independence.

The internal controls include the rules, procedures and organisational structures designed to ensure the efficiency and effectiveness of the internal processes, containment of risks to within the established limits set to determine the Group's risk appetite, to protect company assets and manage them on behalf of its customers over the medium to long-term, the reliability and integrity of financial and management reporting, the timeliness of reporting and compliance with the law, supervisory regulations, self-regulations and internal rules.

The internal controls include controls over all type of business risk, as defined in ISVAP regulation no. 20, including on a forward-looking basis and to protect the Group's assets. Internal controls are structured according to the guidelines set out below:

- proportionality: the activities that ensure implementation of company orders are proportionate to the nature, scope and complexity of its inherent risks;
- segregation of duties and responsibilities: duties and responsibilities are divided among company bodies in a clear manner;

- formalisation: the actions of the boards of directors and delegated parties are always documented;
- independence of controls: the necessary independence of the control structures from the operational units must be assured.

The players involved to different degrees in the internal controls are:

- guidance and control bodies, entrusted with directing and monitoring risks and internal controls of the parent:

- board of directors, which, as required by ISVAP regulation no. 20 and specific rules, checks that its members meet the eligibility requirements. It has ultimate responsibility for defining strategies and guidelines for risk management and internal controls. It ensures their adequacy and continued existence over time, in terms of completeness, functionality and effectiveness considering the size and operations of the parent and the Group as well as the nature and intensity of the related risks;
- senior management, responsible for the implementation, maintenance and monitoring of the internal controls and risk management system of the parent and the Group, in line with the rules laid down by the board of directors;
- board of statutory auditors, which, as required by ISVAP regulation no. 20 and specific rules, checks that its members meet the eligibility requirements and the adequacy of the parent's organisational, administrative and accounting structure and such structure's working;

- committees, that advise on the internal controls. They are:
  - management committee;
  - risk committee;
  - investment committee;
  - product committee;
  - remuneration committee;
  - AML committee;

- control units, which play a central role in supervising the correct working of the parent's and Group's internal functions. They also form part of the corporate governance structure as they check that the rules and procedures adopted by the parent and the Group are sufficient to monitor the previously identified risks and are, therefore, suitable to protect the stakeholders' interests. This control function is carried out by the internal audit, compliance, AML and risk management units, the latter two which are coordinated by the Chief Risk Officer;
- other control units, such as:
  - supervisory body (as per Legislative decree no. 231/2001), which has three members who have the specific expertise and characteristics set by the Organisational, management and control model and two alternate members. This body monitors the adequacy of, and compliance with the model, receives communications from internal or third parties, receives the information required by the relevant procedure and assesses the adequacy of the mapping of sensitive areas, compliance of operations with the model and the suitability of the relevant training programme;
  - actuary, in charge of the open-ended funds and the independent auditor, which are involved in implementing the internal controls with ongoing interaction with the various control units and the board of statutory auditors;

- risk observer organisational units, which monitor risks and/or weaknesses that are relevant for the parent's and Group's solvency and/or reputation by carrying out specific tests. They monitor any identified risks in line with the relevant rules approved by the board of directors. They inform senior management of any critical issues using the methods and timeframe established for regular reporting.

3. Identification

Intesa Sanpaolo Vita identifies risks using a risk assessment process, the chief elements of which are set out below:

- identification of the risks to which each group company and the Group as a whole is/are exposed;
- identification of the internal areas exposed to these risks and identification of the risk owners;
- assessment of the impact of each risk;
- definition of the controls to be implemented by each group company for these risks and those for risks faced by the Group;
- assessment of the adequacy of these controls;
- definition of any mitigation actions.

The results of the risk assessment give senior management of each group company and the parent an immediate picture of their risk exposure and they can thus use these results when taking decisions and prioritising actions, including at strategic level. The risk assessment tool is the starting point to assess each group company's risk profile and that of the Group as a whole and for the internal risk assessment (own risk and solvency assessment). The process has five stages: risk identification, census of information, valuation of the collected information, validation of the analyses and reporting, which includes the internal reporting about the individual company and Group's exposure to risk.

The risk management unit identifies risks using a risk map that is updated at least once a year.

Risks are allocated to the following categories:

- Market, which includes the main financial risks that could impact each group company's portfolio (interest rates, currency rates, spreads on interest rates, equity rates, real estate market performance, liquidity risk and issuer default risk).
- Legislative, which includes non-compliance with existing or future expected laws.
- Operational, which includes all those events that could cause losses for the group companies due to errors, dysfunctions and damage caused by processes, systems and resources.
- Product, which includes risks related to the product's development (e.g., tariff risks, technological risks due to non-compliance with the electronic device regulations).
- Reputation, which includes all those events that could damage the group companies' reputation or image.
- Strategic, which includes the risk of losses due to wrong strategic decisions and includes subcategories (financial, management, logistics, product). It also includes group risks arising from intragroup transactions, risks of contagion and risks due to the performance of insurance operations by different companies and in different jurisdictions).
- Technical, which includes insurance risks (underwriting risk, risk of catastrophic events and provisioning risks).

4. Governance

The Group has policies (directives, rules and resolutions) to govern business risks:

- Internal control directives

  The directives were drawn up in accordance with article 5.2.d).i)/j) of ISVAP regulation no. 20 to illustrate:

  - fundamental principles of the internal controls, i.e., the tools (methodological, organisational, procedural, etc.) designed by the parent, incorporating the integrated internal controls regulation issued by Intesa Sanpaolo, as ultimate parent, to safeguard and ensure the good working of the Group and the parent;
  - the directives and criteria to circulate and collect the data and information useful for the supplementary supervisory exercise;

- the duties and responsibilities of the company bodies and risk management, compliance and audit units and the exchange of information among the units, the board committees and company bodies, especially as regards coordination among the control functions; the information flows have been reorganised and greater importance has been given to the role of each organisation unit in communicating irregularities, which could substantially damage the parent and the Group's healthy and prudent management, the control bodies that report to the boards of directors and statutory auditors;
- the role of the other organisational units involved in the internal controls system, both for the first level checks and as risk observers; specifically, the roles of the planning and control unit and the technical-actuarial supervision were specified in more detail and with respect to the instructions for the distribution of data useful for supplementary supervisory purposes, the scope of the companies required to provide such data was clarified ;
- the role of Intesa Sanpaolo as parent of the insurance group in the internal controls system.

• Risk Appetite Framework (RAF) rules

These rules were drawn up to define the risk appetite framework of the parent and the Group as a whole and considering each group company. Their objective is to protect the companies' assets, formalising the duties and responsibilities of the company bodies and organisational units involved in the various stages and/or activities making up the RAF.

• Risk assessment rules (ORSA)

These rules comply with article 5.2.e) of ISVAP regulation no. 20, designed to describe the guidelines, roles and responsibilities of the company bodies and units involved and the activities carried out as part of the parent's internal assessment of risks and solvency (ORSA).

• Risk management rules and contingency plan

These rules and the plan comply with article 5.2.g) of ISVAP regulation no. 20. Their aim is to define how the parent and the Group identify, assess and monitor all business risks to which they are exposed.

• Investment master resolution

This resolution regulates the parent's and Group's policies about investments, how they are managed, selected, their limits and monitoring.

• Rules for operational risk, reinsurance risk, underwriting risk and provisioning risk

These rules were drawn up in compliance with article 5.2.h) of ISVAP regulation no. 20. Their purpose is to establish guidelines for the group companies as how to manage underwriting, provisioning, reinsurance and operational risks in line with the Risk assessment rules (ORSA) and the Risk Appetite Framework (RAF) rules for the Group and the Risk management rules.

• Outsourcing rules

These rules define how the group companies, the parent and the Group as a whole decide to outsource certain activities, select suppliers and check them. The new version of the rules includes the ethical requirements for suppliers, the selection criteria and guidelines about how to decide whether a procedure is essential or important.

- Rules for the valuation of eligibility

  These rules describe the procedures to ascertain that the directors and statutory auditors of the group companies meet the eligibility requirements for their positions and those related to their professionalism, reputation and independence for the members of the control bodies.

- Reporting rules

  They describe the processes and checks to be put in place to ensure the reliability and completeness of the information provided to the supervisory authority, the related procedures to be complied with and the rules to be followed during the regular meetings with the supervisory authorities.

- ALM and liquidity management rules

  These rules comply with Annex 1 to ISVAP regulation no. 20, the objective of which is to establish the guidelines to be followed by the group companies for the management of assets and liabilities (ALM) and liquidity risk.

- Group regulation

  This regulation was prepared in accordance with article 27 of ISVAP regulation no. 20 to:

  - describe the Group's organisational structure;
  - define its operational guidelines;
  - specify the guidance and coordination mechanisms and tools of the Group as a whole and the subsidiaries' obligations.

  The regulation also reflects that set out in the Intesa Sanpaolo Group's regulation for its subsidiaries.

5. Monitoring

- Market risk: this risk derives from the level or volatility of the market prices of financial instruments that affect the carrying amounts of assets and liabilities. The parent has identified the following risk factors:
- interest rate risk: this affects assets and liabilities, whose carrying amount is affected by changes in forward interest rates or interest rate volatility;
- equity risk: this derives from the level or volatility of the market prices of equities and impacts assets and liabilities whose carrying amount is affected by changes in share prices;
- real estate risk: this derives from the level or volatility of the market price of real estate and impacts assets and liabilities whose carrying amount is affected by such changes;
- currency risk: this derives from changes in the level or volatility of exchange rates;
- spread risk: this impacts assets and liabilities whose carrying amount is affected by adverse changes in credit spreads;
- concentration risk: this reflects the risk of holding high percentages of financial assets with the same counterparty.

Investment portfolios

At 31 December 2014, the carrying amount of investment portfolios relating to financial assets amounted to €96,681 million. Of these, the part regarding traditional revaluable life policies, the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on segregated assets are determined, non-life policies and unrestricted capital amounted to €72,687 million. The other component, whose risk is borne solely by the policyholders, mainly consists of investments related to index-linked policies, unit-linked policies and pension funds and amounted to €23,994 million.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the financial assets allocated to traditional revaluable life policies, non-life policies and unrestricted capital.

Financial assets in segregated assets, non-life policies and unrestricted capital

In terms of breakdown by asset class, net of derivatives (-€360 million at their carrying amount) detailed below, 91.54% of the assets (€66,868 million) consisted of bonds, whereas assets subject to equity price risk represented 1.16% of the total and amounted to €850 million. The remainder (7.30%, €5,329 million) consisted of investments relating to OEIC, private equity and hedge fund units.

Investments relating to the unrestricted capital of Intesa Sanpaolo Vita amounted to €2,146 million (fair values, net of current account balances) and had a risk level in terms of Value at Risk (99% confidence level, 10-day holding period) of approximately €65 million.

Interest rate risk exposure

The breakdown by maturity of bonds showed 12.87% short-term (under one year), 29.12% medium-term and 58.01% long-term (over five years).

thousands €

	Carrying amount	%	Duration
Fixed rate bonds	**61,285,666**	**83.90%**	**5.55**
within one year	8,533,271	11.68%	
from 1 to 5 years	15,752,259	21.56%	
after 5 years	37,000,136	50.65%	
Floating rate/indexed bonds	**5,582,207**	**7.64%**	**2.54**
within one year	75,751	0.10%	
from 1 to 5 years	3,719,271	5.09%	
after 5 years	1,787,185	2.45%	
Sub total	**66,867,873**	**91.54%**	
Equity investments	**849,807**	**1.16%**	
UCI, private equity, hedge fund	**5,329,311**	**7.30%**	
Total	**73,046,991**	**100.00%**	

The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5.3 years. The provisions relating to the revaluable policies under segregated assets have an average modified duration of 5.7 years. The related portfolios of assets have a modified duration of around 4.8 years.

The sensitivity of the fair value of the portfolio of financial assets to interest rate movements is summarised in the table below which highlights both exposure of the securities portfolio and the effect of positions represented by hedging derivatives that reduce its sensitivity. For example, a parallel shift in the yield curve of +100 basis points leads to a fair value loss on the bond portfolios of €3,354 million.

thousands €

	Carrying amount	%	Fair value gains (losses)	
			+100 bps	-100 bps
Fixed rate bonds	61,285,666	91.65%	-3,215,028	2,210,590
Floating rate/indexed bonds	5,582,207	8.35%	-139,508	43,782
Sub total	**66,867,873**	**100.00%**	**-3,354,536**	**2,254,372**
Effect of interest rate hedges				
Total	**66,867,873**		**-3,354,536**	**2,254,372**

Credit risk exposure

The table below sets forth the distribution of the bond portfolio by rating class: AAA/AA bonds represented 3.95% of total investments and single A bonds represented 3.62%. Low investment grade securities (BBB) were 81.81% of the total, while the portion of speculative grade or unrated was minimal (2.16%).

Breakdown of financial assets by rating of the issuer

thousands €

	Carrying amount	%
Bonds	**66,867,873**	**91.54%**
AAA	1,953,689	2.67%
AA	933,597	1.28%
A	2,642,577	3.62%
BBB	59,759,652	81.81%
Speculative grade	170,041	0.23%
Unrated	1,408,317	1.93%
Equity investments	**849,807**	**1.16%**
UCI, private equity, hedge fund	**5,329,311**	**7.30%**
Total	**73,046,991**	**100.00%**

The analysis of the exposure in terms of the issuers/counterparties produced the following results: bonds issued by governments, central banks and other public entities made up 74.07% of the total investments, whereas the bonds of corporate issuers contributed around 17.47%.

The sensitivity of the fair value of the bonds with respect to a variation in the creditworthiness of the issuers, namely a market credit spread shock of ±100 basis points, at the end of 2014, are shown in the table below:

thousands €

	Carrying amount	%	Fair value gains (losses) due to changes in credit spread	
			+100 bps	-100 bps
Government bonds	54,104,347	80.91%	-2,918,191	3,174,919
Corporate bonds	12,763,526	19.09%	-540,231	559,977
Sub total	**66,867,873**	**100.00%**	**-3,458,422**	**3,734,896**
Effect of credit risk hedges				
Total	**66,867,873**		**-3,458,422**	**3,734,896**

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in share prices of 10% amounts to €85 million, as shown in the table below:

thousands €

	Carrying amount	%	Fair value gains (losses) due to changes in share prices
			-10%
Shares of financial companies	238,544	28.07%	-23,854
Shares of non-financial and other companies	611,263	71.93%	-61,126
Effect of share price risk hedge	-	0.00%	-
Total	**849,807**	**100.00%**	**-84,981**

Currency risk exposure

The investment portfolio is not significantly exposed to currency risk: approximately 97% of investments are made up of assets denominated in Euro. Against the residual exposure to currency risk, positions in derivatives, above all domestic currency swaps, in the same currency, were entered into.

Derivatives

Derivatives are used to hedge the financial risks of the investment portfolio or for effective management.

Liquidity risk associated with derivatives is primarily attributable to plain vanilla derivatives (chiefly interest rate swaps, constant-maturity swaps and credit default swaps) traded on OTC markets with significant liquidity characteristics and sizes. These instruments are thus also liquid and easily liquidable both with the counterparty with which they were traded and with other market operators.

The following table shows the carrying amounts of derivatives at 31 December 2014 (derivatives with negative fair value are included):

thousands €

	Carrying amount					
	Debt instruments/Interest rates		Equity instruments, indices and exchange rates		Total	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Hedging derivatives	0	-48,716	0	0	-	-48,716
Effective operating hedges	0	-264,906	22	-46,452	22	-311,358
Total	**-**	**-313,622**	**22**	**-46,452**	**22**	**-360,074**

The losses shown for the hedging derivatives are partly offset, due to the nature of the instruments, by the gains on the hedged items.

Financial assets allocated to unit-linked and index-linked policies

The financial assets at fair value through profit or loss include the assets allocated to meet obligations assumed for the issue of unit-linked and index-linked policies whose investment risks are borne by the policyholders; fair value changes in the financial liabilities for these contracts mirrors that of the assets allocated to them.

The following table shows the carrying amounts of the index-linked policy portfolio classified by rating of the issuer/guarantor or issuer:

thousands €

	Intesa Sanpaolo Vita		Intesa Sanpaolo Life		Total	
	Fair value	%	Fair value	%	Fair value	%
Aaa/AAA/AAA		0.00%		0.00%	-	0.00%
Aa1/AA+/AA+		0.00%		0.00%	-	0.00%
Aa2/AA/AA		0.00%		0.00%	-	0.00%
Aa3/AA-/AA-		0.00%		0.00%	-	0.00%
A1/A+/A+		0.00%		0.00%	-	0.00%
A2/A/A	25,891	3.95%		0.00%	25,891	2.53%
A3/A-/A-	147,487	22.51%		0.00%	147,487	14.43%
Baa1/BBB+/BBB+		0.00%		0.00%	-	0.00%
Baa2/BBB/BBB	296,734	45.30%	367,267	100.00%	664,001	64.94%
Baa3/BBB-/BBB-	185,014	28.24%		0.00%	185,014	18.10%
Ba1/BB+/BB+		0.00%		0.00%	-	0.00%
Ba2/BB/BB		0.00%		0.00%	-	0.00%
Ba3/BB-/BB-		0.00%		0.00%	-	0.00%
B1/B+/B+		0.00%		0.00%	-	0.00%
B2/B/B		0.00%		0.00%	-	0.00%
B3/B-/B-		0.00%		0.00%	-	0.00%
Not rated		0.00%		0.00%	-	0.00%
Total	**655,126**	**100.00%**	**367,267**	**100.00%**	**1,022,392**	**100.00%**
of which guaranteed					-	0.00%

In the case of investments for unit-linked policies, however, the fair values of the underlying mutual funds amount to €20,687 million at 31 December 2014.

Their classification by risk profile shows a concentration of investments in medium and medium-high risk funds (approximately 75.11%)

thousands €

	Intesa Sanpaolo Vita			Intesa Sanpaolo Life			Total		
	No. of funds	Fair value of funds	%	No. of funds	Fair value of funds	%	No. of funds	Fair value of funds	%
Low	6	107,292	2.39%	6	105,217	0.65%	12	212,509	1.03%
Medium low	20	105,232	2.34%	34	1,094,819	6.76%	54	1,200,051	5.80%
Medium	33	3,099,206	69.00%	45	7,910,319	48.84%	78	11,009,525	53.22%
Medium high	20	593,831	13.22%	30	3,934,217	24.29%	50	4,528,048	21.89%
High	28	564,492	12.58%	54	1,717,168	10.60%	82	2,281,660	11.03%
Very high	2	21,226	0.47%	2	85,077	0.53%	4	106,303	0.51%
Protected			0.00%	7	1,349,330	8.33%	7	1,349,330	6.52%
Guaranteed			0.00%	-	-	0.00%	-	-	0.00%
Not defined			0.00%	-	-	0.00%	-	-	0.00%
Total	**109**	**4,491,279**	**100.00%**	**178**	**16,196,147**	**100.00%**	**287**	**20,687,426**	**100.00%**

The following table gives the breakdown of internal funds according to the ANIA classification.

thousands €

	Intesa Sanpaolo Vita			Intesa Sanpaolo Life			Total		
	No. of funds	Fair value of funds	%	No. of funds	Fair value of funds	%	No. of funds	Fair value of funds	%
Total equities	**27**	**498,860**	**11.11%**	**42**	**719,445**	**4.44%**	**69**	**1,218,305**	**5.88%**
of which Italian equities	1	17,964	0.40%	6	54,368	0.34%	7	72,332	0.35%
of which European equities	8	94,298	2.10%	6	157,725	0.97%	14	252,023	1.22%
of which North American equities	3	66,977	1.49%	6	207,009	1.28%	9	273,986	1.32%
of which Pacific equities	3	19,237	0.43%	6	53,771	0.33%	9	73,008	0.35%
of which global equities	11	268,666	5.98%	11	156,209	0.96%	22	424,875	2.05%
of which specialised equities	1	31,718	0.71%	7	90,364	0.56%	8	122,082	0.59%
Total balanced	**23**	**1,170,381**	**26.06%**	**18**	**787,032**	**4.86%**	**41**	**1,957,413**	**9.47%**
of which balanced-equities	2	3,495	0.08%	7	92,741	0.57%	9	96,236	0.47%
of which balanced	14	278,476	6.20%	8	679,525	4.20%	22	958,001	4.63%
of which balanced-bonds	7	888,410	19.78%	3	14,766	0.09%	10	903,176	4.37%
Total bonds	**33**	**1,677,070**	**37.33%**	**57**	**7,297,523**	**45.05%**	**90**	**8,974,593**	**43.38%**
of which pure Euro short-term government bonds	-	-	0.00%	1	19,721	0.12%	1	19,721	0.10%
of which pure Euro medium to long-term government bonds	9	142,455	3.17%	7	370,354	2.29%	16	512,809	2.48%
of which pure Euro corporate bonds	1	97,680	2.17%	2	211,515	1.31%	3	309,195	1.49%
of which pure International short-term government bonds	-	-	0.00%	-	-	0.00%	-	-	0.00%
of which pure international medium to long-term government bonds	1	33,212	0.74%	15	144,827	0.89%	16	178,039	0.86%
of which pure international corporate bonds	-	-	0.00%	4	211,074	1.30%	4	211,074	1.02%
of which mixed Eurozone bonds	7	49,027	1.09%	3	145	0.00%	10	49,172	0.24%
of which mixed international bonds	15	1,354,696	30.16%	25	6,339,886	39.14%	40	7,694,582	37.19%
Total liquidity	**3**	**83,582**	**1.86%**	**7**	**297,867**	**1.84%**	**10**	**381,449**	**1.84%**
of which Eurozone liquidity	2	81,145	1.81%	6	291,877	1.80%	8	373,022	1.80%
of which other currency liquidity	1	2,437	0.05%	1	5,990	0.04%	2	8,427	0.04%
Total flexible	**15**	**697,174**	15.53%	**47**	**5,744,950**	35.48%	62	6,442,124	31.15%
Total protected	**8**	**364,212**	8.11%	**7**	**1,349,330**	8.33%	15	1,713,542	8.28%
Total guaranteed	**-**	**-**	0.00%	**-**	**-**	0.00%	-	-	0.00%
Total	**109**	**4,491,279**	**100.00%**	**178**	**16,196,147**	**100.00%**	**287**	**20,687,426**	**100.00%**

TECHNICAL RISK

Life business

The typical risks of the life insurance portfolio (managed by Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita) may be divided into three main categories: tariff risks, actuarial and demographic risks and provisioning risks.

The following tables give a presentation of the structure by maturities of the mathematical provisions and the structure for the minimum guaranteed return at 31 December 2014.

thousands €

	Mathematical provision	%
up to 1 year	1,985,988	2.93%
from 1 to 5 years	2,539,784	3.75%
from 6 to 10 years	2,883,848	4.26%
from 11 to 20 years	914,481	1.35%
after 20 years	59,431,609	87.71%
Total	**67,755,710**	**100.00%**

thousands €

	Total reserves	%
Insurance and investment products with annual return guarantee		
0% -1%	25,521,092	34.72%
from 1% to 3%	35,154,403	47.83%
from 3% to 5%	3,805,679	5.18%
Insurance products	3,274,536	4.45%
Shadow accounting provision	5,749,492	7.82%
Total	**73,505,202**	**100.00%**

The mathematical provisions are calculated on almost the entire portfolio on a contract-by-contract basis and the provisioning methodology takes into account all the Group’s future obligations.

The following table shows a breakdown of financial liabilities by maturity, represented by assets allocated to obligations arising under unit-linked and index-linked policies and subordinated liabilities.

thousands €

	Due within one year	Due after one year	Total at 31/12/2014	Total at 31/12/2013
Unit-linked	2,210	20,013,152	20,015,362	15,715,161
Index-linked	153,729	294,980	448,709	1,098,586
Subordinated liabilities	-	1,337,556	1,337,556	617,218
Total	**155,938**	**21,645,688**	**21,801,626**	**17,430,965**

Non-life business

The typical risks of the non-life insurance portfolio (managed through Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita) mainly relate to tariff and provisioning risks.

Tariff risks are monitored initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks of sustainability and profitability (both at product level and at portfolio level of liabilities).

The provisioning risk is monitored when the technical provisions are accurately determined. In particular, for companies that run the non-life business, the technical provisions may be broken down into: premium provisions, claims provisions, provisions for profit sharing and reversals and other technical provisions.

Risk underwriting policies provide that contracts are checked when acquired through an automatic system aimed at detecting the underwriting parameters associated with the applicable tariff. The check is thus not only formal, but also substantive, and in particular allows the identification of exposures in terms of capital and sums insured, in order to verify that the portfolio matches the technical and tariff scheme agreed upon with the sales network.

Subsequently, statistical checks are carried out to verify potentially irregular situations (such as concentration by area or by type of risk) and to monitor accumulation at the level of individual persons (with particular reference to policies that provide cover in the accident and health classes). This is also carried out in order to provide the reinsurance department with suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.

The following table shows claims by generation at 31 December 2014:

thousands €

Year of generation/occurrence		2010	2011	2012	2013	2014	Total
Provision:							
Estimate of ultimate cost of cumulative claims	at 31/12 of generation	66,303	69,086	92,482	116,234	124,745	-
	at 31/12 of year N+1	60,072	78,391	92,033	111,126		-
	at 31/12 of year N+2	54,372	74,023	88,479			-
	at 31/12 of year N+3	51,565	70,460				-
	at 31/12 of year N+4	50,437					-
Cumulative amounts paid to date		**47,318**	**57,833**	**65,602**	**67,949**	**36,576**	**275,278**
Claims provision at the reporting date		**3,119**	**12,627**	**22,877**	**43,177**	**88,169**	**169,969**
Final claims provision for years before 2010		-	-	-	-	-	**5,130**
Total claims provision at 31/12/2014		-	-	-	-	-	**175,099**

OPERATIONAL RISK

Qualitative information

The second Basel Accord (Basel II) defines operational risk as the risk of incurring losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual, out-of-contract responsibilities or other disputes; strategic and reputational risks are not included.

Following approval by Bank of Italy, Intesa Sanpaolo Group introduced an internal Model (AMA, Advanced

Measurement Approach). Control of the operational risks has been attributed to the management board, which identifies risk management policies, and to the supervisory board, which is in charge of their approval and verification, as well as ensuring the functionality, efficiency and effectiveness of the risk management and control system.

The tasks of the group compliance and operational risk committee include periodically reviewing the Group's overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Group has a centralised function within the risk management department for the management of the Group's operational risks. This department is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, verification of mitigation effectiveness and reporting to senior management. In compliance with current banking requirements, the individual organisational units have been assigned the responsibility of identifying, assessing, managing and mitigating risks: the functions responsible for the operational risk management processes for the relevant unit have been appointed within the same.

The process is entrusted to decentralised units to which specific activities for the management of operational risks have been assigned. These activities are carried out with the support of the competent departments of Intesa Sanpaolo Group, in particular, the operational risk management service.

The activities consist essentially of gathering and carrying out a structured survey of information relating to operational events, and in implementing the self-diagnosis process.

The self-diagnosis process consists of two stages:

- evaluation of the operational context (EOC), which is the qualitative analysis of the current exposure to operational risks, carried out by evaluating the risk factors in terms of "importance" and "control", in order to identify areas of vulnerability and any mitigation measures to resolve the same, thus promoting "proactive" risk management (risk ownership);
- scenario analysis (SA) whose scope is to identify the operational risks in a forward-looking perspective, measuring exposure in terms of frequency, average impact, worst case. The consistency analysis is used to verify any discrepancies between historical and future loss data.

The self-diagnosis process has helped to increase a corporate culture which aims at continuously controlling operational risks.

Intesa Sanpaolo Group implements a traditional policy of operational risk transfer (insurance) with the aim of mitigating the impact of any unexpected losses, thus helping to reduce the risk capital.

Operational risks are monitored by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.

In order to support the operational risk management process on a continuous basis, a structured training programme was defined for employees actively involved in the process of managing and mitigating operational risk.

In particular, Intesa Sanpaolo Vita S.p.A. follows the directives of the ultimate parent on operational risks and, at the same time, continues its checks of the adequacy of the full process in accordance with specific, and not only regulatory, developments for insurance companies, both at an international level (ORX Insurance Sector Database consortium) and at a European (Solvency II) and national (IVASS and CROFI) level.

6. Assessment

Risks are monitored using an assessment process using methods that comply with the ORSA process. This latter process is the tool designed to make the governance and operations of the parent and the Group efficient and effectively create value considering the risk taken on and the available capital.

The method applied to calculate economic capital absorption for risks identified by the Group is compliant with the parameters and modules defined by the Solvency II regulations.

The risk assessment process includes ongoing stress tests. They comprise a number of techniques used by the Group to:

- measure its vulnerability to exceptional but plausible events;
- allow the board of directors and senior management to understand the link between risk taken on and the risk appetite and the adequacy of the available capital.

The parent’s risk committee approves the stress test methods.

The risk management unit presents the stress test results to the risk committee and to the board of directors of each group company at least once a year.

Part H – Share-based payment

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1. Incentive plan

The supervisory regulations about remuneration and incentive policies and practices for banks and banking groups issued on 30 March 2011 prescribe, inter alia, that part of the bonus granted to "Risk Takers" (50%) is to consist of financial instruments, to be assigned over a few years.

Therefore:

- with respect to the 2011 results and the resolution taken by the shareholders on 28 May 2012, the Group acquired (through Banca IMI, appointed as the programme agent) 12,894,692 ordinary Intesa Sanpaolo shares on 26 June 2012 (equal to roughly 0.08% of its ordinary shares) for an average price per share of €0.97969 and a total of €12,632,743;
- with respect to the 2012 results and the resolution taken by the shareholders on 22 April 2013, the Group acquired (through Banca IMI, appointed as the programme agent) 8,920,413 ordinary Intesa Sanpaolo shares on 8 October 2013 (equal to roughly 0.06% of its ordinary shares) for an average price per share of €1.72775 and a total of €15,412,287.

On the same dates, the shareholders also authorised the sale of shares in excess of the Group's actual requirements on the market or their retention to serve possible future incentive plans.

These shares will be assigned to the beneficiaries in line with the regulations for the incentive systems which usually require that the beneficiary be with the company up until the effective assignment of the shares and subject each deferred part of the incentive (cash or financial instruments) to an ex post correction mechanism (malus condition), whereby the amount paid and the shares assigned may be decreased depending on whether specific financial-equity objectives, which measure the sustainability of the results achieved over time, are met in the year to which the deferred part relates.

Given the 2013 results, the share-based incentive plan was not activated and the Group did not purchase shares for this purpose in 2014.

As a result of the above purchases, the Group holds 673,410 shares of the ultimate parent, Intesa Sanpaolo.

1.2 Employee benefit plans

The long-term share-based payment plans are designed to motivate and encourage the loyalty of all group employees, alongside introduction of the 2014-2017 business plan. Specifically, the plan has the aim of encouraging identification with the Group, pursuit of medium to long-term objectives and sharing value created over time.

The Group offers two long-term instruments to its employees: a stock option plan (PAD) and leveraged employee co-investment plans - LECOIP. They were developed to strengthen identification with the Group (PAD) and involve the employees in the pursuit of value objectives set out in the business plan (LECOIP).

The share-based payment offer has two stages:

1. launch of a stock option plan which allows each employee to share in the parent's value (ownership) and, hence, increase their involvement in the Group;
2. allow each employee to decide what to do with the shares received and:
   - keep them in their securities account to sell them at a later date, or sell them immediately;
   - invest them in the leveraged employee co-investment plans (the LECOIP certificates) for a period equal to that of the business plan.

These financial instruments were both purchased on the market and are the result of capital increases.

The free assignment of ordinary Intesa Sanpaolo shares (PAD) entailed their purchase on the market (free shares) while the LECOIP certificates, issued by a third party financial company, have additional newly issued ordinary Intesa Sanpaolo shares as their underlying assignable to employees as part of a bonus capital increase (matching shares) and the employees' subscription of newly issued ordinary Intesa Sanpaolo shares arising from a capital increase against payment reserved to the employees at a discounted price compared to the market prices (discounted shares).

The LECOIP certificates are divided into three categories and have different characteristics depending on whether they are attributable to Risk Taker employees, managers or other employees. These certificates include:

- the right to receive a cash amount (or ordinary Intesa Sanpaolo shares) upon their maturity, equal to their original reference value (the average market price for November 2014) of the free shares and the matching shares ("protected capital"); and
- the right to receive, again upon maturity, a portion of the appreciation of the shares' value (free shares, matching shares and discounted shares) compared to the above original reference value.

The employees did not have to pay cash to join the plans. Rather, concurrently with subscription of the certificates, the employees agreed a forward sales contract for the free shares, the matching shares and the discounted shares with the certificate issuer. The sales price was used by the employees to subscribe the discounted shares and, for the remainder, to purchase the certificates.

The shareholders of Intesa Sanpaolo approved the co-investment plans in their ordinary meeting on 8 May 2014. The ultimate parent's shareholders also authorised the repuchase of own shares (pursuant to article 2357.2 of the Italian Civil Code), needed to assign the free shares. On the same day, Intesa Sanpaolo's shareholders resolved in their extraordinary meeting to authorise the management board to:

- increase share capital (bonus issue) to assign matching shares to the employees; and
- increase share capital against consideration for the employees, excluding options, by issuing shares at a discounted price compared to the market price for ordinary Intesa Sanpaolo shares.

The insurance group companies were authorised by their shareholders to purchase ordinary Intesa Sanpaolo shares to service the free share assignment plan for their employees.

Bank of Italy authorised the co-investment plans on 30 September 2014, after which the management board took the necessary resolutions to implement the plans on 2 October 2014.

The offering period for the co-investment plan closed on 31 October 2014. The shares were assigned to the employees on 1 December 2014, which is the start date of the vesting period that will end in April 2018.

Under IFRS 2, the PAD and LECOIP are presented using two different methods:

- as a cash-settled share-based payment transaction for the free shares: the insurance group companies purchased ordinary Intesa Sanpaolo shares directly on the market to assign their employees;
- as an equity-settled share-based payment transaction for the discounted and matching shares: Intesa Sanpaolo took on the obligation to assign shares to the employee beneficiaries of the group companies. The insurance group companies recognised an increase in equity, balancing the cost of the service received, being the ultimate parent's contribution for this component.

Given the impossibility of estimating the fair value of the services received from employees reliably, the cost of the benefit for the employees is the fair value of the assigned shares, calculated at the assignment date, to be recognised in profit or loss as "Other administrative costs". The fair value of the free shares and the matching shares was calculated based on the market price of the shares on the assignment date. The fair value of the subscription discount of the discounted shares was calculated based on the market price of the shares on the assignment date. The market price of the shares assigned to the Risk Takers was adjusted to reflect the obligation to transfer the shares after the holding period.

The cost was fully expensed for those employees who only joined the stock option plan and not the LECOIP investment plans (i.e., who only received the free shares) as these shares are not subject to vesting conditions.

The employees who joined the LECOIPs are required to remain in service for the plan's term and there are additional performance objectives for the Risk Takers and managers (attainment of specific objectives related to the company's capitalisation and results). If the vesting conditions are not met, Intesa Sanpaolo takes over the rights that would have been recognised to the employees as per the certificates and the amounts of these rights are retroceded to the group companies. The financial effects of the plan, estimated by weighing the defined vesting conditions (including the probability that an employee will remain with the Group over the plan term), will be recognised over the vesting period, i.e., over the plan term.

The quantitative elements of the above plans are set out below.

As a result of the decisions taken by each employee, on 1 December 2014, the employee beneficiaries were assigned and given ordinary Intesa Sanpaolo shares as part of the PAD or LECOIP. The shares assigned for the PAD do not have vesting conditions (although the Risk Takers are required to hold them for two years) while the benefit from participation in the LECOIP plans will vest when the 40-month vesting period ends (April 2018). The Risk Takers are required to hold them for another year.

Shares assigned in 2014

	Stock option plan	
	Number of shares	Unit fair value
Risk Takers	-	2.4007
Managers	-	2.4007
Other employees	15,329	2.4007
Total	15,329	

	LECOIP									
	Free shares		Matching shares		Discounted shares		Sell to cover shares (a)			
	Number of shares	Unit fair value	Number of shares	Unit fair value	Number of shares	Unit fair value (b)	Number of shares	Unit fair value	Total number of shares assigned	Number of certificates (c)
Risk Takers	86,297	1.9751	127,637	1.9751	855,736	0.3154	166,093	2.4007	1,235,763	213,934
Managers	10,011	2.4007	95,252	2.4007	421,052	0.3841	80,671	2.4007	606,986	105,263
Other employees	163,948	2.4007	364,953	2.4007	2,115,604	0.3841	369,365	2.4007	3,013,870	528,901
Total	**260,256**		**587,842**		**3,392,392**		**616,129**		**4,856,619**	**848,098**

(a) Shares assigned to be used to cover the employees' tax expense
(b) Fair value of the subscription discount
(c) Number of certificates subscribed on 1 December by group employees who joined the LECOIP

The cost of the two plans in 2014 was roughly €0.20 million, including approximately €0.04 million for the PAD (for employees who did not join the investment plan but just the stock option plan) and €0.16 million for the LECOIPs (including reimbursement of the tax expense - sell to cover - to be borne by the beneficiaries); the latter is equal to 1/40 of the plan's total value (roughly €6.47 million).

The Group has not recognised liabilities for the cash-settled payments to employees under the plan's operating mechanism.

Annexes to the notes to the consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Statement of financial position by segment

value in €

		Non-life segment		Life segment		Consolidation adjustements		Total	
		Total 31-12-2014	Total 31-12-2013	Total 31-12-2014	Total 31-12-2013	Total 31-12-2014	Total 31-12-2013	Total 31-12-2014	Total 31-12-2013
1	**INTANGIBLE ASSETS**	**57,000**	**11,000**	**635,619,000**	**631,974,000**	**-**	**-**	**635,676,000**	**631,985,000**
2	**TANGIBLE ASSETS**	**83,000**	**108,000**	**551,000**	**776,000**	**-**	**-**	**634,000**	**884,000**
3	**AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**24,955,000**	**11,546,000**	**2,261,000**	**2,588,000**	**-**	**-**	**27,216,000**	**14,134,000**
4	**INVESTMENTS**	**531,678,000**	**520,950,000**	**96,744,956,000**	**76,424,764,000**	**-83,863,000**	**-83,863,000**	**97,192,771,000**	**76,861,851,000**
4.1	Lands and buildings (investment properties)	-	-	19,414,000	19,579,000	-	-	19,414,000	19,579,000
4.2	Investments in subsidiaries, associates and joint ventures	-	-	83,863,000	83,863,000	-83,863,000	-83,863,000	-	-
4.3	Investments held to maturity	-	-	-	-	-	-	-	-
4.4	Loans and receivables	-	-	80,934,000	78,138,000	-	-	80,934,000	78,138,000
4.5	Financial assets available for sale	522,172,000	508,825,000	70,521,754,000	54,140,503,000	-	-	71,043,926,000	54,649,328,000
4.6	Financial assets at fair value through profit and loss	9,506,000	12,125,000	26,038,991,000	22,102,681,000	-	-	26,048,497,000	22,114,806,000
5	**RECEIVABLES**	***22,175,000***	***29,831,000***	***461,365,000***	***559,036,000***	***-983,000***	***-432,000***	***482,557,000***	***588,435,000***
6	**OTHER ASSETS**	**24,776,000**	**25,375,000**	**1,681,601,000**	**1,469,646,000**	**-32,000**	**-351,000**	**1,706,345,000**	**1,494,670,000**
6.1	Deferred acquisition costs	48,000	331,000	-	-	-	-	48,000	331,000
6.2	Other assets	24,728,000	25,044,000	1,681,601,000	1,469,646,000	-32,000	-351,000	1,706,297,000	1,494,339,000
7	**CASH AND CASH EQUIVALENTS**	**129,959,000**	**83,323,000**	**2,430,679,000**	**2,034,372,000**	**-**	**-**	**2,560,638,000**	**2,117,695,000**
	TOTAL ASSETS	**733,683,000**	**671,144,000**	**101,957,032,000**	**81,123,156,000**	**-84,878,000**	**-84,646,000**	**102,605,837,000**	**81,709,654,000**
1	**SHAREHOLDERS' EQUITY**							**4,379,449,000**	**4,329,327,000**
2	**OTHER PROVISIONS**	**1,101,000**	**1,008,000**	**9,547,000**	**7,307,000**	**-**	**-**	**10,648,000**	**8,315,000**
3	**INSURANCE PROVISIONS**	**484,165,000**	**474,900,000**	**73,929,768,000**	**57,927,470,000**	**-**	**-**	**74,413,933,000**	**58,402,370,000**
4	**FINANCIAL LIABILITIES**	**10,343,000**	**1,004,000**	**22,233,334,000**	**17,717,288,000**	**-**	**-**	**22,243,677,000**	**17,718,292,000**
4.1	Financial liabilities at fair value through profit or loss	-	-	20,834,274,000	17,100,776,000	-	-	20,834,274,000	17,100,776,000
4.2	Other financial liabilities	10,343,000	1,004,000	1,399,060,000	616,512,000	-	-	1,409,403,000	617,516,000
5	**PAYABLES**	**27,802,000**	**22,451,000**	**494,036,000**	**392,303,000**	**-1,047,000**	**-507,000**	**520,791,000**	**414,247,000**
6	**OTHER LIABILITIES**	**20,689,000**	**17,746,000**	**1,016,676,000**	**819,633,000**	**-26,000**	**-276,000**	**1,037,339,000**	**837,103,000**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES							**102,605,837,000**	**81,709,654,000**

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Income statement by segment

value in €

		Non-life segment		Life segment		Consolidation adjustements		Total	
		Total 31-12-2014	**Total 31-12-2013**	**Total 31-12-2014**	**Total 31-12-2013**	**Total 31-12-2014**	**Total 31-12-2013**	**Total 31-12-2014**	**Total 31-12-2013**
1.1	Net earned premiums	206,486,000	206,406,000	14,925,454,000	11,156,645,000	-	-	15,131,940,000	11,363,051,000
1.1.1	*Gross earned premiums*	*214,367,000*	*213,010,000*	*14,925,959,000*	*11,157,108,000*	-	-	*15,140,326,000*	*11,370,118,000*
1.1.2	*Earned premiums ceded*	*-7,881,000*	*-6,604,000*	*-505,000*	*-463,000*	-	-	*-8,386,000*	*-7,067,000*
1.2	Commission income	-	-	303,453,000	265,507,000	-	-	303,453,000	265,507,000
1.3	Gains (losses) on financial instruments at fair value through profit and loss	334,000	690,000	-83,559,000	203,615,000	-	-	-83,225,000	204,305,000
1.4	Income from investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-
1.5	Income from other financial instruments and lands and buildings	26,572,000	20,470,000	2,489,081,000	2,200,947,000	-	-	2,515,653,000	2,221,417,000
1.6	Other income	10,262,000	14,579,000	193,011,000	63,499,000	-1,479,000	-2,094,000	201,794,000	75,984,000
1	**TOTAL INCOME**	**243,654,000**	**242,145,000**	**17,827,440,000**	**13,890,213,000**	**-1,479,000**	**-2,094,000**	**18,069,615,000**	**14,130,264,000**
2.1	Net insurance benefits and claims	-96,958,000	-102,024,000	-16,352,167,000	-12,357,608,000	-	-	-16,449,125,000	-12,459,632,000
2.1.2	*Claims paid and change in insurance provisions*	*-106,931,000*	*-107,485,000*	*-16,352,223,000*	*-12,357,191,000*	-	-	*-16,459,154,000*	*-12,464,676,000*
2.1.3	*Reinsurers's share*	*9,973,000*	*5,461,000*	*56,000*	*-417,000*	-	-	*10,029,000*	*5,044,000*
2.2	Fee and commission expense	-	-	-182,124,000	-168,484,000	-	-	-182,124,000	-168,484,000
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-
2.4	Expenses from other financial instruments and lands and buildings	-51,000	-949,000	-68,544,000	-228,510,000	-	-	-68,595,000	-229,459,000
2.5	Operating expenses	-75,474,000	-84,513,000	-336,018,000	-334,203,000	1,829,000	2,653,000	-409,663,000	-416,063,000
2.6	Other expenses	-31,786,000	-26,697,000	-231,956,000	-259,351,000	-292,000	-559,000	-264,034,000	-286,607,000
2	**TOTAL EXPENSES**	**-204,269,000**	**-214,183,000**	**-17,170,809,000**	**-13,348,156,000**	**1,537,000**	**2,094,000**	**-17,373,541,000**	**-13,560,245,000**
	PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**39,385,000**	**27,962,000**	**656,631,000**	**542,057,000**	**58,000**	**-**	**696,074,000**	**570,019,000**

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Consolidation area

Company	Country of registered office	Country of operating office	Method (1)	Activity (2)	Shareholding Direct %	% Total stake (3)	% Available voting rights at ordinary shareholders' meeting (4)	% of consolidation
INTESA SANPAOLO VITA S.p.A.	086	086	G	1	0.00%	0.00%	0.00%	100.00%
INTESA SANPAOLO LIFE LTD	040	040	G	2	100.00%	100.00%	0.00%	100.00%
EURIZONVITA BEIJING BUSINESS ADVISORY CO	016	016	G	11	100.00%	100.00%	0.00%	100.00%
INTESA SANPAOLO ASSICURA S.p.A.	086	086	G	1	100.00%	100.00%	0.00%	100.00%
INTESA SANPAOLO SMART CARE S.r.l.	086	086	G	11	100.00%	100.00%	0.00%	100.00%

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

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

(3) the sum of the investments of all the companies that along the investment chain lie between the company preparing the consolidated financial statements and the company being consolidated. If more

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

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Consolidation scope: equity investments in companies with significant non-controlling interests

					Financial higlights							
Name	Non-controlling interests investment %	Voting rights % available at ordinary share/quotaholders' meetings to non-controlling interests	Profit (loss) for the year attributable to non-controlling interests	Equity attributable to non-controlling interests	Total assets	Investments	Technical provisions	Financial liabilities	Equity	Profit (loss) for the year	Dividends distributed to third parties	Gross premiums

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Non-consolidated equity investments

Name	Country of registered office	Country of operating office	Business (1)	Type (2)	Direct investment %	Total investment % (3)	Voting rights % available at ordinary share/quotaholders' meetings (4)	Carrying amount

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

(2) a=subsidiary (IAS 27) ; b=associate (IAS 28); c=joint venture (IAS 31); indicate with an asterisk (*) investments classified as held for sale pursuant to IFRS 5 and show the key at the foot of the table

(3) the sum of the investments of all the companies that along the investment chain lie between the company preparing the consolidated financial statements and the company being consolidated. If more than one subsidiary has an investment in the latter company, the single amounts should be summed.

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

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Interests in non-consolidated structured entities

value in €

Name	Revenue received from the structured entity during the year	Carrying amount (at the transfer date) of the assets transferred to the structured entity during the year	Carrying amount of the assets recognised by the reporting entity related to the structured entity	Matching statement of financial position asset caption	Carrying amount of liabilities recognised by the reporting entity related to the structured entity	Matching statement of financial position liability caption	Maximum exposure to risk of losses
CLOVERIE 2005-71 0 11/01/26	824,318	-	65,450,638	A 4.6	-	-	65,450,638
CLOVERIE 2005-72 0 12/01/25	577,227	-	22,048,442	A 4.6	-	-	22,048,442
DALI CAPITAL 12 0 11/01/26	-	-	133,720,000	A 4.6	-	-	133,720,000
CBO INV (JERSEY) 0 03/23/15	207,040	-	4,753,000	A 4.5	-	-	4,899,970
E-MAC NL05-3 A (E-MAC NL05-3 A)	69,650	-	7,386,006	A 4.5	-	-	7,063,969
FIPF 1 A2 (FIPF 1 A2)	23,478	-	2,108,497	A 4.5	-	-	1,819,415
AVONDALE SECURITIES S.A. A2 EON 2032	39,682	-	1,179,465	A 4.4	-	-	1,179,465

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. Reporting period: 2014

Breakdown of tangible and intangible assets

value in €

	Cost	Deemed cost or fair value	Book value
Lands and buildings (investment properties)	19,414,000		19,414,000
Lands and buildings (self used)	0		0
Other tangible assets	634,000		634,000
Other intangible assets	1,096,000		1,096,000

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Breakdown of financial assets

value in €

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit and loss: Financial assets held for trading		Financial assets at fair value through profit and loss: Financial assets designated at fair value through profit and loss		Total Book value	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Equity securities and derivatives measured at cost	-	-	-	-	51,000	51,000	-	-	-	-	51,000	51,000
Equity securities at fair value	-	-	-	-	846,181,000	763,578,000	-	-	450,761,000	5,513,000	1,296,942,000	769,091,000
of which listed securities	-	-	-	-	*685,365,000*	*618,368,000*	-	-	*450,761,000*	*5,513,000*	*1,136,126,000*	*623,881,000*
Debt securities	-	-	-	-	65,868,969,000	51,962,764,000	383,018,000	455,599,000	3,725,805,000	4,513,834,000	69,977,792,000	56,932,197,000
of which listed securities	-	-	-	-	*65,722,712,000*	*51,702,266,000*	*358,954,000*	*436,576,000*	*3,488,561,000*	*4,255,114,000*	*69,570,227,000*	*56,393,956,000*
UCI shares	-	-	-	-	4,328,725,000	1,922,935,000	410,352,000	397,651,000	20,527,382,000	16,165,818,000	25,266,459,000	18,486,404,000
Loans and receivables from banking customers	-	-	1,179,000	2,008,000	-	-	-	-	-	-	1,179,000	2,008,000
Interbank loans and receivables	-	-	76,976,000	73,403,000	-	-	-	-	-	-	76,976,000	73,403,000
Deposits under reinsurance business	-	-	-	91,000	-	-	-	-	-	-	-	91,000
Financial asset components of insurance contracts	-	-	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	-	-	2,779,000	2,636,000	-	-	-	-	-	-	2,779,000	2,636,000
Non-hedging derivatives	-	-	-	-	-	-	183,925,000	209,884,000	-	-	183,925,000	209,884,000
Hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Other financial investments	-	-	-	-	-	-	-	-	367,254,000	366,507,000	367,254,000	366,507,000
Total	-	-	**80,934,000**	**78,138,000**	**71,043,926,000**	**54,649,328,000**	**977,295,000**	**1,063,134,000**	**25,071,202,000**	**21,051,672,000**	**97,173,357,000**	**76,842,272,000**

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Breakdown of assets and liabilities related to policies where the investment risks is borne by the policyholders and to pension fund

value in €

	Policies where the investment risk is borne by policyholders		Policies related to pension funds		Total	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Assets in the balance sheet	21,856,268,000	14,776,303,000	2,262,364,000	433,318,000	24,118,632,000	15,209,621,000
Intercompany assets *	-	4,703,791,000	-	-	-	4,703,791,000
Total Assets	**21,856,268,000**	**19,480,094,000**	**2,262,364,000**	**433,318,000**	**24,118,632,000**	**19,913,412,000**
Financial liabilities in the balance sheet	20,464,070,000	16,813,747,000	-	-	20,464,070,000	16,813,747,000
Insurance provisions in the balance sheet	1,343,767,000	2,662,449,000	2,262,364,000	433,318,000	3,606,131,000	3,095,767,000
Intercompany liabilities *	-	-	-	-	-	-
Total Liabilities	**21,807,837,000**	**19,476,196,000**	**2,262,364,000**	**433,318,000**	**24,070,201,000**	**19,909,514,000**

* Assets and liabilities adjusted in the consolidation process

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Breakdown of amount ceded to reinsurers from insurance provisions

value in €

	Direct business		Indirect business		Total (book value)	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Non-life insurance provisions	**24,955,000**	**11,546,000**	**-**	**-**	**24,955,000**	**11,546,000**
Provisions for unearned premiums	11,440,000	4,278,000	-	-	11,440,000	4,278,000
Provisions for outstanding claims	13,515,000	7,268,000	-	-	13,515,000	7,268,000
Other insurance provisions	-	-	-	-	-	-
Life insurance provisions	**2,261,000**	**2,588,000**	**-**	**-**	**2,261,000**	**2,588,000**
Provisions for outstanding claims	1,909,000	1,647,000	-	-	1,909,000	1,647,000
Mathematical provisions	352,000	941,000	-	-	352,000	941,000
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension fund	-	-	-	-	-	-
Other insurance provisions	-	-	-	-	-	-
Total amount ceded to reinsurers from insurance provisions	**27,216,000**	**14,134,000**	**-**	**-**	**27,216,000**	**14,134,000**

CONSOLIDATED FINANCIAL STATEMENTS

Impresa: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Breakdown of insurance provisions

value in €

	Direct business		Indirect business		Total (book value)	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Non-life insurance provisions	**484,165,000**	**474,900,000**	**-**	**-**	**484,165,000**	**474,900,000**
Provision for unearned premiums	308,151,000	311,925,000	-	-	308,151,000	311,925,000
Provisions for outstanding claims	175,099,000	162,274,000	-	-	175,099,000	162,274,000
Other insurance provisions	915,000	701,000	-	-	915,000	701,000
- of which reserves posted following liability adequacy test	-	-	-	-	-	-
Life insurance provisions	**73,929,768,000**	**57,927,470,000**	**-**	**-**	**73,929,768,000**	**57,927,470,000**
Provisions for outstanding claims	306,626,000	281,936,000	-	-	306,626,000	281,936,000
Mathematical provisions	64,149,579,000	53,118,271,000	-	-	64,149,579,000	53,118,271,000
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension fund	3,606,131,000	3,095,767,000	-	-	3,606,131,000	3,095,767,000
Other insurance provisions	5,867,432,000	1,431,496,000	-	-	5,867,432,000	1,431,496,000
- of which reserves posted following liability adequacy test	-	-	-	-	-	-
- of which deferred liabilities due to policyholders	*5,749,492,000*	*1,306,978,000*	-	-	*5,749,492,000*	*1,306,978,000*
Total insurance provisions	**74,413,933,000**	**58,402,370,000**	**-**	**-**	**74,413,933,000**	**58,402,370,000**

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Breakdown of financial liabilities

value in €

	Financial liabilities at fair value through profit and loss				Other financial liabilities		Total Book value	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit and loss					
	31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Financial equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	1,337,556,000	617,218,000	1,337,556,000	617,218,000
Liabilities related to investment contracts from:	0	0	20,464,070,000	16,813,747,000	0	0	20,464,070,000	16,813,747,000
policies where the investment risk is borne by the policyholders	*0*	*0*	*20,464,070,000*	*16,813,747,000*	*0*	*0*	*20,464,070,000*	*16,813,747,000*
pension funds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
other contracts	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Deposits under reinsurance business	0	0	0	0	9,336,000	0	9,336,000	0
Financial liability components of insurance contracts	0	0	0	0	62,477,000	0	62,477,000	0
Issued debt securities	0	0	0	0	0	0	0	0
Payables to banking customers	0	0	0	0	0	0	0	0
Interbank payables	0	0	0	0	0	0	0	0
Other financing and loans payable	0	0	0	0	0	0	0	0
Non-hedging derivatives	321,488,000	287,029,000	0	0	0	0	321,488,000	287,029,000
Hedging derivatives	48,716,000	0	0	0	0	0	48,716,000	0
Other financial liabilities	0	0	0	0	34,000	298,000	34,000	298,000
Total	**370,204,000**	**287,029,000**	**20,464,070,000**	**16,813,747,000**	**1,409,403,000**	**617,516,000**	**22,243,677,000**	**17,718,292,000**

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Breakdown of technical insurance items

value in €

		31-12-2014			31-12-2013		
		Gross amount	Ceded amount	Net Amount	Gross amount	Ceded amount	Net Amount
Non-life segment							
NET EARNED PREMIUMS		**214,367,000**	**-7,881,000**	**206,486,000**	**213,010,000**	**-6,604,000**	**206,406,000**
a	Gross written premiums	210,593,000	-5,842,000	204,751,000	232,337,000	-5,559,000	226,778,000
b	Change in the provision for unearned premiums	3,774,000	-2,039,000	1,735,000	-19,327,000	-1,045,000	-20,372,000
NET INSURANCE BENEFITS AND CLAIMS		**-106,931,000**	**9,973,000**	**-96,958,000**	**-107,485,000**	**5,461,000**	**-102,024,000**
a	Claims paid	-95,052,000	3,226,000	-91,826,000	-73,506,000	3,782,000	-69,724,000
b	Change in the provisions for outstanding claims	-12,826,000	6,747,000	-6,079,000	-34,588,000	1,679,000	-32,909,000
c	Change in claims to be recovered	1,161,000	0	1,161,000	614,000	0	614,000
d	Changes in other insurance provisions	-214,000	0	-214,000	-5,000	0	-5,000
Life segment							
NET EARNED PREMIUMS		**14,925,959,000**	**-505,000**	**14,925,454,000**	**11,157,108,000**	**-463,000**	**11,156,645,000**
NET INSURANCE BENEFITS AND CLAIMS		**-16,352,223,000**	**56,000**	**-16,352,167,000**	**-12,357,191,000**	**-417,000**	**-12,357,608,000**
a	Claims paid	-6,446,144,000	383,000	-6,445,761,000	-6,199,347,000	647,000	-6,198,700,000
b	Change in the provisions for outstanding claims	-24,690,000	262,000	-24,428,000	-29,263,000	-66,000	-29,329,000
c	Change in mathematical provisions	-9,255,433,000	-589,000	-9,256,022,000	-7,586,958,000	-998,000	-7,587,956,000
d	Change in the povisions for policies where the investment risk is borne by the policyholders and provisions for pension fund	-510,364,000	0	-510,364,000	1,507,862,000	0	1,507,862,000
e	Changes in other insurance provisions	-115,592,000	0	-115,592,000	-49,485,000	0	-49,485,000

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Income and expenses from financial assets

value in €

		Interests	Other income	Other expenses	Gain on disposal	Losses on disposal	Total realised income and expenses	Unrealized gains		Unrealized losses		Total unrealised gains and losses	Total income and expenses 31-12-2014	Total income and expenses 31-12-2013
								Unrealized gains	Reversal of impairment losses	Unrealized losses	Impairment losses			
Result of investments		**1,990,224,000**	**107,638,000**	**-304,476,000**	**1,048,149,000**	**-155,043,000**	**2,686,492,000**	**1,349,950,000**	**0**	**-140,870,000**	**-2,385,000**	**1,206,695,000**	**3,893,187,000**	**2,715,298,000**
a	From land and buildings (investment properties)	0	1,572,000	-8,000	0	0	1,564,000	0	0	0	-165,000	-165,000	1,399,000	1,433,000
b	From investments in subsidiaries, associates and joint ventures	0	0	0	0	0	0	0	0	0	0	0	0	0
c	From investments held to maturity	0	0	0	0	0	0	0	0	0	0	0	0	2,951,000
d	From loans and receivables	3,620,000	0	0	1,370,000	-1,663,000	3,327,000	0	0	0	0	0	3,327,000	0
e	From available for sale financial assets	1,896,497,000	76,559,000	-7,000	516,709,000	-33,157,000	2,456,601,000	0	0	0	-2,220,000	-2,220,000	2,454,381,000	1,888,146,000
f	From financial assets held for trading	11,421,000	0	-4,017,000	63,240,000	-39,950,000	30,694,000	90,795,000	0	-3,382,000	0	87,413,000	118,107,000	107,727,000
g	From financial assets designated at fair value through profit and loss	78,686,000	29,507,000	-300,444,000	466,830,000	-80,273,000	194,306,000	1,259,155,000	0	-137,488,000	0	1,121,667,000	1,315,973,000	715,041,000
Result of receivables		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**112,199,000**
Result of cash and cash equivalents		**19,326,000**	**0**	**0**	**0**	**0**	**19,326,000**	**0**	**0**	**0**	**0**	**0**	**19,326,000**	**0**
Result of financial liabilities		**-75,178,000**	**0**	**-32,000**	**13,681,000**	**-156,196,000**	**-217,725,000**	**6,184,000**	**0**	**-1,337,139,000**	**0**	**-1,330,955,000**	**-1,548,680,000**	**-631,234,000**
a	From financial liabilities held for trading	-43,803,000	0	-32,000	13,681,000	-156,110,000	-186,264,000	6,184,000	0	-186,447,000	0	-180,263,000	-366,527,000	11,454,000
b	From financial liabilities designated at fair value through income statement	0	0	0	0	-86,000	-86,000	0	0	-1,150,692,000	0	-1,150,692,000	-1,150,778,000	-629,917,000
c	From other financial liabilities	-31,375,000	0	0	0	0	-31,375,000	0	0	0	0	0	-31,375,000	-12,771,000
Result of payables		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**1,934,372,000**	**107,638,000**	**-304,508,000**	**1,061,830,000**	**-311,239,000**	**2,488,093,000**	**1,356,134,000**	**0**	**-1,478,009,000**	**-2,385,000**	**-124,260,000**	**2,363,833,000**	**2,196,263,000**

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Breakdown of insurance expenses

value in €

		Non-life segment		Life segment	
		31-12-2014	31-12-2013	31-12-2014	31-12-2013
Gross commissions and other acquisition costs		-55,149,000	-64,666,000	-256,771,000	-259,508,000
a	Acquisition commissions	-44,072,000	-50,274,000	-152,650,000	-154,588,000
b	Other acquisition expenses	-9,385,000	-11,195,000	-24,366,000	-31,048,000
c	Change in deferred acquisition costs	-472,000	-1,186,000	0	0
d	Collection commissions	-1,220,000	-2,011,000	-79,755,000	-73,872,000
Commissions and profit sharing from reinsurers		703,000	796,000	0	97,000
Investment management expenses		-355,000	-431,000	-50,537,000	-47,941,000
Other administrative expenses		-20,673,000	-20,212,000	-28,710,000	-26,851,000
Total		**-75,474,000**	**-84,513,000**	**-336,018,000**	**-334,203,000**

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Breakdown of other comprehensive income

value in €

	Allocations		Reclassification adjustments to income statement		Other changes		Total changes		Taxes		Balance	
	Total 31-12-2014	Total 31-12-2013	Total 31-12-2014	Total 31-12-2013	Total 31-12-2014	Total 31-12-2013	Total 31-12-2014	Total 31-12-2013	Total 31-12-2014	Total 31-12-2013	al 31-12-2014	al 31-12-2013
Other comprehensive income after taxes without reclassification in the income statement	**-464,000**	**-222,000**	**-**	**-**	**165,000**	**-**	**-299,000**	**-222,000**	**-**	**-**	**-686,000**	**-387,000**
Change in shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the revaluation reserve of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the revaluation reserve of tangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Gains (losses) of non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) arising from defined benefit plans	-464,000	-222,000	-	-	165,000	-	-299,000	-222,000	-	-	-686,000	-387,000
Other items	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income after taxes with reclassification in the income statement	**10,000**	**-**	**-35,331,000**	**47,548,000**	**304,850,000**	**20,819,000**	**269,529,000**	**68,367,000**	**-**	**-**	**590,574,000**	**321,045,000**
Foreign currency translation differences	10,000	-	-	-	33,000	-5,000	43,000	-5,000	-	-	40,000	-3,000
Net unrealized gains (losses) on available for sale financial assets	-	-	-35,331,000	47,548,000	304,817,000	20,824,000	269,486,000	68,372,000	-	-	590,534,000	321,048,000
Net unrealized gains (losses) on cash flow hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Net unrealized gains (losses) on hedge of a net investment in foreign operation	-	-	-	-	-	-	-	-	-	-	-	-
Change in shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Gains (losses) of non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OF OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**-454,000**	**-222,000**	**-35,331,000**	**47,548,000**	**305,015,000**	**20,819,000**	**269,230,000**	**68,145,000**	**-**	**-**	**589,888,000**	**320,658,000**

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2014**

Breakdown of reclassified financial assets and effects on profit or loss and comprehensive income

value in €

Reclassified financial asset categories		Type of asset	Amount of assets reclassified in the year at the reclassification date	Carrying amount at 31/12/2014 of the reclassified assets		Fair value at 31/12/2014 of the reclassified assets		Assets reclassified in 2014		Assets reclassified up to 2014		Assets reclassified in 2014		Assets reclassified up to 2014	
out of	into			Assets reclassified in 2014	Assets reclassified up to 2014	Assets reclassified in 2014	Assets reclassified up to 2014	Gain or loss recognised in profit or loss	Gain or loss recognised in other comprehensive income	Gain or loss recognised in profit or loss	Gain or loss recognised in other comprehensive income	Gain or loss that would have been recognised in profit or loss if the reclassification had not been made	Gain or loss that would have been recognised in other comprehensive income if the reclassification had not been made	Gain or loss that would have been recognised in profit or loss if the reclassification had not been made	Gain or loss that would have been recognised in other comprehensive income if the reclassification had not been made
Total			0	0	0	0	0	0	0	0	0	0	0	0	0

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A. Reporting period: 2014

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value levels

value in €

		Level 1		Level 2		Level 3		Total	
		31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Assets and liabilities at fair value on a recurring basis									
Financial assets available for sale		68,660,210,000	52,082,017,000	2,069,291,000	2,155,455,000	314,425,000	411,856,000	71,043,926,000	54,649,328,000
Financial assets at fair value through profit and loss	Financial assets held for trading	635,069,000	598,579,000	317,822,000	444,495,000	24,404,000	20,060,000	977,295,000	1,063,134,000
	Financial assets designated at fair value through profit and loss	23,312,738,000	16,903,434,000	1,153,966,000	3,889,518,000	604,498,000	258,720,000	25,071,202,000	21,051,672,000
Lands and buildings (investment properties)		0	0	0	0	0	0	0	0
Tangible assets		0	0	0	0	0	0	0	0
Intangible assets		0	0	0	0	0	0	0	0
Total assets at fair value on a recurring basis		**92,608,017,000**	**69,584,030,000**	**3,541,079,000**	**6,489,468,000**	**943,327,000**	**690,636,000**	**97,092,423,000**	**76,764,134,000**
Financial liabilities at fair value through profit and loss	Financial liabilities held for trading	45,188,000	0	325,016,000	287,029,000	0	0	370,204,000	287,029,000
	Financial liabilities designate at fair value through profit and loss	0	0	20,464,070,000	16,813,747,000	0	0	20,464,070,000	16,813,747,000
Total liabilities at fair value on a recurring basis		**45,188,000**	**0**	**20,789,086,000**	**17,100,776,000**	**0**	**0**	**20,834,274,000**	**17,100,776,000**
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets held for sale and discontinued operations		0	0	0	0	0	0	0	0
Liabilities of non-current assets held for sale and discontinued		0	0	0	0	0	0	0	0

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO VITA S.p.A.

Reporting period: 2014

Changes in Level 3 financial assets and liabilities measured at fair value on a recurring basis

value in €

	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	
		Financial assets held for trading	Financial assets designated at fair value through profit or loss				Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss
Opening balance	**411,856,000**	**20,060,000**	**258,720,000**	**0**	**0**	**0**	**0**	**0**
Purchases/Issues	1,000	0	0	0	0	0	0	0
Sales/Repurchases	-84,241,000	0	-63,200,000	0	0	0	0	0
Repayments	-4,053,000	0	0	0	0	0	0	0
Gain or loss recognised in profit or loss	1,857,000	2,607,000	43,531,000	0	0	0	0	0
- of which fair value gains/losses	*0*	*2,650,000*	*37,255,000*	*0*	*0*	*0*	*0*	*0*
Gain or loss recognised in other comprehensive income	23,052,000	0	0	0	0	0	0	0
Transfers to Level 3	0	0	290,688,000	0	0	0	0	0
Transfers to other levels	-9,920,000	0	0	0	0	0	0	0
Other variations	-24,127,000	1,737,000	74,759,000	0	0	0	0	0
Closing balance	**314,425,000**	**24,404,000**	**604,498,000**	**0**	**0**	**0**	**0**	**0**

CONSOLIDATED FINANCIAL STATEMENTS

Company: INTESA SANPAOLO S.p.A. Reporting period: 2014

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

value in €

	Carrying amount		Fair value							
			Level 1		Level 2		Level 3		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Assets										
Held-to-maturity investments	-	-	-	-	-	-	-	-	-	-
Loans and receivables	80,934,000	78,138,000	-	-	79,346,000	-	3,717,000	80,718,000	83,063,000	80,718,000
Investments in subsidiaries and associates and interests in joint ventures	-	-	-	-	-	-	-	-	-	-
Investment property	19,414,000	19,579,000	-	-	-	-	25,860,000	21,650,000	25,860,000	21,650,000
Property, plant and equipment	634,000	884,000	-	-	-	-	634,000	884,000	634,000	884,000
Total assets	**100,982,000**	**98,601,000**	**-**	**-**	**79,346,000**	**-**	**30,211,000**	**103,252,000**	**109,557,000**	**103,252,000**
Liabilities										
Other financial liabilities	1,409,403,000	617,516,000	-	-	1,336,549,000	503,168,000	72,854,000	114,348,000	1,409,403,000	617,516,000

The undersigned states that the above is true and consistent with the accounting records.

The Parent's legal representatives (*)

The Chairman – Luigi Maranzana..(**)

(signed on the original)

Statutory auditors

Massimo Broccio - Chairman...

(signed on the original)

Paolo Mazzi...

(signed on the original)

Riccardo Ranalli...

(signed on the original)

(*) For foreign companies, the signature of the general representative for Italy is required.
(**) Specify the position held by the signatory representative.

Board of Statutory Auditors' Report

Intesa Sanpaolo Vita S.p.A.

Sede in Torino, Corso Giulio Cesare n. 268
Capitale Sociale 320.422.508,00 euro i.v.
Iscritta presso il Registro delle Imprese di Torino, n. 02505650370

Società soggetta all'attività di direzione e coordinamento
di Intesa Sanpaolo S.p.A.

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Relazione del collegio sindacale

al bilancio consolidato chiuso al 31/12/2014

Il bilancio consolidato al 31 dicembre 2014 è costituito dallo stato patrimoniale, dal conto economico, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario e dalla nota integrativa, ed espone un utile consolidato di 480,4 milioni di euro, interamente di pertinenza del gruppo, e un patrimonio complessivo di 4.379,5 milioni di euro.

Esso risulta redatto in conformità ai principi contabili internazionali e secondo gli schemi e le istruzioni previsti dall'ISVAP con il regolamento n. 7 del 13.07. 2007 e successive modifiche ed integrazioni.

Esso include oltre al bilancio della controllante Intesa Sanpaolo Vita, quello delle società controllate Intesa Sanpaolo Life, Intesa Sanpaolo Assicura, EurizonVita (Beijing) Business Advisory e Intesa Sanpaolo Smart Care.

* * * * *

Il Collegio Sindacale ha preso atto mediante l'informativa acquisita in sede consiliare ai sensi dell'art. 2381 comma 5 C.C. da parte degli Organi delegati nonché per il tramite delle funzioni aziendali di tutte le operazioni di particolare rilevanza condotte nell'esercizio.

Si da atto dell'adeguata illustrazione nella Relazione sulla gestione al Bilancio consolidato dell'andamento della gestione del Gruppo in particolare con riferimento agli aspetti di rilievo caratterizzanti le principali grandezze patrimoniali e finanziarie e la loro evoluzione nell'esercizio.

Il Collegio sindacale da atto che la nota integrativa riporta le indicazioni richieste dalle norme e contiene tra l'altro l'informativa sulle operazioni con parti correlate e sulla gestione dei rischi. Con particolare riferimento a questi ultimi all'interno della Nota integrativa sono evidenziati in particolare la natura e l'entità dei rischi finanziari cui il Gruppo è esposto nonché i rischi legati ai portafogli d'investimento. Il Collegio rileva a tal fine che gli stessi sono oggetto di periodico controllo e monitoraggio in considerazione di quanto disciplinato dalla Delibera Quadro sugli Investimenti.

* * * * *

Sulla base delle informative dirette e delle informazioni assunte diamo atto di quanto segue:

- Il Collegio non ha riscontrato, nell'ambito della propria attività, elementi di criticità in relazione all'assetto organizzativo della Capogruppo confermando l'adeguatezza anche con riferimento ai flussi informativi provenienti dalle società rientranti nel perimetro di consolidamento e con riferimento alle operazioni di consolidamento stesse.
- I bilanci presi a base del processo di consolidamento integrale sono quelli riferiti al 31 dicembre 2014 come approvati dai competenti organi delle società controllate, eventualmente rettificati ove necessario per adeguarli ai principi contabili omogenei della Capogruppo.
- Il bilancio consolidato consta di quattro società controllate direttamente. Sono altresì inclusi nell'area di consolidamento i veicoli, le Sicav e i fondi comuni d'investimento mobiliari nei quali sono investiti i fondi interni dei prodotti *unit linked,* qualora la compagnia ne detenga il controllo secondo quanto previsto dall'IFRS10.
- Il consolidamento è stato attuato con il metodo di integrazione globale per le controllate.
- Il perimetro, i criteri di valutazione e i principi di consolidamento adottati, esaurientemente illustrati dagli Amministratori nella nota integrativa, sono conformi alle prescrizioni di legge e sono stati applicati correttamente.
- La nota integrativa e la relazione sulla gestione contengono tutte le informazioni richieste dalla legge e sono congruenti con i dati del bilancio.

- Il Collegio ha preso visione della relazione resa dalla Società di Revisione e a tale riguardo osserva che essa non reca rilievi o richiami d'informativa.

Con riferimento ai compiti di Comitato per il controllo interno – ai sensi del D. Lgs. 39/2010 – ed in particolare per quanto relativo alla revisione legale dei conti consolidati il Collegio Sindacale ha preso atto, sulla scorta di quanto relazionato dalla Società di revisione, dell'assenza di situazioni di incertezza o eventuali limitazioni nelle verifiche.

Diamo atto che tutta l'informativa inerente il bilancio consolidato al 31 dicembre 2014 viene presentata agli Azionisti unitamente a quella inerente il bilancio di esercizio a tale data.

Torino lì, 27 febbraio 2015

Il Collegio sindacale

Massimo Broccio:

Paolo Mazzi:

Riccardo Ranalli:

Independent Auditors' Report

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI

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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010 and article 102 of Legislative decree no. 209 of 7 September 2005

To the shareholders of
Intesa Sanpaolo Vita S.p.A.

1 We have audited the consolidated financial statements of the Intesa Sanpaolo Vita Group as at and for the year ended 31 December 2014, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 90 of Legislative decree no. 209/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's directors restated some of the corresponding figures included in the prior year consolidated financial statements. We audited such consolidated financial statements and issued our report thereon on 14 March 2014. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2014.

3 In our opinion, the consolidated financial statements of the Intesa Sanpaolo Vita Group as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 90 of Legislative decree no. 209/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Intesa Sanpaolo Vita Group as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

4 The directors of Intesa Sanpaolo Vita S.p.A. are responsible for the preparation of a management report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the management report with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the management report is consistent with the consolidated financial statements of the Intesa Sanpaolo Vita Group as at and for the year ended 31 December 2014.

Milan, 27 February 2015

KPMG S.p.A.

(signed on the original)

Maurizio Guzzi
Director of Audit