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

2015 Annual Report of Intesa Sanpaolo Vita Insurance Group

INTESA SANPAOLO VITA S.p.A.
Registered office: Corso Inghilterra 3 – 10138 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 Intesa Sanpaolo Vita Insurance Group, included in the register of insurance groups as no. 28 – Managed and coordinated by Intesa Sanpaolo S.p.A.

Contents

Management report

Company bodies

Board of Directors

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

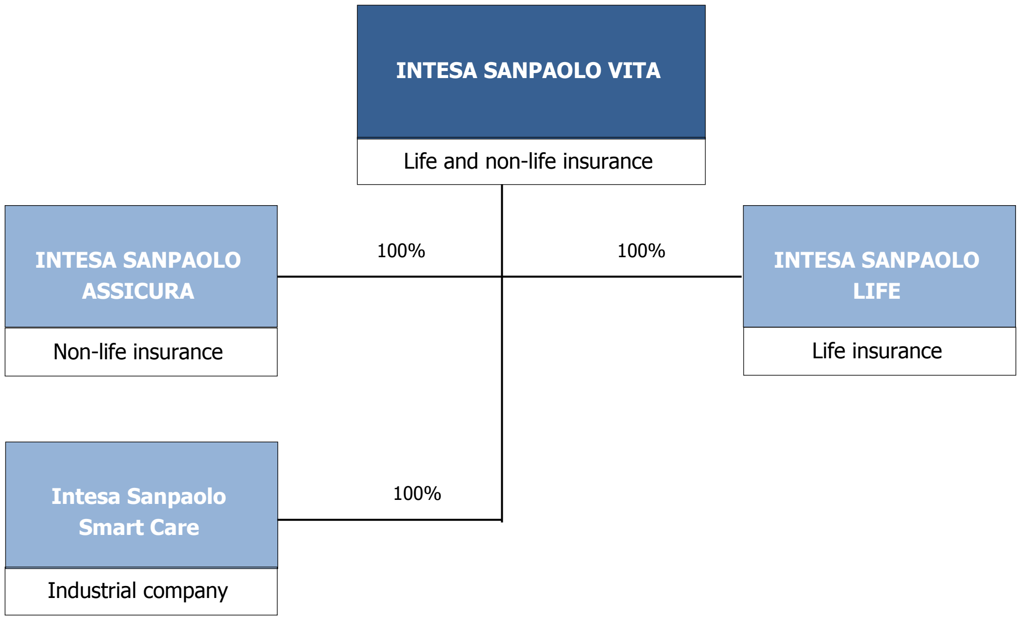
Board of Statutory Auditors

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 €

	31-12-2015	31-12-2014	Change	
Operational figures				
Gross collection	21,210.5	21,059.9	150.6	0.7%
Premiums of Life insurance products	652.7	409.4	243.2	59.4%
Premiums of Life financial products with DOFF	11,100.0	14,516.5	-3,416.6	-23.5%
Gross collection of Life insurance products without DPF	9,172.0	5,923.4	3,248.6	54.8%
Premiums of Non-life business	285.9	210.6	75.3	35.7%
Life new business	20,724.8	20,625.2	99.6	0.5%
Life Contracts	3,280,100	3,177,491	102,609	3.2%
Non-life Contracts	1,897,289	1,773,031	124,258	7.0%
Human Resources	538	543	-5	-0.9%
Balance sheet figures				
Investments	107,076.4	97,192.8	9,883.6	10.2%
- Available-for-sale financial assets	75,268.1	71,043.9	4,224.2	5.9%
- Financial assets at fair value through profit or loss	31,216.2	26,048.5	5,167.7	19.8%
- Other investments	592.1	100.3	491.8	>100%
Insurance provisions	79,234.9	74,413.9	4,820.9	6.5%
- Life insurance contracts	7,415.8	7,605.7	-189.9	-2.5%
- Life financial contracts with DPF	65,658.9	60,574.6	5,084.3	8.4%
- Shadow accounting provision	5,655.9	5,749.5	-93.6	-1.6%
- Non-life insurance policies	504.4	484.2	20.3	4.2%
Financial liabilities	27,363.9	22,243.7	5,120.2	23.0%
- Unit-linked financial policies	25,494.7	20,015.4	5,479.4	27.4%
- Index-linked financial policies	275.8	448.7	-172.9	-38.5%
- Products with specific assets	-	-	-	0.0%
- Subordinated liabilities	1,313.5	1,337.6	-24.1	-1.8%
- Other liabilities	279.9	442.1	-162.2	-36.7%
Shareholders' equity	4,599.5	4,379.4	220.0	5.0%
- attributable to the Group	4,599.5	4,379.4	220.0	5.0%
- attributable to minority interests	-	-	-	0.0%
Income statement				
Net earned premiums	12,002.5	15,131.9	-3,129.5	-20.7%
Net insurance benefits and claims	13,253.2	16,449.1	-3,195.9	-19.4%
Net fee and commission income	153.1	121.3	31.8	26.2%
Net income from financial instruments and investments	2,534.9	2,363.8	171.1	7.2%
Commissions and other acquisition costs	331.9	311.2	20.7	6.6%
Consolidated profit	612.5	480.4	132.1	27.5%
- attributable to the Group	612.5	480.4	132.1	27.5%
- attributable to minority interests	-	-	-	0.0%
Ratio				
Expense ratio	*35.0%*	*35.8%*	-0.8%	-2.3%
Non-life Loss ratio	*37.7%*	*49.9%*	-12.2%	-24.5%
Gross collection/insurance provisions and financial liabilities	19.9%	21.8%	-1.9%	-8.7%
Non-life combined ratio	*72.7%*	*85.7%*	-13.0%	-15.2%
Net fees and commissions/financial liabilities (Index- and Unit-linked)	0.6%	0.6%	0.0%	0.2%

Reclassified consolidated financial statements

Reclassified statement of financial position and income statement

millions €

	31-12-2015	31-12-2014	Change	
ASSETS				
Intangible assets	635.5	635.7	-0.2	0.0%
Tangible assets	1.5	0.6	0.9	140.7%
Amount ceded to reinsurers from insurance provisions	22.4	27.2	-4.7	-17.8%
Investments	107,076.4	97,192.8	9,883.8	10.2%
- Lands and buildings (investment properties)	19.2	19.4	-0.2	-0.8%
- Investments in subsidiaries, associates and joint ventures	-	-	-	n.a.
- Held to maturity investments	-	-	-	n.a.
- Loans and receivables	572.9	80.9	491.9	607.8%
- Available-for-sale financial assets	75,268.1	71,043.9	4,224.2	5.9%
- Financial assets at fair value through profit or loss	31,216.2	26,048.5	5,167.7	19.8%
Receivables	320.2	482.6	-162.4	-33.7%
Other assets	1,923.7	1,706.3	217.5	12.7%
Cash and cash equivalents	3,003.2	2,560.6	442.6	17.3%
Total assets	**112,982.9**	**102,605.8**	**10,377.4**	**10.1%**
LIABILITIES				
Shareholders' equity	4,599.5	4,379.4	220.1	5.0%
- attributable to the Group	4,599.5	4,379.4	220.1	5.0%
- attributable to minority interests	-	-	-	n.a.
Other provisions	13.9	10.6	3.3	30.7%
Insurance provisions	79,234.9	74,413.9	4,821.0	6.5%
- Life insurance contracts	7,415.7	7,605.7	-190.0	-2.5%
- Life financial contracts with DPF	65,658.9	60,574.6	5,084.3	8.4%
- Shadow accounting provision	5,655.9	5,749.5	-93.6	-1.6%
- Non-life insurance policies	504.4	484.2	20.3	4.2%
Financial liabilities	27,363.9	22,243.7	5,120.2	23.0%
- Index-linked financial policies	275.8	448.7	-172.8	-38.5%
- Unit-linked financial policies	25,494.7	20,015.4	5,479.3	27.4%
- Products with specific assets	-	-	-	n.a.
- Subordinated liabilities	1,313.5	1,337.6	-24.1	-1.8%
- Other liabilities	279.9	442.1	-162.3	-36.7%
Payables	618.9	520.8	98.1	18.8%
Other liabilities	1,151.8	1,037.3	114.5	11.0%
Total Shareholders' equity and liabilities	**112,982.9**	**102,605.8**	**10,377.2**	**10.1%**

millions €

	31-12-2015	31-12-2014	Change	
Net earned premiums	**12,002.5**	**15,131.9**	**-3,129.5**	**-20.7%**
- Life businesses	11,752.1	14,925.5	-3,173.3	-21.3%
- Non-life businesses	250.3	206.5	43.8	21.2%
Net insurance benefits and claims	**-13,253.2**	**-16,449.1**	**3,195.8**	**-19.4%**
Net fee and commission income	**153.1**	**121.3**	**31.7**	**26.2%**
Net income from financial instruments and investments	**2,534.9**	**2,363.8**	**171.2**	**7.2%**
- Net income from financial instruments at fair value through profit or loss	47.7	-83.2	130.9	<-100%
- Other income	2,487.2	2,447.1	40.1	1.6%
Acquisition and administration costs	**-445.1**	**-409.7**	**-35.5**	**8.7%**
- Commissions and other acquisition costs	-331.9	-311.2	-20.7	6.6%
- Other costs	-113.2	-98.4	-14.8	15.0%
Other revenues and expenses	**-133.2**	**-62.2**	**-70.9**	**>100%**
Profit before taxes for the period	**859.0**	**696.1**	**162.9**	**23.4%**
- Income taxes	-246.5	-215.7	-30.9	14.3%
Consolidated profit after taxes	**612.5**	**480.4**	**132.1**	**27.5%**
Loss from discontinued operations	**-**	**-**	**-**	**n.d.**
Consolidated profit	**612.5**	**480.4**	**132.1**	**27.5%**
- attributable to the Group	612.5	480.4	132.1	27.5%

Statement of comprehensive income

thousands €

INTESA SANPAOLO VITA S.p.A.	Total 31-12-2015	Total 31-12-2014
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**612,492**	**480,406**
Other comprehensive income after taxes without reclassification in the income statement	**380**	**-299**
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	380	-299
Other items	-	-
Other comprehensive income after taxes with reclassification in the income statement	**58,321**	**269,529**
Foreign currency translation differences	-40	43
Net unrealized gains (losses) on available for sale financial assets	58,361	269,486
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	**58,701**	**269,230**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**671,193**	**749,636**
of which attributable to the Group	**671,193**	**749,636**
of which attributable to minority interests	**-**	**-**

Statement of changes in equity

thousands €

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**

INTESA SANPAOLO VITA S.p.A.		Amount as of 31-12-2014	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 31-12-2015
Shareholders' equity attributable to the Group	Share capital	320,423	-	-	-	-	-	320,423
	Other equity instruments	-	-	-	-	-	-	-
	Capital reserves	1,328,097	-	-	-	-	-	1,328,097
	Revenue reserves and other reserves	1,660,635	-	481,311	-	-452,078	-	1,689,868
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	480,406	-	132,087	-	-1	-	612,492
	Other comprehensive income	589,888	-	380	-88,324	146,645	-	648,589
	Total attributable to the Group	**4,379,449**	**-**	**613,778**	**-88,324**	**-305,434**	**-**	**4,599,469**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,379,449**	**-**	**613,778**	**-88,324**	**-305,434**	**-**	**4,599,469**

Statement of cash flows (indirect method)

thousands €

INTESA SANPAOLO VITA S.p.A.	31-12-2015	31-12-2014
Profit (loss) before taxes for the period	**859,017**	**696,074**
Change in non-cash items	**5,721,061**	**16,785,080**
Change in non-life provision from unearned premium	29,159	-10,936
Change in non-life provision for outstanding claims and other insurance provisions	-4,334	6,792
Change in mathematical provisions and other life insurance provisions	4,859,321	16,272,111
Change in deferred acquisition costs	48	283
Change in provisions	3,274	2,333
Non-cash income and expenses from financial instruments, investment property and equity investments	815,449	399,246
Other expenses	18,144	115,251
Change in receivables and payables generated by operating activities	**136,719**	**82,008**
Change in receivables and payables on direct insurance and reinsurance operations	50,807	19,553
Change in other receivables and payables	85,912	62,455
Income taxes paid	**-246,525**	**-215,668**
Net cash generated/absorbed by cash items related to investment and financing activity	**-764,867**	**194,833**
Financial liabilities related to investment contracts	5,120,203	4,525,385
Payables to banks and customers	-	-
Loans and receivable from banks and customers	-	-
Other financial instruments at fair value through profit or loss	-5,885,070	-4,330,552
CASH FLOW FROM OPERATING ACTIVITY	**5,705,405**	**17,542,327**
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	-	-
Net cash generated/absorbed by loans and receivable	-491,944	-2,796
Net cash generated/absorbed by held to maturity investments	-	-
Net cash generated/absorbed by available for sale financial assets	-4,322,269	-16,396,983
Net cash generated/absorbed by tangible and intangible assets	-	-
Other cash generated/absorbed by investment activity	-	-
CASH FLOW FROM INVESTING ACTIVITY	**-4,814,048**	**-16,399,614**
Net cash generated/absorbed by Group's share capital and equity instruments	-448,833	-699,770
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	**-448,833**	**-699,770**
Effect of foreign-exchange differences on cash and cash equivalents		**-**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	2,560,638	2,117,695
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**442,524**	**442,943**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	3,003,162	2,560,638

Reference context and Group performance

The external context

The macroeconomic scenario

The international economic climate and the Italian economy

In 2015, the trend in the global economy was marked by moderate growth, low inflation, significant weakness in commodity prices and accommodating monetary conditions in advanced countries. Confidence was rocked in the spring by a new crisis in Greece, which then subsided, and subsequently by the collapse of the Chinese stock markets. Throughout the year, there were signs of a sharp economic slowdown in numerous emerging countries. In several cases, these developments were accompanied by considerable tensions over currencies. The situation stabilised somewhat from September to December, though without convincing signs of recovery arising.

The greater uncertainty on the global economic outlook and signs of suffering in the US manufacturing sector in relation to the strengthening of the US dollar led the Federal Reserve to procrastinate in executing the expected raise in official interest rates until December. In the United States internal demand is sound, and employment growth reduced the unemployment rate to 5%. Accordingly, the Federal Reserve continued to communicate its intention to gradually raise official interest rates in 2016.

In the Eurozone, economic growth gained strength, rising from 0.9% in 2014 to 1.5%, increasingly driven by internal demand, and, specifically, by household consumer spending. At sector level, there was a greater increase in activity in the services sector than in the industrial sector, which was affected by the slowdown in global demand. In November, year-on-year growth in industrial production was slightly more than 1%. The positive reflections of the recovery on employment reduced the unemployment rate from 11.2% at the beginning of the year to 10.5% in November. There continued to be no inflationary pressure, especially due to the exceptional drop in oil prices starting in 2014: average inflation was nil and at the end of the year it still came to 0.2%.

In March, the European Central Bank launched a Public Sector Purchase Programme (PSPP) integrating the two previous programmes dedicated to covered bonds and ABSs. At the end of the year, the duration of the programme, initially planned up to September 2016, was extended to March 2017. As at 31 December, purchases of only government securities amounted to €364 billion, of which €59 billion relating to Italian bonds. The President of the ECB warned that the central bank is ready to modify the composition, amount and characteristics of the purchase programme, if necessary. In addition, the ECB cut the deposit rates to -0.30% and extended the full allocation on main refinancing transactions and on quarterly refinancing transactions to 2017.

On money markets, the negative level of the rate on deposits and the increase in excess reserves further drove down interest rates pushing them down to negative levels: the one-month Euribor, which began 2015 at 0.016%, fell to -0.205% as at 31 December. The three-month rate dropped in the same period from 0.08% to -0.13%.

The yield curve on German debt declined sharply due to the launch of the ECB purchase programme, dropping to negative rates also on medium/long-term issues. The same ten-year yield reached a low of 0.08% in April. Subsequently, interest rates violently jumped until mid-June and then resumed falling, without, however, ever nearing the lows reached in the spring. Ten-year Italian bond yields recorded similar fluctuations, exacerbated by the tensions concerning Greek debt up to July. The yield on ten-year BTP dropped to 1.14% in March, subsequently jumping to levels exceeding 2.3% between the end of June and the beginning of July. The drop in the third quarter and the stabilisation in the fourth quarter resulted in a year-end level of 1.595%. The annual average spread with the Bund dropped from 165 basis points in 2014 to 119 basis points. The performance of Italian debt was better than that of Spanish debt, which was penalised by the increase in political risk in the last few months of the year. Italy benefited from a more favourable climate among international investors, both due to signs of economic recovery and due to progress in structural reforms.

The Euro depreciated quickly against the US dollar in the initial months of the year, reaching the low of 1.0460 in 2015. It then gained ground, closing the year at 1.0887, well below the figure of 1.2261 at the end of 2014.

In Italy, economic recovery was further confirmed. In the fourth quarter, gross domestic product grew by 1.0% on the same period of 2014, while average annual growth came to 0.7%. This increase is more the result of internal demand than the trade balance, as the latter was penalised by the weak performance of demand in emerging countries. Fixed investments resumed growth, though very weak and confined to transportation means. The pace of industrial production remained modest, but growth has become more widespread across sectors.

Employment rates rose again in the third quarter (+0.1%) after the strong increase seen in the second three

months of the year (+0.5%) and, along with the recover in real wages, supported consumer spending. The unemployment rate dropped significantly from January (12.2%) to November (11.3%), also reflecting the one-off effects of the reforms and tax incentives on the demand for labour.
At the end of 2015, the government's borrowing requirements had fallen significantly on 2014, the deficit/GDP ratio decreased but there was a new increase in debt. The government reduced the fiscal targets planned for 2016, while confirming the further reduction in the deficit and the start of a process to reduce the debt/GDP ratio.
In 2015, the performance of international stock markets was volatile overall, reflecting concerns over growth in several emerging countries, the weakness in commodities prices, uncertainties over the Fed's monetary policy actions and a rise in sovereign risk in the Eurozone in the middle months of the year.
The strong depreciation of the Euro on currency markets, which peaked in March with the launch of the ECB QE programme, mainly favoured stock markets in the Eurozone, and, specifically, export-oriented sectors that sell to the US dollar area. The currency factor was added to by the sharp decline in oil prices, with a positive effect on the disposable income of consumers and, looking forward, on the margins of industrial companies. Macroeconomic data for the first quarter also highlighted the economic recovery.
After peaking in April, stock indices in the Eurozone subsequently lost momentum, following the gradual worsening of the political and financial crisis in Greece. Political risk returned to the centre of attention, due to the progress of anti-EU political forces in numerous European countries. At the end of June, the stall in negotiations between Greece and international institutions triggered a significant correction on stock markets, accompanied by a temporary rise in bond yields, an expansion of spreads in peripheral countries and a return to risk aversion by investors.
In August and September, the decline in the international stock markets grew sharper: firstly due to growing concerns on the strength of growth in China and due to the weakness in commodities, and then due to the uncertainties linked to the timing of the Fed's planned rise in interest rates and, lastly, due to the impact of the Volkswagen scandal on the European automobile industry.
In the final months of 2015, stock markets showed lateral movement, pending clearer signs of growth in the Eurozone and in the Far East, and monetary policy decisions from the Fed and the ECB. A rise in geopolitical risk, following the terrorist attacks in Paris also weighed on market performance during the period.
On a positive note, the expectations of an extension of the ECB securities acquisition programme (which was then approved at the beginning of December, with an extension at least until March 2017) provided support to the stock markets. The 3rd quarter company reporting season then showed a slight recovery in demand in the Eurozone and a consolidation of industrial margins, specifically for export-oriented groups, providing support to prices on stock indices.
The EuroStoxx index closed 2015 up by 8.5%. The performance of DAX 30 at the end of December was slightly higher (+9.6%), as well as that of the CAC 40 (+9.5%). The Spanish stock market underperformed, with the IBEX 35 index dropping by 6.2% at 31 December. Outside the Eurozone, the benchmark market index for the Swiss market, SMI, recorded a slight drop in the period (-1.8%), while the FTSE 100 in the UK market closed the twelve months down by 4.5%.
The S&P 500 index closed 2015 substantially unchanged (+0.2%). The main stock markets in Asia showed positive performances: the Chinese benchmark index SSE A-Share rose by 10.5%, while the Nikkei 225 index closed at 31 December up by 9.1%.
In 2015, the Italian stock market outperformed the main benchmark indexes in the Eurozone, thanks to the gradual start of the economic recovery, the favourable exchange rate effect for exports to the US dollar area, the drop in yields and, more generally, lower aversion to Italy risk by investors. The FTSE MIB index closed the year up 12.7% (+18.1% at the end of June), and the FTSE Italia All Share index posted a slightly greater increase (+15.4%) at the end of the year. Mid-cap stocks once again largely outperformed blue chips; the FTSE Italia STAR index ended the year up 39.8%.
European corporate bond markets ended 2015 in the negative, with an increased risk premium (measured as the asset swap spread – ASW), and with the riskiest asset classes showing better performance, in relative terms, than investment grade securities. Concurrently, investors' continuous search for yields somehow offset the gradual increase in spreads, enabling European corporate bonds to close 2015 with total returns that were slightly positive.
In the beginning of 2015, the announcement of the launch of the ECB's purchase programme had resulted in a considerable and generalised reduction of yields. Subsequently, the uncertainties relating to the situation in Greece, concerns about the international macroeconomic scenario, specifically the possible slowdown of China, and the events involving several individual issuers (e.g.: Volkswagen, RWE and Glencore) led to a rise in volatility and negatively influenced the performance of spreads, which peaked in September (from August to September risk premiums expanded by about 30%). After a strong recovery in bond prices in October, for the remainder of 2015, the main market driver was the expectation of monetary policy measures by central banks. Investors' disappointment in the ECB's decisions in December, the additional drop in oil prices and new concerns about

international economic growth resulted in a generalised rise in risk aversion in the first half of December.
In detail, over 2015, risk premium grew by about 40% for investment grade securities and by 20% for more speculative securities, while in terms of total return, performances were +0.78% and +0.30%, respectively. At the sector level, the concerns regarding the international economic scenario mentioned above weighed especially heavily on securities linked to commodities and cyclical consumption. Also at the level of the iTraxx indices, the CDS (Credit Default Swap) indices that summarise the risk perceived by the market, 2015 was marked by high volatility, with rising insolvency risk hedging costs. The only exception was the Crossover index, which closed the year basically unchanged.
In terms of new issues, the favourable lending conditions and the search for yields resulted in continued high volumes, in line with the levels reached in 2014. During the year, the primary market also benefited from issues in EUR by US companies (e.g.: Apple and Coca Cola) aiming at exploiting the low interest rates on the Euro.
It is also important to note that the low interest rates favoured the increase of liability management transactions by individual companies, through the repurchase of securities issued and their replacement with longer-term securities under more favourable conditions.
Based on preliminary estimates by the IMF published in January, the average GDP growth of emerging countries slowed to 4.0% in 2015 from 4.6% in 2014. The slowdown is attributable to the decrease in economic activity in Latin America and CIS countries, on one hand, with the GDP in Brazil dropping by 3.8% and that of Russia by 3.7%, and, on the other, to the slowdown in the leading Asian economies, with a deceleration in China (+6.9% in 2015 from +7.3% in 2014) and in MENA countries (+2.5% from +2.8% in 2014).
In Central and South Eastern Europe, GDP figures available regarding 2015 confirmed the expectations of continued sustained growth, even if slightly slowing on the whole in 2015 compared to 2014, with further acceleration in Slovakia (GDP growth of 3.3% in the first three quarters, from +2.4% in the same period of 2014) and a more moderate trend in Slovenia (+2.7% from +3.1%) and Hungary (+2.9% from +3.8%). In SEE countries, the available information, which regards the first three quarters of the year, shows a significant recovery in economic activity, in line with the previous forecasts, with an accelerating trend in the GDP in Croatia (+1.5% from -0.5% in the same period of 2014) and Serbia (+0.4% from -1.7%), coming out of recession, and Romania (+3.7% from +2.9%).
Overall, the IMF estimated the average inflation rate in emerging countries as rising slightly to 5.5% in 2015, from 5.1% in 2014, but decelerating in certain cases, specifically in China. On the whole, the weakness of the economic trend, the sharp drop in commodities prices and the positive results of the agricultural season contributed to balancing the inflationary pressures due, in various areas, to the significant depreciation of exchange rates and increases in regulated prices and rates in order to reduce public deficits.

Emerging economies and financial markets

Monetary policy decisions of central banks in emerging countries were not homogeneous. In Asia, easing measures prevailed (specifically in China and India), while in Latin America restrictive measures prevailed to offset the inflationary pressures due to the significant depreciation of exchange rates. In Russia and Ukraine, whose currencies were driven sharply downwards, the central banks brought the benchmark rates to record levels in the initial months of 2015 (17% and 30%, respectively). Subsequently, as a result of the easing of the tensions on the markets, both countries reduced their benchmark rates and ended the year at 11% and 22%, respectively in Russia and Ukraine. Following the cuts made by several central banks in CEE and SEE countries in the first half of the year, no further easing measures were implemented in the second half of 2015, with the exception of Serbia, where the policy rate was decreased to 4.5%. Egypt, which cut the benchmark rate at the beginning of the year, raised it again by 50 basis points in December, bringing it to the level of the end of 2014.
Due to the geopolitical tensions in certain areas (CIS and MENA), the drop in commodities prices in exporting countries and the sharp outflows of capital from these countries overall (specifically from China) had significant repercussions on emerging markets, with depreciation of exchange rates, the decline in the main stock prices and widening of CDS spreads.
The appreciation of the US dollar (with the OITP index rising by 10.2%, following an increase of 7.3% in 2014) was considerably sharp versus the currencies of other commodity-exporter countries such as Brazil (+47%), Russia (+29%), South Africa (+34%) or those with current imbalances such as Turkey (+25%). The persistent geopolitical tensions along with significant internal macroeconomic imbalances caused the Ukrainian hryvnia to lose over half of its value on the US dollar. Currencies in Central and South Eastern Europe were relatively impacted by those trends and substantially followed the Euro, which depreciated by about 10% on the US dollar. The Egyptian pound also depreciated by 9.5% on the US dollar.
The MSCI composite index of emerging countries' stock markets dropped by 8.6% in 2015 after gaining 2.6% in 2014. The Shanghai market was quite volatile and, though in the second half it lost the significant earnings recorded in the first half of the year, it managed to end 2015 with a positive sign (+9%). In Europe, the positive economic trend provided a sharp boost to stock prices in Hungary (+43.8%) and Slovakia (+31.5%), while Russia

(-4.3%), Croatia (-2.8%), Slovenia (-11.2%) and Serbia (-3.4%) suffered declines. The Egyptian market made a downwards correction due to tensions in the region (-21.5%).
On the bond markets, the average EMBI+ spread for emerging countries expanded to 410 basis points in 2015 from 387 basis points at the end of 2014. The rises often followed rating downgrades which, among others, regarded Brazil, in Latin America, which lost its investment grade rating (S&P rating from BBB- to BB+), Nigeria, in Africa (S&P rating from BB- to B+) and Saudi Arabia in the Middle East (S&P rating from AA- to A+). Russia's spread, though volatile and despite the fact that the country lost its investment grade rating (S&P rating from BBB- to BB+), managed to decrease due to the stabilisation of the domestic financial scenario. In the other countries where ISP subsidiaries are located, S&P raised Hungary's rating (from BB to BB+) Slovenia's outlook (to A-/P) while it downgraded Croatia's outlook (to BB/N). Ukraine's rating was downgraded during 2015 (to SD), however, following the agreement on foreign debt restructuring, it was raised back to the levels of the beginning of the year (B-).

Outlook for 2016

In 2016 the phase of economic growth is expected to continue, with possible signs of stabilisation in China, following the slowdown in the previous quarters. In advanced countries, the additional drop in commodities prices will favour the growth in consumer spending rather than that of exports. Markets price in just a minimum rise in official interest rates in the United States and the pressure on medium and long-term rates in US dollars will remain modest. In the Eurozone, the ECB has forecast the adoption of new monetary policy measures which could be announced soon. This possibility will keep the interest rate curve compressed in the Eurozone. European economic growth could continue at a practically unchanged pace, supported more by the expansion of services than by manufacturing production. In Italy, the signs of recovery that marked 2015 are expected to last.

In 2016, the IMF has forecast GDP growth in the emerging countries (January 2016 update of World Economic Outlook), slightly recovering on 2015 (+4.3% compared to 4%) but at a more modest pace compared to what previously expected (forecast of 4.5% for 2016 made in October 2015). This forecast is impacted by a less unfavourable GDP trend during the year in CIS countries and in Latin America (though still in recession overall), which should counteract the downwards effect of the slowdown in Asia (specifically in China) and in numerous commodity-exporter countries in the Middle East and Africa. However, the persistent weakness in the commodities market and the worsening of internal and external imbalances in several countries are concrete signs of the risk of revision (more sharply downwards) of growth expectations throughout the year.

In Central and South-Eastern European countries with ISP subsidiaries, whose economic performance remains primarily connected to the trends in the Eurozone, GDP growth for 2016 is forecast to decelerate slightly in CEE countries, but to accelerate in SEE countries, driven by the further recovery in Serbia and Romania. Growth is also expected to accelerate in Egypt, thanks to the investment plan announced by the government.

The domestic insurance market

The life market

After a record-breaking 2014, the domestic life market ended the year positively, although the growth rate was less vigorous than in the last two years with new business of €108.5 billion. The Italian insurance companies held on to their 2014 volumes with a different business mix. The market was driven by the classic unit-linked and multi-class products in 2015 while the other product lines lost ground, due to the hold of the segregated asset portfolios after the large volumes of the past two years, their returns and the Solvency II Directive, which requires capital to be set aside for the products with guarantees.

New premiums for traditional products amounted to €50.3 billion, down 18% on 2014. Various operators, mainly banks and financial advisors, focused on other products, using the class I products solely for commercial reasons. As part of the traditional products, the niche life protection market (term life, LTC and dread disease) grew 20%. At present, only a few foreign companies effectively promote protection products.

The real protagonists of 2015 were the multi-class products with new premiums of €19.4 billion and a growth rate of 103% compared to the previous year. In addition to these positive volumes, the multi-class market was advantaged by the average asset allocation with 58% of the portfolio invested in class I products and 42% in class III products; in addition, compared to 2014 when 65% of the premiums were invested in segregated assets, the portfolio is now increasingly focused on class III products. There are two reasons for this move which are both commercial in nature and also given the stricter, class III-orientated structure of products.

The classic unit-linked products also did well with new business of €35.7 billion, up 33% on the previous year. Their success was due mainly to the placement of insurance policies with high-end customers. The guaranteed/protected unit-linked products continued to struggle in a market concentrated on just a few operators. Their new premiums were below €2.5 billion, down 9% on 2014. All the policies sold on the market are protected, due to the high cost of financial guarantees. The protection level decreased from 100% for the series launched in 2014 to 80%-90% and, given the low interest rates, the insurance companies found it difficult to assemble this type of product, launching less series than in the previous year. In addition, some operators studied new products that only protect part of the capital for a limited time period.

Finally, the individual pension plan products lost 3% with new business of €625 million while no new index-launched products were launched on the domestic market.

The bancassurance market grew 2% during the year with new business of €75.9 billion. The agents also recorded very positive growth rates of 11% with premiums of more than €11 billion while the financial advisors saw an increase in their sales of 24% and new business of more than €20 billion.

The pensions market

After several negative years, the Italian economy picked up in 2015 albeit at a slower pace than the main Eurozone countries. The employment figure is also positive as it finally grew by more than 100,000 people with nearly 22,500,000 people employed at the end of the year. Italy is still well below the pre-crisis employment levels although the unemployment rate has finally decreased to below 12% after a long time.

The percentage of unemployed young people decreased to roughly 38% but is still very high. The EU's expansionary monetary policies and the recent changes made by the Jobs Act have finally borne fruit, reversing the negative trend seen over the past few years. The current more favourable macroeconomic climate has positively affected the qualified pension savings sector as well which grew significantly in 2015 compared to previous years, thanks also to an important contractual clause introduced for people working in the construction sector. During renewal of the national labour contract for this sector, the parties involved agreed to include an automatic membership mechanism for the sector pension fund using only the employer's contribution. This mechanism has led to a significant increase in the number of members in Pillar 2 products: over 3,100,000 workers at the end of the year, up roughly 17% on 31 December 2014. As already noted in previous years, the number of participants in Pillar 3 pension plans also grew to 4,100,000 (+12%). Eight years after the last time, collective participation products showed greater growth than individual products, solely thanks to the recent contractual changes made for the construction sector, which may be copied by other sectors when their national labour contracts are revised. Overall, the market has 7,400,000 participants, equal to roughly 33% of the total employed workforce in Italy. Excluding the effect of the automatic membership mechanism for the construction sector, nearly 496,000 new pension funds were placed in 2015, 4% more than in the previous year.

The main distribution channel is the banking and postal channel with approximately 226,000 new members and a 13% rise in volumes on 2014. However, insurance agents saw an 8% contraction in their business with nearly 176,000 new participants signed up during the year. The financial advisors were the worst hit with just 43,400 new participants, down 15% on 2014.

Contributions to pension plans were positive in 2015 up roughly 4% to €13.5 billion. Most of these contributions are from the collectively negotiated pension funds with contributions of nearly €4.5 billion, followed by the pre-existing pension funds with €3.8 billion. Contributions collected by the individual pension funds amounted to €3.5 billion, more than double those for the open pension funds that ended the year with

contributions of just under €1.5 billion. Post-employment benefits transferred to the pension funds increased to over €5.4 billion. Employer contributions grew slightly to nearly €2.4 billion. The voluntary contributions increased at a faster pace than the other sources exceeding €5.7 billion for 2015. Overall, assets managed by the supplementary pension funds rose by 5% to nearly €138 billion.
The total pension plan assets make up roughly 8% of the Italian managed funds. Despite the fluctuating financial markets, the pension funds garnered positive average returns in 2015, which were often higher than the post-employment revaluations (1.25% net of the substitute tax in 2015).

The non-life market

The preliminary figures for the year confirm the ongoing reduction in volumes seen over the last few years for this market. Indeed, non-life business premiums contracted by about 2% or just over €32 billion during the year.
The non-motor insurance segment began to benefit from the first signals of an upturn in the economy. At year end, non-motor premiums increased by about an annual 2% with the positive contribution of all the main business areas. Specifically, the casualty segment returned to a positive performance although the more dynamic signs of an improvement were seen from certain specific classes (pecuniary losses, support and assistance and legal protection first and foremost).
Market concentration did not change significantly with the top five insurance groups controlling about 70% of the market, in line with the previous year. Due to the tough competition, both the large groups and smaller players saw a drop in their business. Initial estimates for the year show that the market operators' profitability decreased slightly (the year-end average combined ratio is expected to approximate 91%).
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 former channel confirmed its role as the main distribution network in terms of market share with roughly 88% of the total non-life business volumes. The market has, however, seen a slight steady contraction in the share of agencies, with only the banking channel continuing to grow, bringing its market share to approximately 7% of the total non-life business.
The non-life and protection business continues to be important to Italian banks, which focus on all business lines. At year end, volumes handled by bank branches amounted to around €2.1 billion, up roughly 13% on 2014. The banking channel's involvement in the sale of motor insurance products was positive even though the market lost more than 5%: premium income grew steadily to just above €525 million, €50 million more than in 2014. The market is quite concentrated and the size of the sales networks (not only in terms of the branches but also the managers involved) and vast number of bank customers are fundamental to implement a winning strategy in this segment.
All the Italian banks are heavily involved in the non-motor business and volumes were in line with previous years, with premium income at nearly €900 million (+14%) at 31 December 2015, assisted by the upturn in the real estate sector and the lending business. This recovery also affected the credit protection business, increasing the volumes of CPI premiums to around €700 million (+13%).

Action plans and business development

The action plans of the Intesa Sanpaolo Vita group insurance companies adopted in 2015 are described below:
The parent, Intesa Sanpaolo Vita:

- focused on its customers and product innovation;
- monitored its capitalisation levels and protection of its assets;
- checked its risks to reduce them and stepped up the monitoring, checking, management and development of an internal risk management culture continuing the activities for transition to Solvency II;
- concentrated on managing its financial resources and liabilities in a knowledgeable manner;
- focused on cost management;
- developed its product portfolio launching two multi-class "Giusto Mix" and "Synthesis" products for the Banca dei Territori networks and the Intesa Sanpaolo Private Banking network, respectively.

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

- focus on reaching the objectives of the 2014-2017 business plan of the insurance group and the ultimate parent, Intesa Sanpaolo;
- organising an insurance division within the ultimate parent as additional confirmation of the insurance business' importance to the Group.

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 ultimate parent, Intesa Sanpaolo Vita:
  - continued the 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. With respect to the open pension funds, it merged three pension funds previously set up by the insurance group parent itself ("Sanpaolo Previdenza", "Sanpaolo Previdenza Aziende" and "Miaprevidenza") into the open pension fund "Il Mio Domani".
- 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;
  - variations to the tariffs for the motor business were designed to be more competitive both with respect to new risks and the maintenance of existing contracts upon their renewal;
  - a project, agreed and developed with Intesa Sanpaolo's assistance, was rolled out for the recontacting of customers that requested a quote in the past but did not purchase the related policy;
  - the "aCasaConMe" product was launched in January which provides traditional home insurance as well as the free use of a technological device to avail of the safety and security services offered by Intesa Sanpaolo SmartCare;
  - the "MotoConMe" product was made available to the branches: this is a new version of the motorbike policy with innovative cover of customers' assets (helmet, technical clothing, etc.) and the possibility to obtain a technological device offered by Intesa Sanpaolo SmartCare;
  - studies of the new credit protection policy were completed and this product will be on sale by the Intesa Sanpaolo network branches for loans
- 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. It continued to improve its operating model during the year and to investigate whether to extend its products to other international channels. On 1 July 2015, the company opened an office in Milan to assist with administrative and network training activities.
- The insurance products are sold through the private bankers of Fideuram and Sanpaolo Invest SIM as

well as Intesa Private Banking's bank branches. On 1 July 2015, the subsidiary's distribution agreement with Marsh was discontinued and replaced by distribution agreements with Intesa Sanpaolo Group's distribution networks.

Thanks to the results of its strategies in line with the 2014-2017 business plan, the insurance group achieved the following in 2015:

- it maintained its leading role in the domestic life insurance sector;
- 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 came to €612.5 million, an improvement on the €480.4 million for 2014.
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 increase in new life business, principally for the unit-linked products (mainly investments);
- growth in the non-life portfolio, thanks to the positive contribution of the new home product and the upturn in the credit protection policies agreed for loans;
- a rise in average assets under management, thanks to net inflows of €8,279.6 million;
- steady financial income;
- careful management of operating costs;

Compared to 2014, 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 assets;
- further progress in the technical performance of non-life business thanks to the positive contribution of the main core products, especially motor and home products, and a steady return of the credit protection business to profitability. 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.

The net gains on financial instruments amounted to €2,535 million against €2,364 million in 2014. 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.

Comprehensive income amounted to €671.2 million (€749.6 million for the previous year). This is principally an effect of the smaller variation in the fair value reserve (other comprehensive income), which increased by €58.4million on the back of the rise of €269.5 million in the previous year.

Risk management

An internal control system is of strategic importance to Intesa Sanpaolo Vita Group as it is a fundamental part of the entire governance system, which allows the Group to manage its activities in line with its strategies and policies in a prudent and healthy manner.

The risk management system is an important informational tool for the company bodies, keeping them fully up-to-date, ensuring the efficient monitoring of risks and their interaction, providing guidance about strategies and policies and how to ensure compliance of its organisation. It is also important to ensure compliance with general and sector regulations, especially those issued by the supervisory authority and to encourage the adoption of a correct control culture.

The risk management system was reinforced again during the year to comply with the EU and national regulations issued as part of the preparatory phase before enactment of the Solvency II Directive. Specifically, the Group strengthened the procedures and models used to assess its risk profile, the related monitoring processes and governance documents of the insurance group.

This project not only involved the Group's internal processes but also included developing a greater risk management culture, which is shared by the entire organisation and applied to develop and introduce methods to identify, measure, communicate and manage risks.

Intesa Sanpaolo Vita Group implemented an internal control system based on the following pillars:

- the internal control environment, based on senior management's awareness of the importance of correctly identifying the principal tools making up the control system, i.e.:
  - 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);
  - 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.

The risk management strategy

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 companies' investment policies 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 ex priori 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 insurance 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.

Principal results of the risk management strategy

The strategic priority afforded to the gradual reduction 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:
o fixed-term guarantees rather than annually consolidated guarantees;
o 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.
• 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 have an overall exposure above 1%;
• total 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 2015 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.

During the year, the insurance group companies worked to implement the requirements of the Solvency II Directive as part of the ultimate parent's insurance division in a consistent and coordinated manner.

To this end, they identified areas and environments to be developed at strategic and operational level.
Specifically, they identified the following six strategic areas:
• Products
• Asset Liability Management (ALM) policies
• Planning and budgeting
• Capital allocation and management
• Reassurance policies
• Internal models and transition measures

A work group coordinated by a reference person was set up for each area.

At operational level, two macro environments were identified: one related to application tools, for which the data quality management (DQM), the quantitative reporting system, the source systems, the reserve calculation engine and the Solvency II report will be introduced. The other environment involves the governance tools and, especially, preparation of guidelines, formalisation of processes and operating guides and rationalisation of the methods.

In addition to the above, two specific processes will be introduced for the design activities: the Pillar II ORSA (Own Risk & Solvency Assessment) process and the Pillar III quantitative and qualitative reporting process.

The principal new products

The parent introduced important innovations in the year.
They included the launch of two single premium, whole life multi-class products, which allow customers to acquire a diversified portfolio to benefit from the potential return on a wide range of asset classes and the stabilising effect of the segregated assets, which offset market volatility.

Specifically:
- the "Giusto Mix" (the Right Mix) product, which flanks the traditional class I investment and savings products to be offered by the Banca dei Territori network, was introduced in the first half of the year. The product can be both standard and customised with a combination of segregated assets and several flexible unit-linked funds. This combination can also be changed over time to reflect the customer's requirements and expectations;
- Intesa Sanpaolo Vita launched "Synthesis" in the second half of the year, designed for Intesa Sanpaolo Private Banking's branches. The product allows the private banking customers to assemble an investment mix from class I segregated assets, unit-linked internal funds and a wide range of foreign funds selected by the parent in accordance with the contract terms. This product is a "complete system" hinging on the synergies of two major insurance businesses to create efficiency and financial solidity.

The parent's objective is to develop a new business segment to take on the new challenges posed by the market context and the competition and legislative framework about risk measurement and management.

The sales figures for two products show the distribution network great appreciation and a more balanced composition of sales between class I and class III.

The subsidiary Intesa Sanpaolo Life introduced new variations of its "Prospettiva 2.0" (Perspective 2.0) product with new internal funds.

Intesa Sanpaolo Assicura developed the following projects for its "ViaggiaConMe" (Travel with me) product during the year:

- launch of a campaign to recontact all those customers who had requested a quote when the product was released without finalising its purchase. The company has provided the commercial network (managers and contact units) with a list of contacts whose insurance premiums have been recalculated to reflect the customers' actual needs;
- additional changes to the tariffs to make the product more competitive both when acquiring new risks and during its renewal;
- the "MotoConMe" (Ride with Me) product was made available to the branches in June: this is a new version of the motorbike policy with innovative cover of customers' assets (helmet, technical clothing, etc.) and the possibility to obtain a technological device offered by Intesa Sanpaolo SmartCare.

The company undertook two main projects for its CPI products:

- it repriced the product linked to loans from 1 June;
- it launched a new CPI product linked to loans in December.

With respect to the other non-life lines of business excluding aviation, marine, bonds and credit, sales of the "ACasaConMe" (At home with me) product commenced on 19 January. It insures the home against damage or unforeseeable events and has been well met by the market in the period. Customers have free use of a safety and security technological device offered by Intesa Sanpaolo SmartCare.
The special conditions for group employees were also revised as follows:

- increase in the discount on the CVT component of the ViaggiaConMe policy;
- introduction of new conditions for the aCasaConMe and MotoConMe products.

Intesa Sanpaolo Assicura also continued to simplify and update its current product portfolio.
This includes the review of the policies designed to provide cover for families' third-party liability, accidents and healthcare.

Performance

During 2015, the Group reported gross premiums of €21,210.5 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 0.7% on the previous year (€21,059.9 million).

Gross life premiums amounted to €20,924.6 million, up 0.4% on the €20,849.3 million for 2014.

Gross non-life premiums amounted to €285.9 million, up 36% on the €210.6 million for the previous year.

Income from traditional products decreased (-23%), more than countered by the rise in class III products (+55%) and especially those of class IV, following the introduction of the pension products after the contribution of the business unit by Intesa Sanpaolo Previdenza SIM S.p.A. on 1 December 2014 (+164%).

millions €

	31-12-2015	31-12-2014	Change	
Collection of contracts classified as insurance and investment with DPF:	**11,752.6**	**14,926.0**	**-3,173.3**	**-21.3%**
- Traditional (class I)	11,363.9	14,761.5	-3,397.7	-23.0%
- Capitalisation (class V)	1.8	1.6	0.2	11.8%
- Unit Linked (class III)	11.1	20.4	-9.4	-45.9%
- Pension funds and Fip (VI)	375.9	142.4	233.5	164.0%
Collection of contracts classified as investment without DPF:	**9,172.0**	**5,923.4**	**3,248.6**	**54.8%**
- Index Linked (class III)	-	-	-	0.0%
- Unit Linked (class III)	9,172.0	5,923.4	3,248.6	54.8%
Total Life business	**20,924.6**	**20,849.3**	**75.3**	**0.4%**

New life business, including income from financial products without discretionary participation features (DPF), came to €20,724.8 million (+0.5%) compared to €20,625.2 million for 2014.

The distribution structure

The parent, Intesa Sanpaolo Vita, mainly uses the branches of Intesa Sanpaolo Group to distribute its pension, savings and investment products. The distribution agreement was revised in 2011 after completion of the merger and now expires in 2021 with a renewal option.
Intesa Sanpaolo Vita uses the bank branches of Intesa Sanpaolo Group and Accedo's (formerly Intesa Sanpaolo Personal Finance) distribution network to distribute its CPI products. The latter company underwent a demerger in the period leading to the creation of a new network called Accedo and the transfer of part of the CPI products previously managed by it to Intesa Sanpaolo.

The parent also avails of the financial advisors network of Banca Fideuram Group to distribute the internal pension product "PIP Progetto Pensione" (PIP Pension Project).

A distribution agreement was 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 Intesa Sanpaolo Group and the financial advisors network of the Banca Fideuram group, up until June 2015. As a result of the reorganisation of its operating model started on 1 July 2015, the subsidiary eliminated Marsh from its distribution chain and entered into a number of separate distribution agreements with the ISP Group banks. Therefore, it directly pays the Group commissions on the placement of its products.
Finally, for Intesa Sanpaolo Assicura, its main distribution channel is through the branches of Intesa Sanpaolo Group, in addition to the distribution agreement with the financial advisors of the Banca Fideuram Group networks as well as distributing its products over the internet.

Reinsurance policy

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

companies.
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, mainly assistance guarantees and legal protection.
Resort to additional reinsurance is limited to the rare cases in which the risk does not fall under existing reinsurance treaties.

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

Research and development

During the year, the parent continued the activities set out in the EIOPA Guidelines published at the end of October 2013 and transposed by IVASS (the Italian Insurance Supervisory Authority) in Regulations no. 20/2008 and 26/2011 and in some Letters to the market.
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 reporting to national authorities, all with reference to the new prudential regulation.
Given the timeframe for implementation of the various regulatory requirements, the Solvency II project is being implemented both at insurance group level (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo Life) and consolidated level (the insurance group and Fideuram Vita).
The main activities carried out during the year for this project included:

- Pillar I and Pillar III: the first set of Solvency II annual and quarterly reports were sent to the supervisory authorities including the QRT (Quantitative Reporting Templates), the new Solvency II formats and the RSR (Regular Supervisory Report), which is the descriptive report prepared using the regulatory index. Each company sent the reports within the dates set by the supervisory authorities;
- FLAOR report: the ex post and ex ante assessment of group-level risks was performed and reported in the 2015 FLAOR report, with different sections for each company. The board of directors approved the report on 18 June 2015 and it was subsequently sent to the supervisory authorities in the same month;
- Data Quality Management: procedures to ensure the correctness and traceability of the data used in the Solvency II valuations were continued and reinforced with the start of a data quality management project to cover the governance aspects related to data quality, to map the Pillar I and Pillar III data flows and define the checks that will ensure the completeness, correctness and relevance of the information;

Staff

At 31 December 2015, the parent and its subsidiaries had 538 employees, 5 less than at 31 December 2014. The Group had 27 resources seconded from other companies of Intesa Sanpaolo Group and had seconded 28 employees to other companies of Intesa Sanpaolo Group.

	Intesa Sanpaolo Vita	Intesa Sanpaolo Life	Intesa Sanpaolo Assicura	**Totale**
Employees	370	53	116	539
- Managers	11	1	7	19
- Officers	172	10	43	225
- Other employees	187	42	66	295
Staff seconded from other companies to the Intesa Sanpaolo	18	1	8	27
Staff seconded to other companies of the Intesa Sanpaolo Group	23	-	5	28
Total	**365**	**54**	**119**	**538**
Other contractual forms	-	-	-	-
General total	**365**	**54**	**119**	**538**

Intesa Sanpaolo's insurance division, set up at the end of 2014, was fully operational during the year to manage and coordinate the Group's entire insurance business. The parent seconded managers and specialist staff thereto (four mangers and 15 junior managers and white collars) to the division as needed depending on the project under development.

Intesa Sanpaolo Vita hired 11 people during the year, including a manager who was given the position of heading the customer operations unit, as part of the future rationalisation of these activities at the subsidiary Intesa Sanpaolo Assicura as well. It also took on an employee with a term contract for a project to develop the collective pension plans. Given the organisational changes affecting the Chief Risk Officer and the segregation of the Compliance and AML unit into two separate units, the parent hired seven people (including three on secondment) to temporarily reinforce the new AML unit.

The objectives for the employees' 2014 incentive system were met at group and company level.
Accordingly and as agreed with the ultimate parent, Intesa Sanpaolo, the bonuses proposed by the remuneration committee and subsequently approved by the board of directors for the risk takers were provided. The risk taker category was recently revised to comply with the competent European authority's measure.

A particularly important project launched during the year was "Progetto Ascolto" (I'm listening) which provides for meetings of the entire parent's staff in the presence of the managing directors as well as regular one-on-one interviews of employees. The project's objective motivate the employees and encourage their professional growth.

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. 8 of 3 March 2015**, defining the simplification measures of procedures and requirements for transactions between insurance companies, brokers and customers, including pursuant to article 22.15-bis of Law decree no. 179 of 18 October 2012 converted into Law no. 221 of 17 December 2012.
- **IVASS regulation no. 9 of 19 May 2015,** covering the database of claims history certificates and risk status certificates as per article 134 of Legislative decree no. 209 of 7 September 2005 - Italian Private Insurance Code - dematerialisation of the claims history certificate.
- **IVASS regulation no. 10 of 22 December 2015**, covering the treatment of downstream equity investments (article 79 of the Italian Private Insurance Code).
- **IVASS regulation no. 11 of 22 December 2015** on the use of the USP and GSP to calculate the capital requirement using the standard formula.
- **IVASS regulation no. 12 of 22 December 2015**, defining the use of internal models to calculate the capital requirement.
- **IVASS regulation no. 13 of 22 December 2015**, covering ancillary own-fund items.
- **IVASS regulation no. 14 of 22 December 2015**, on the own risk used to calculate the capital requirement using the standard formula.
- **IVASS regulation no. 15 of 22 December 2015**, providing guidance on the application of the life underwriting risk module to calculate the capital requirement using the standard formula.
- **IVASS regulation no. 16 of 22 December 2015**, covering the application of market risk model and counterparty default risk modules to calculate the capital requirement using the standard formula.
- **IVASS measure no. 29 of 19 June 2015**, technical instructions for the transmission of data and access to the database of claims history certificates as per IVASS regulation no. 9 of 19 May 2015 covering the database of claims history certificates and risk status certificates as per article 134 of Legislative decree no. 209 of 7 September 2005 - Italian Private Insurance Code - dematerialisation of the claims history certificates.
- **IVASS measure no. 31 of 24 March 2015**, amendment to Regulation no. 17 of 11 March 2008 about the joint exercise of life and non-life businesses as per articles 11 and 348 of Legislative decree no. 209 of 7 September 2005 - Italian Private Insurance Code.
- **IVASS measure no. 30 of 24 March 2015**, amendment to Regulation no. 24 of 19 May 2008 about the presentation of claims to ISVAP and claim management by insurance companies.

- **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.
- **Measure no. 41 of 22 December 2015**, amending ISVAP regulation no. 34 of 19 March 2010 on the distance promotion and marketing of insurance contracts.
- **COVIP (Supervisory Commission for Pension Funds) circular no. 2/E of 13 February 2015**, complementary healthcare measures. Article 1.621/622/624 of Law no. 190 of 23 December 2014 (2015 Stability Law).

Tax regulations

Law no. 208/2015 (the 2016 Stability Law) introduced a reduction in the IRES rate from 27.5% to 24% starting from 2017. Accordingly and again from 2017, the tax withholding on income earned on equity investments held in non-black list countries will decrease from 1.375% to 1.20%.

Credit and financial institutions (which do not include insurance companies) will be required to pay an additional IRES tax of 3.5% starting from 2017, as the ordinary IRES rate applicable to these taxpayers will continue to be 27.5% (24% + 3.5%).

The 2016 Stability Law also provides for a 40% increase in the tax-deductible cost of purchasing new property, plant and equipment to encourage investments. These assets shall either be purchased or leased in the period from 15 October 2015 to 31 December 2016. This will allow entities to recognise higher depreciation expense and lease liabilities, thus obtaining the related tax benefit from their tax deductibility.

On 1 December 2015, the tax authorities issued measure no. 154278 implementing the "patent box" regime, which had already been provided for in the 2015 Stability Law (Law no. 190/2014).

As a result, entities may exercise a five-year option starting from 2015 to exclude part of the income on the direct or indirect use of legally-protected intangible assets (specifically, licensed software, patents and trademarks) from the IRES and IRAP tax base. The current legislation provides for exemption of 30% in 2015, 40% in 2016 and 50% in 2017 of the relevant income sourced on the use of the intangible assets.

Premiums and net payments relating to insurance contracts

Premiums recognised in the year for the life and non-life business, including reinsurance, amounted to €12,011 million, down 21% on the previous year. This decrease mainly referred to the life business and principally to premiums for financial products with DPF.

millions €

	31-12-2015				31-12-2014			
	First year	Subsequent years	Single premiums	**Total**	First year	Subsequent years	Single premiums	**Total**
Life insurance products without DPF	1.3	25.5	564.6	**591.4**	1.0	28.9	309.2	**339.1**
Life insurance products with DPF	-	46.0	15.2	**61.2**	-	55.3	15.1	**70.4**
Life financial products with DPF	9.8	110.6	10,979.6	**11,100.0**	11.2	115.9	14,389.5	**14,516.6**
Non-life insurance products (*)				**258.4**				**214.4**
Total	**11.1**	**182.1**	**11,559.4**	**12,011.0**	**12.2**	**200.1**	**14,713.8**	**15,140.5**

(*) premiums for period

The amounts paid in the life business increased from €6,446.2 million in 2014 to €8,672.8 million in 2015. The amounts paid in the non-life business increased by 11% from €95.1 million in 2014 to €105.9 million in 2015. The increase in the non-life business is due to the growth in the size of the policy portfolio, which reported an improved loss ratio in relative terms (from 50% in 2014 to 38% in 2015). The reinsurers' share (of amounts paid) amount to €0.3 million for the life business and €7.9 million for the non-life business.

millions €

	Claims	Annuities	Surrenders	Maturities	Liquidation costs	Total
Insurance products without DPF	-98.5	-0.1	-543.0	-564.9	-17.2	**-1,223.7**
Insurance products with DPF	-12.7	-6.4	-60.0	-81.1	-	**-160.2**
Financial products with DPF	-1,505.6	-0.1	-5,470.6	-312.6	-	**-7,288.9**
Non-life business insurance products						**-105.9**
Total 31-12-2015	**-1,616.8**	**-6.6**	**-6,073.6**	**-958.6**	**-17.2**	**-8,778.7**
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**	**-6,541.3**

Commissions

Net commissions on financial products without DPF, comprised of index-linked and financial unit-linked policies, amounted to €153.1 million, up 26.2% on 2014 (€121.3 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 €2,534.9 million compared to €2,363.8 million for 2014. The €171.1 million increase is mainly due to the higher gains on the sale of available-for-sale securities (€273.1 million) and smaller losses on sales of €145.2 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 increased for the main part related to assets hedging the index-linked and unit-linked product provisions from -€83.2 million in 2013 to +€47.7 million in 2014.

Commissions and operating costs

Commissions and operating costs amount to €331.9 million for the year, up 6.6% compared to €311.2 million for 2014.

Investment management costs of €57.8 million increased by €6.9 million or 14%. The other administrative costs also increased, from €47.6 million to €55.5 million due to a change in the distribution mix. Other administrative costs as a percentage of total net premiums were roughly 0.5% compared to 0.3% for the previous year.

Commissions and other acquisition costs as a percentage of net premiums came to 2.8% compared to 2.1% for 2014.

Other revenue and costs

Other net costs went from €62.2 million for 2014 to €133.2 million for the year, mainly due to exchange rate trends.

Statement of financial position

Investments

The financial investments portfolio amounts to €107,076.5 million (up 10.2% compared to 31 December 2014) and comprises available-for-sale securities (70.3%), securities at fair value through profit or loss (28.4%) with the remainder mostly consisting of financial assets held for trading and loans and receivables.

millions €

	31-12-2015		31-12-2014		Change	
Financial assets available for sale	75,268.1	70.3%	71,043.9	73.1%	4,224.2	5.9%
Financial assets measured at fair value	30,369.8	28.4%	25,071.2	25.8%	5,298.6	21.1%
Financial assets held for trading	846.4	0.8%	977.3	1.0%	- 130.9	-13.4%
Land and buildings	19.2	0.0%	19.4	0.0%	- 0.2	-0.8%
Investments in subsidiaries, associates and joint ventures	-	0.0%	-	0.0%	-	n.a.
Loans and receivables	572.9	0.5%	80.9	0.1%	492.0	608.2%
Total	**107,076.5**	**100%**	**97,192.7**	**100%**	**9,883.7**	**10.2%**

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 66% 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 €

	31-12-2015	31-12-2014	Change
Capital and reserves attributable to the Group	**4,599.5**	**4,379.4**	**5.0%**
Group capital and reserves	3,338.1	3,308.5	0.9%
Gains (losses) on financial assets available for sale	648.9	590.5	9.9%
Profit (loss)	612.5	480.4	27.5%

At 31 December 2015, the Group reported equity of €4,599.5 million, including the profit for the year of €612.5 million, compared to equity at the start of the year of €4,379.5 million.

It recognised a €648.9 million fair value gain in the fair value reserve under equity compared to €590.5 million recognised at 31 December 2014 as a result of the different market values compared to the carrying amounts.

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

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 171.8% at the end of the year (173.9% at 31 December 2014), resulting in a surplus of €2,174.7 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 technical provisions of the life and non-life businesses as well as financial liabilities of the life business, increased by 11% from €94,878.0 million at 31 December 2014 to €105,005.4 million at the reporting date.

Technical provisions and financial liabilities, considering deferred liabilities with policyholders as well, of the life business went from €94,393.8 million at 31 December 2014 to €104,501.0 million at 31 December 2015 (+11%).

Technical provisions

The life business' technical provisions increased by 7.2%. The increase is attributable to the revaluation of benefits to policyholders and the performance of production aggregates.

The increase in the non-life business technical provisions was 4.2% from €484.2 million to €504.4 million.

Deferred liabilities with policyholders incorporating the policyholders' share of fair value gains and losses increased from €5,749.5 million to €5,655.9 million.

Financial liabilities

Financial liabilities rose by 25.9% from €20,464.1 million at 31 December 2014 to €25,770.5 million at the reporting date. This increase is principally attributable to business trends and portfolio movements. It also incorporates fair value gains and losses on investments to which those liabilities are related.

millions €

	31-12-2015	31-12-2014	Change
Liabilities due to policyholders for Life segment	**104,501.0**	**94,393.8**	**10.7%**
Insurance provisions and financial liabilities:	98,845.1	88,644.3	11.5%
traditional	69,422.1	64,574.1	7.5%
- of which financial liabilities	-	-	*n.a.*
- of which insurance provisions	*69,422.1*	*64,574.1*	*7.5%*
linked	29,423.0	24,070.2	22.2%
- of which financial liabilities	*25,770.5*	*20,464.1*	*25.9%*
- of which insurance provisions	*3,652.5*	*3,606.1*	*1.3%*
Deferred liabilities due to policyholders	5,655.9	5,749.5	-1.6%
Insurance provisions for non-life segment	**504.4**	**484.2**	**4.2%**
Provision for unearned premiums	335.6	308.2	8.9%
Provision for outstanding claims	167.9	175.1	-4.1%
Other insurance provisions	0.9	0.9	-4.9%
Liabilities due to policyholders	**105,005.4**	**94,878.0**	**10.7%**

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 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.

thousand €

Financial assets/liabilities	Valuation technique	Main non-observable inputs	Minimum of variation range	Maximum of variation range	Unit	Fair value gain	Fair value loss
Securities	Discounting Cash Flows	Credit Spread	-37	6	%	6755	-1181
Structured securities	Two-rate model	Two-rate model	-32	10	%	245	-445

thousand €

Financial assets/liabilities	Non-observable parameters	Sensitivity	Change in non-observable parameter
Securities held for trading and available-for-sale	Credit spread	-16	1bp
Securities held for trading and available-for-sale	Correlation	15	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 31-12-2015					
	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	-	-	2,355	-	-	-
Financial assets designated at fair value through profit and loss	6,526	-	57,253	-	-	-
Financial assets available for sale	127,890	-	311,007	141,159	-	3,811
Hedging derivatives	-	-	-	-	-	-
Financial assets measured at fair value through profit and loss	**134,416**	**-**	**370,615**	**141,159**	**-**	**3,811**
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.

thousand €

	Profit or loss	Equity	Total
Financial assets available for sale	71,994	-8,854	63,140
Financial assets held for trading	1,411	0	1,411
Financial assets designated at fair value through profit and loss	5,729	0	5,729
Loans and receivables	-758	0	-758
Total	**78,376**	**-8,854**	**69,522**

thousands €

	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss
Opening balance	**314,425**	**24,064**	**604,498**
Additions	**567,014**	**48,824**	**325,301**
Acquisitions	432,173	0	250,828
Fairl value gains recognised in equity	234	0	0
Fairl value gains recognised in profit or loss	0	102	342
Realised gains	58,422	0	407
Other increases	76,185	48,722	73,724
Decreases	**-404,863**	**-16,490**	**-198,617**
Sales and repayments	-185,313	-5,205	-59,857
Fairl value losses recognised in equity	-182	0	0
Fairl value losses recognised in profit or loss	0	-279	-2,999
Realised losses	-20	0	-1
Other decreases	-219,348	-11,006	-135,760
Closing balance	**476,576**	**56,398**	**731,182**

Fair value 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.

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

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

Life business

Insurance operations

The Group recorded gross premiums of €20,924.6 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 DPF.

Gross premiums increased by 0.4% compared to the previous year.

millions €

	31-12-2015	31-12-2014	Change	
Collection of contracts classified as insurance and investment with DPF:	**11,752.6**	**14,926.0**	**-3,173.3**	**-21.3%**
- Traditional (class I)	11,363.9	14,761.5	-3,397.7	-23.0%
- Capitalisation (class V)	1.8	1.6	0.2	11.8%
- Unit Linked (class III)	11.1	20.4	-9.4	-45.9%
- Pension funds and Fip (VI)	375.9	142.4	233.5	164.0%
Collection of contracts classified as investment without DPF:	**9,172.0**	**5,923.4**	**3,248.6**	**54.8%**
- Index Linked (class III)	-	-	-	0.0%
- Unit Linked (class III)	9,172.0	5,923.4	3,248.6	54.8%
Total Life business	**20,924.6**	**20,849.3**	**75.3**	**0.4%**

At 31 December 2015, 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 31-12-2014	New contracts	Other inflows	Payments and maturities	Other outflows	Contracts on 31-12-2015
Traditional	1,328,400	281,805	-	-144,266	-17,987	1,447,952
Capitalisation	2,666	11	-	-259	-1	2,417
Unit Linked	347,342	71,209	-	-55,403	-	363,148
Pension	51,775	24,903	-	-492	-572	75,614
F.I.P.	34,752	-	-	-881	-1,748	32,123
Temporary Death Policies	1,125,898	303,207	-	-209,433	-134,899	1,084,773
Index Linked	57,740	-	-	-43,291	-	14,449
Open-Ended Pension Funds	228,918	110,770	-	-3,755	-76,309	259,624
Total	**3,177,491**	**791,905**	**-**	**-457,780**	**-231,516**	**3,280,100**

The net charges relating to claims, including the adjustment to the technical provisions, amount to €13,161 million, showing a decrease of 20% on the €16,352 million recognised for 2014. 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 increased by 29.2% while the propensity of policyholders to surrender also increased with an upturn in surrenders of 68.2% compared to 2014.

The provision for payable amounts, net of reinsurance, decreased by €74.9 million. The reduction in mathematical provisions, after accounting for the reinsurers' share, amounts to €4,327 million, whilst provisions resulting from pension fund management where the investment risk is borne by the policyholders decreased by €46 million. The other technical provisions at 31 December 2015, net of the reinsurers' share, decreased by a net €40 million.

Commissions and other acquisition costs, net of profit participation and other commissions received from reinsurers, amount to €254 million. They include acquisition costs relating to insurance contracts and investment contracts with DPF. In particular, the caption includes acquisition commissions of €154 million (+1%), other acquisition costs of €26 million (+7%) and collection commissions of €74 million (-7%).

Investment management costs amount to €57 million for 2015 (€51 million for 2014) and include general costs and personnel expenses related to the management of investment property and equity investments.

Administrative costs amount to €36 million, up from €29 million for 2014.

Non-life business

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 €285.9 million, up on 2014 (€210.6 million). The banking channel contributed €272.4 million, the financial advisors channel contributed €4.2 million while the other channels contributed €9.2 million.

A breakdown by distribution channel is as follows:

millions €

	31-12-2015					31-12-2014					Change	
	Promoters	Bancassurance	Post office counters	Other channels	Total	Promoters	Bancassurance	Post office counters	Other channels	Total		
Health	3.9	6.1	-	2.5	12.5	4.5	6.5	-	2.1	13.1	-0.6	-4.6%
CPI	-	102.6	-	-	102.6	-	66.3	-	0.0	66.3	36.2	54.6%
Multi-guarantee on loans	-	41.9	-	-	41.9	-	16.9	-	-	16.9	24.9	147.3%
Property	0.3	32.7	3.7	-	36.7	-	0.1	-	-	0.1	36.7	n.a.
CPI on Neos leasing	-	-	-	-	-	-	0.1	-	-	0.1	-0.1	n.a.
Motor	-	85.2	-	2.7	88.0	-	74.5	-	11.4	86.0	2.0	2.3%
Other banking-insurance products	-	3.9	-	0.3	4.2	-	3.3	-	-	3.3	1.0	30.3%
Multi-risks property	-	-	-	-	-	0.4	20.3	4.2	-	24.9	-24.9	-100.0%
Total	**4.2**	**272.4**	**3.7**	**5.5**	**285.9**	**4.9**	**188.0**	**4.2**	**13.6**	**210.6**	**75.3**	**35.8%**

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

millions €

	31-12-2015	31-12-2014	Change	
Accident	2.7	2.9	-0.2	-6.9%
Health	15.3	13.6	1.7	12.5%
Land vehicles	5.3	6.2	-0.9	-14.5%
Railway rolling stock	-	-	-	n.d.
Aircraft	-	-	-	n.d.
Ships	-	-	-	n.d.
Goods in transit	-	-	-	n.d.
Fire and natural events	2.6	2.9	-0.3	-10.3%
Other damage to property	2.0	2.1	-0.1	-4.8%
Credit	2.4	0.6	1.8	> 100%
Surety	2.5	1.0	1.5	150.0%
Motor third party liability	50.7	37.9	12.8	33.8%
Aircraft liability	-	-	-	n.d.
Liability for ships	-	0.0	-0.0	n.d.
Legal protection	1.8	0.3	1.5	500.0%
General third party liability	2.0	2.6	-0.6	-23.1%
Miscellaneous financial loss	16.5	23.8	-7.3	-30.7%
Assistance	0.2	1.1	-0.9	-81.8%
Total	**104.0**	**95.0**	**9.0**	**9.5%**

At 31 December 2015, non-life policies numbered 1,897,289.

Commissions and other acquisition costs, net of profit participation and other commissions received from reinsurers, amount to €78.5 million (€55.2 million for 2014).

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

Administrative costs amount to €21.8 million, up from €20.7 million for 2014.

Other information

Principal risks and uncertainties for companies included in the consolidation scope

Intesa Sanpaolo Group, which encompasses the companies included in the consolidation scope of Intesa Sanpaolo Vita, has had a Risk Management Unit for some time. 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, 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

The 2015 performance on the Luxembourg stock exchange of the two series of subordinated bonds issued in 2013 and 2014 is set out below:

- Five-year non-convertible subordinated bonds issued on 18 September 2013 for €500 million (XS0972240997)

  The bond price was €112.136 and €110.271 at the beginning and end of 2015, respectively. The lowest price was €110.016 on 16 December while the highest price quoted was €114.328 on 11 March. The 5.35% coupon was paid on 18 September 2015 (€26,750 thousand).

- Non-convertible subordinated bonds with an unspecified maturity redeemable at the end of the tenth year issued on 17 December 2014 for €750 million (XS1156024116)

The bond price was €102.265 and €100.171 at the beginning and end of 2015, respectively. The lowest price was €94.825 on 29 September while the highest price quoted was €111.453 on 9 March. The 4.75% coupon was paid on 17 September 2015 (€35,625 thousand).

Related party transactions

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 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 2015, Intesa Sanpaolo Vita Group held 691,246 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) 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 €1.9 million.

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

thousands €

	Number of shares	**Valore al 31.12.2015**
Intesa Sanpaolo Vita SpA	510,490	1,576
Intesa Sanpaolo Assicura SpA	30,661	95
Intesa Sanpaolo Life Ltd	71,344	220
Total	**612,495**	**1,891**

Main offices

The parent's registered office is located in Corso Inghilterra 3, 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

The hoped-for consolidation of the economy recovery did not wholly materialise in 2015. Although the situation was mostly positive at the end of the year, uncertainty prevails about when strong, lasting growth will be achieved.

On the one hand, the Euro's regained competitiveness against the US dollar, the Eurozone's expansionary monetary policies and the falling cost of raw materials, primarily oil, all underpinned growth in Europe. However, the international terrorist attacks, greater instability due to the extension of the conflicts related to the Caliphate from Syria to Iraq and Libya and the difficulties encountered by China and the other emerging countries unable to repeat the growth rates seen in the past held back the global economy. These factors may adversely affect Europe's recovery, including as a result of the flow of incoming refugees.

The Italian government's forecasts for 2016 include modest growth in GDP. The ECB has confirmed that it will continue its monetary intervention policies to support the economy in 2016 and after the originally planned deadline of September.

The yield rate on the Italian ten-year bonds was 1.60% in mid-February compared to the approximate 1.50% at the end of 2015. The spread between the ten-year Bund and the Italian bonds was 131 bp in mid-February while it was 97 bp at 31 December 2015.

Share prices in international markets reflected the concerns about China's growth capacity and the ongoing fall in oil prices at the start of January. This trend was also seen in Italy with a downturn in bank share prices due to fears about the amount of non-performing exposures.

Production levels are substantially in line with those of early 2015.

The financial markets' performance in the first few months of the year has triggered volatility that may be reabsorbed in part during the year. This assumption is backed up by the credit spread on Italian bonds, which shows very modest correlation levels compared to the stock markets' performance confirming the different situation compared to the peripheral markets' difficulties in previous years, when the sovereign debt crisis aggravated the general deep depression scenario. Uncertainty is still rife about the markets' performance but this situation is expected to be temporary and, at present, it is not expected to affect the current growth prospects for 2016.

There are no other situations that arose in early 2016 that could have a significant impact on the Group's financial position and the results of operations reported in the financial statements and in this report. Based on production and portfolio trends, the investment portfolio's positioning and the above-mentioned macroeconomic forecasts, the Group is expected to make a profit in 2016, unless the risks described, especially in relation to the geopolitical situation, worsen such that they would drastically change the expectations of recovery.

Turin, 18 February 2016

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 31-12-2015	Total 31-12-2014
1	**INTANGIBLE ASSETS**	**635,546**	**635,676**
1.1	Goodwill	634,580	634,580
1.2	Other intangible assets	966	1,096
2	**TANGIBLE ASSETS**	**1,526**	**634**
2.1	Lands and buildings (self used)	-	-
2.2	Other tangible assets	1,526	634
3	**AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**22,383**	**27,216**
4	**INVESTMENTS**	**107,076,440**	**97,192,771**
4.1	Lands and buildings (investment properties)	19,249	19,414
4.2	Investments in subsidiaries, associates and joint ventures	-	-
4.3	Investments held to maturity	-	-
4.4	Loans and receivables	572,878	80,934
4.5	Financial assets available for sale	75,268,127	71,043,926
4.6	Financial assets at fair value through profit and loss	31,216,186	26,048,497
5	**RECEIVABLES**	**320,162**	**482,557**
5.1	Receivables arising from direct insurance operations	13,816	17,129
5.2	Receivables arising from reinsurance operations	3,957	1,319
5.3	Other receivables	302,389	464,109
6	**OTHER ASSETS**	**1,923,696**	**1,706,345**
6.1	Non-current assets held for sale and discontinued operations	-	-
6.2	Deferred acquisition costs	-	48
6.3	Deferred tax assets	193,520	180,473
6.4	Current tax assets	1,453,609	1,359,560
6.5	Other assets	276,567	166,264
7	**CASH AND CASH EQUIVALENTS**	**3,003,162**	**2,560,638**
	TOTAL ASSETS	**112,982,915**	**102,605,837**

thousands €

INTESA SANPAOLO VITA S.p.A.		Total 31-12-2015	Total 31-12-2014
1	**SHAREHOLDERS' EQUITY**	**4,599,469**	**4,379,449**
1.1	**attributable to the Group**	**4,599,469**	**4,379,449**
1.1.1	Share capital	320,423	320,423
1.1.2	Other equity instruments	-	-
1.1.3	Capital reserves	1,328,097	1,328,097
1.1.4	Revenue reserves and other reserves	1,689,868	1,660,635
1.1.5	(Own shares)	-	-
1.1.6	Reserve for currency translation differences	-	40
1.1.7	Reserve for unrealized gains (losses) on available for sale financial assets	648,895	590,534
1.1.8	Reserve for other unrealized gains (losses) through equity	-306	-686
1.1.9	Result of the period	612,492	480,406
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**	**13,922**	**10,648**
3	**INSURANCE PROVISIONS**	**79,234,885**	**74,413,933**
4	**FINANCIAL LIABILITIES**	**27,363,880**	**22,243,677**
4.1	Financial liabilities at fair value through profit and loss	25,913,726	20,834,274
4.2	Other financial liabilities	1,450,154	1,409,403
5	**PAYABLES**	**618,935**	**520,791**
5.1	Payables arising from direct insurance operations	138,989	89,323
5.2	Payables arising from reinsurance operations	1,598	1,132
5.3	Other payables	478,348	430,336
6	**OTHER LIABILITIES**	**1,151,824**	**1,037,339**
6.1	Non-current liabilities held for sale and discontinued operations	-	-
6.2	Deferred tax liabilities	634,352	602,399
6.3	Current tax liabilities	363,568	344,350
6.4	Other liabilities	153,904	90,590
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**112,982,915**	**102,605,837**

Income statement

thousands €

	INTESA SANPAOLO VITA S.p.A.	Total 31-12-2015	Total 31-12-2014
1.1	Net earned premiums	12,002,455	15,131,940
1.1.1	*Gross earned premiums*	*12,011,018*	*15,140,326*
1.1.2	*Earned premiums ceded*	*-8,563*	*-8,386*
1.2	Commission income	441,893	303,453
1.3	Gains (losses) on financial instruments at fair value through profit and loss	47,722	-83,225
1.4	Income from investments in subsidiaries, associates and joint ventures	-	-
1.5	Income from other financial instruments and lands and buildings	2,831,931	2,515,653
1.5.1	*Interest income*	*1,897,301*	*1,919,443*
1.5.2	*Other income*	*143,482*	*78,131*
1.5.3	*Gains on disposal*	*791,148*	*518,079*
1.5.4	*Unrealized gains*	*-*	*-*
1.6	Other income	253,916	201,794
1	**TOTAL INCOME**	**15,577,917**	**18,069,615**
2.1	Net insurance benefits and claims	-13,253,199	-16,449,125
2.1.1	*Claims paid and change in insurance provisions*	*-13,258,241*	*-16,459,154*
2.1.2	*Reinsurers's share*	*5,042*	*10,029*
2.2	Fee and commission expense	-288,771	-182,124
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-3	-
2.4	Expenses from other financial instruments and lands and buildings	-344,734	-68,595
2.4.1	*Interest expense*	*-66,646*	*-31,375*
2.4.2	*Other expenses*	*-9*	*-15*
2.4.3	*Losses on disposal*	*-180,011*	*-34,820*
2.4.4	*Unrealized losses*	*-98,068*	*-2,385*
2.5	Operating expenses	-445,114	-409,663
2.5.1	*Commissions and other acquisition costs*	*-331,905*	*-311,217*
2.5.2	*Investment management expenses*	*-57,751*	*-50,892*
2.5.3	*Other administrative expenses*	*-55,458*	*-47,554*
2.6	Other expenses	-387,079	-264,034
2	**TOTAL EXPENSES**	**-14,718,900**	**-17,373,541**
	PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**859,017**	**696,074**
3	Income taxes	-246,525	-215,668
	PROFIT (LOSS) AFTER TAX FOR THE PERIOD	**612,492**	**480,406**
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	-
	CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**612,492**	**480,406**
	of which attributable to the Group	612,492	480,406
	of which attributable to minority interests	-	-

Statement of comprehensive income

thousands €

INTESA SANPAOLO VITA S.p.A.	Total 31-12-2015	Total 31-12-2014
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**612,492**	**480,406**
Other comprehensive income after taxes without reclassification in the income statement	**380**	**-299**
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	380	-299
Other items	-	-
Other comprehensive income after taxes with reclassification in the income statement	**58,321**	**269,529**
Foreign currency translation differences	-40	43
Net unrealized gains (losses) on available for sale financial assets	58,361	269,486
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	**58,701**	**269,230**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**671,193**	**749,636**
of which attributable to the Group	**671,193**	**749,636**
of which attributable to minority interests	**-**	**-**

Statement of changes in equity

thousands €

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**

INTESA SANPAOLO VITA S.p.A.		Amount as of 31-12-2014	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 31-12-2015
Shareholders' equity attributable to the Group	Share capital	320,423	-	-	-	-	-	320,423
	Other equity instruments	-	-	-	-	-	-	-
	Capital reserves	1,328,097	-	-	-	-	-	1,328,097
	Revenue reserves and other reserves	1,660,635	-	481,311	-	-452,078	-	1,689,868
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	480,406	-	132,087	-	-1	-	612,492
	Other comprehensive income	589,888	-	380	-88,324	146,645	-	648,589
	Total attributable to the Group	**4,379,449**	**-**	**613,778**	**-88,324**	**-305,434**	**-**	**4,599,469**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,379,449**	**-**	**613,778**	**-88,324**	**-305,434**	**-**	**4,599,469**

Statement of cash flows (indirect method)

thousands €

INTESA SANPAOLO VITA S.p.A.	31-12-2015	31-12-2014
Profit (loss) before taxes for the period	**859,017**	**696,074**
Change in non-cash items	**5,721,061**	**16,785,080**
Change in non-life provision from unearned premium	29,159	-10,936
Change in non-life provision for outstanding claims and other insurance provisions	-4,334	6,792
Change in mathematical provisions and other life insurance provisions	4,859,321	16,272,111
Change in deferred acquisition costs	48	283
Change in provisions	3,274	2,333
Non-cash income and expenses from financial instruments, investment property and equity investments	815,449	399,246
Other expenses	18,144	115,251
Change in receivables and payables generated by operating activities	**136,719**	**82,008**
Change in receivables and payables on direct insurance and reinsurance operations	50,807	19,553
Change in other receivables and payables	85,912	62,455
Income taxes paid	**-246,525**	**-215,668**
Net cash generated/absorbed by cash items related to investment and financing activity	**-764,867**	**194,833**
Financial liabilities related to investment contracts	5,120,203	4,525,385
Payables to banks and customers	-	-
Loans and receivable from banks and customers	-	-
Other financial instruments at fair value through profit or loss	-5,885,070	-4,330,552
CASH FLOW FROM OPERATING ACTIVITY	**5,705,405**	**17,542,327**
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	-	-
Net cash generated/absorbed by loans and receivable	-491,944	-2,796
Net cash generated/absorbed by held to maturity investments	-	-
Net cash generated/absorbed by available for sale financial assets	-4,322,269	-16,396,983
Net cash generated/absorbed by tangible and intangible assets	-	-
Other cash generated/absorbed by investment activity	-	-
CASH FLOW FROM INVESTING ACTIVITY	**-4,814,048**	**-16,399,614**
Net cash generated/absorbed by Group's share capital and equity instruments	-448,833	-699,770
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	**-448,833**	**-699,770**
Effect of foreign-exchange differences on cash and cash equivalents		**-**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	2,560,638	2,117,695
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**442,524**	**442,943**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	3,003,162	2,560,638

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;
- 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.

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 senior management 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.

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 amounts paid and the change in the technical provisions. Gross 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 technical 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 separately managed businesses, despite their not being subject to significant insurance risk and which, therefore, contain discretionary participation features (DPF), 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, amounts paid and changes in technical 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 recognised fair value 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 fair value gains or losses are recognised in profit or loss, giving rise to a change in the technical provisions equal to the amount of the policyholders' portion.

Financial products

Financial products without a significant insurance risk and which are not included in separately-managed businesses, 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 separate-managed businesses, 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 separately-managed businesses 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 technical 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 amounts 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 application 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.

INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

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 land and buildings are separate assets for accounting purposes and are recognised separately at the time of their acquisition. Land 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.

TECHNICAL PROVISIONS

Technical provisions of the life business

Technical provisions relate to insurance contracts and to financial contracts included under separately-managed businesses 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 payable amounts

The provision for payable amounts 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.

Technical 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 technical provisions

The other technical 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 separately-managed business 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 separately-managed businesses, 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 appropriate 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.

Technical provisions of the non-life business

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

– the premium provision 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 claims provision 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 technical 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 liabilities

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).

Reinsurers’ share of technical 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 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 financial statements used for consolidation are those at 31 December 2015 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.

A list of the companies consolidated at 31 December 2015 is provided in the annex to the notes "Consolidation scope".

INTANGIBLE ASSETS (caption 1)

They amount to €635,546 thousand (€635,676 thousand at 31 December 2014).

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	Carrying amount 31/12/2015	Cost	Deemed cost or fair value	Carrying amout 31/12/2014
Goodwill	634,580		634,580	634,580		634,580
Other intangible assets	966		966	1,096		1,096
Total	**635,546**	**-**	**635,546**	**635,676**	**-**	**635,676**

Goodwill of €634,580 thousand, unchanged from 31 December 2014, refers to the non-recurring transactions in which the Group was involved, especially the merger of Intesa Sanpaolo Vita and Sud Polo Vita into the parent on 31 December 2011 and the contribution of the Intesa Sanpaolo Previdenza SIM S.p.A. buiness unit on 1 December 2014.

Goodwill was tested for impairment by benchmarking it against the overall intrinsic value of the life portfolio measured at 31 December 2014. The discount rate used to calculate the intrinsic value was derived from the "risk neutral" approach, using the Euroswap curve adjusted by the volatility adjustment defined in the Solvency II regulation.

This measurement, which gives values considerably higher than goodwill, was supported by the elements characterising the operations in 2015 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 2015, also contributes to improving the future profitability of the existing portfolio;
- the 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 2016 and forecasts for the entire year are consistent with the 2015 results, without indicating subsequent events that may negatively affect measurement.

The measurement at 31 December 2014 and changes in 2015 result in a higher portfolio fair value compared to its carrying amount; therefore, no impairment losses were recognised.

The table below provides a breakdown of the changes during 2015:

thousands €

	Goodwill	Other intangible assets: developed internally		Other intangible assets: other		Total 31/12/2015	Total 31/12/2014
		Finite life	Indefinite life	Finite life	Indefinite life		
Gross opening balance	650,379	-	-	8,839	-	659,218	655,443
Total net impairment losses	-15,799	-	-	-7,743	-	-23,542	-23,458
Net opening balance	**634,580**	**-**	**-**	**1,096**	**-**	**635,676**	**631,985**
Increases	**-**	**-**	**-**	**55**	**-**	**55**	**3,775**
- Acquisitions	-	-	-	55	-	55	770
- New entities included in the consolidation scope	-		-	-	-	-	-
- Increases in internally developed assets	-	-	-	-	-	-	-
- Other increases	-	-	-	-	-	-	3,005
Decreases	**-**	**-**	**-**	**-185**	**-**	**-185**	**-84**
- Sales	-	-	-	-	-	-	-
- Amortisation	-	-	-	-185	-	-185	-84
- 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**	**-**	**-**	**966**	**-**	**635,546**	**635,676**
Total net impairment losses	-	-	-	-7,928		-23,727	-23,542
Gross closing balance	634,580	-	-	8,894		659,273	659,218

Other items of property, plant and equipment (caption 2.2)

This caption, amounting to €1,526 thousand (€634 thousand at 31 December 2014), mainly comprises chattels, electronic systems, equipment and office machines.

The table below provides a breakdown of the changes that took place during 2015:

thousands €

	Furniture and fittings	Electronic systems and equipment	Other assets	Total 31/12/2015	Total 31/12/2014
Gross opening balance	1,247	1,568	403	3,218	3,121
Total net impairment losses	-900	-1,300	-384	-2,584	-2,237
Net opening balance	**347**	**268**	**19**	**634**	**884**
Increases	**93**	**36**	**1,528**	**1,657**	**97**
- Acquisitions	93	22	771	886	83
- New entities included in the consolidation scope	-	-	-	-	-
- Other increases	-	14	757	771	14
Decreases	**-114**	**-251**	**-400**	**-765**	**-347**
- Sales	-	-	-	-	-
- Depreciation	-104	-216	-398	-718	-335
- Transfers to assets held for sale	-	-	-	-	-
- Other decreases	-10	-35	-2	-47	-12
- Entities excluded from the consolidation scope	-	-	-	-	-
Closing balance	**326**	**53**	**1,147**	**1,526**	**634**
Total net impairment losses	-1,004	-1,516	-782	-3,302	-2,584
Gross closing balance	1,330	1,569	1,929	4,828	3,218

REINSURERS' SHARE OF TECHNICAL PROVISIONS (caption 3)

The balance amounts to €22,383 thousand (€27,216 thousand at 31 December 2014), with a decrease of €4,833 thousand compared to 31 December 2014. 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 €107,076,440 thousand (€97,192,771 thousand at 31 December 2014).

Investment property (caption 4.1)

This caption amounts to €19,249 thousand and is essentially unchanged from 31 December 2014 (€19,414 thousand). The table below provides a breakdown of the changes that took place during 2015:

thousands €

	Land	Buildings	Total 31/12/2015	Total 31/12/2014
Gross opening balance	16,302	4,942	21,244	21,244
Total net impairment losses	-	-1,830	-1,830	-1,665
Net opening balance	**16,302**	**3,112**	**19,414**	**19,579**
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**	**2,947**	**19,249**	**19,414**
Total net impairment losses	-	-1,995	-1,995	-1,830
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 €107,057,191 thousand (€97,173,357 thousand at 31 December 2014). 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 €572,878 thousand (€80,934 thousand at 31 December 2014) as follows:

thousands €

	31-12-2015	31-12-2014
Loans and receivables with bank customers	**16,179**	1,179
Loans and receivables with banks	**556,374**	76,976
Deposits with ceding companies	**-**	0
Other loans and receivables	**325**	2,779
- loans on policies	325	392
- secured loans	-	0
- employee loans	-	0
- other	-	2,387
Total	**572,878**	**80,934**

The maximum exposure to the credit risk on loans and receivables is €572,878 thousand, i.e., the carrying amount of such assets. The significant increase on 31 December 2014 is entirely due to the agreement of repurchase agreements with the ultimate parent, Intesa Sanpaolo. Loans and receivables with banks mainly consist of debt instruments and are mostly short-term.

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 €75,268,127 thousand (€71,043,926 thousand at 31 December 2014), mainly comprise bonds and may be broken down as follows:

thousands €

	31-12-2015				31-12-2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities	64,771,028	2,191,939	44,097	67,007,064	63,736,060	1,986,652	146,257	65,868,969
- Structured	2,224,723	423,957	4,677	2,653,357	1,071,269	293,101	146,257	1,510,627
- Other	62,546,305	1,767,982	39,420	64,353,707	62,664,791	1,693,551	-	64,358,342
Equity instruments	1,322,135	1	53	1,322,189	685,364	1	160,867	846,232
- Cost	-	-	52	52	-	-	51	51
- FVTPL	1,322,135	1	1	1,322,137	685,364	1	160,816	846,181
UCI shares	6,506,448	-	432,426	6,938,874	4,238,786	82,638	7,301	4,328,725
Total	**72,599,611**	**2,191,940**	**476,576**	**75,268,127**	**68,660,210**	**2,069,291**	**314,425**	**71,043,926**

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 €97,903 thousand. This amount includes impairment losses on government bonds (€33,478 thousand), equity instruments (€51,737 thousand) and OEIC units (€12,688 thousand).

The table below provides a breakdown of the changes that took place during 2015:

thousands €

	Debt securities	Equity instruments	UCI shares	Total 31/12/2015	Total 31/12/2014
Opening balance	**65,868,969**	**846,232**	**4,328,725**	**71,043,926**	**54,649,328**
Increases	**16,315,993**	**1,055,459**	**4,726,159**	**22,097,611**	**32,495,718**
Acquisitions	13,906,671	825,605	4,447,986	19,180,262	25,773,100
New entities in consolidation perimeter	-	-	-	-	-
Eschange rate differences	-	-	-	-	-
Fair value gains recognised in equity	992,505	106,551	58,749	1,157,805	5,564,437
Fair value gains recognised in profit or loss	-	-	-	-	-
Realised gains	587,604	-	73,877	661,481	528,648
Transfers from other portfolios	-	-	-	-	-
Other increases	829,213	123,303	145,547	1,098,063	629,533
Decreases	**-15,177,898**	**-579,502**	**-2,116,010**	**-17,873,410**	**-16,101,120**
Sales	-7,868,849	-331,472	-1,745,080	-9,945,401	-11,152,170
Repayments	-3,333,206	-	-	-3,333,206	-2,549,478
New entities in consolidation perimeter	-	-	-	-	-
Fair value losses recognised in profit or loss	-33,478	-51,737	-12,688	-97,903	-2,220
Fair value losses recognised in equity	-428,590	-78,363	-124,172	-631,125	-532,562
Transfers to other portfolios	-	-	-	-	-
Realised losses	-100,263	-	-50,468	-150,731	-39,353
Exchange rate losses	27,975	417	2,614	31,006	105,003
Other decreases	-3,441,487	-118,347	-186,216	-3,746,050	-1,930,340
Closing balance	**67,007,064**	**1,322,189**	**6,938,874**	**75,268,127**	**71,043,926**

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
Paesi Area Schengen	51,159,227	12,384,072
AUSTRIA	7,426	2,193
BELGIUM	6,330	116,791
BULGARIA	44,283	9,791
CROATIA	45,501	12,959
DENMARK	-	42,807
FINLAND	4,645	-
FRANCE	67,887	973,647
GERMANY	930,003	353,441
IRELAND	90,559	246,354
ITALY	49,124,274	7,311,573
LUXEMBOURG	11,365	533,235
NORWAY	-	72,749
NETHERLANDS	80,584	996,313
POLAND	18,648	-
PORTUGAL	-	14,226
UK	-	947,172
ROMANIA	80,459	-
SLOVENIA	7,838	-
SPAIN	604,978	748,025
SWEDEN	-	2,796
HUNGARY	34,447	-
JAPAN	-	65,715
America	302,257	1,937,039
Other countries	106,973	1,051,781
TOTAL	**51,568,457**	**15,438,607**

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

They amount to €31,216,186 thousand (€26,048,497 thousand at 31 December 2014) and include assets held for trading (€846,407 thousand) and assets designated at fair value through profit or loss (€30,369,779 thousand).

Financial assets held for trading

Financial assets held for trading amount to €846,407 thousand (€977,295 thousand at 31 December 2014).

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 2015 is set out below:

thousands €

	31-12-2015				31-12-2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities	214,191	77,283	9,086	300,560	224,681	134,273	24,064	383,018
- Structured	1,542	35,421	9,086	46,049	7,420	91,113	24,064	122,597
- Other	212,649	41,862	-	254,511	217,261	43,160	-	260,421
Equity instruments	-	-	-	-	-	-	-	-
UCI shares	391,211	-	47,312	438,523	410,352	-	-	410,352
Derivatives	-	107,324	-	107,324	36	183,549	340	183,925
Total	**605,402**	**184,607**	**56,398**	**846,407**	**635,069**	**317,822**	**24,404**	**977,295**

The table below provides a breakdown of the changes in the caption, with the exclusion of derivatives, that took place during 2015:

thousands €

	Debt securities	Equity instruments	UCI shares	Total 31/12/2015	Total 31/12/2014
Opening balance	**383,018**	**-**	**410,352**	**793,370**	**853,250**
Increases	**40,816**	**-**	**43,764**	**84,580**	**292,786**
Acquisitions	-	-	37,817	37,817	24,322
New entities in consolidation perimeter				-	-
Fair value gains recognised in profit or loss	3,806	-	5,690	9,496	80,354
Realised gains	855	-	257	1,112	188,110
Other increases	36,155	-	-	36,155	-
Decreases	**-123,274**	**-**	**-15,593**	**-138,867**	**-352,666**
Sales	-18,540	-	-5,480	-24,020	-192,574
Repayments	-81,355	-	-	-81,355	-141,878
Fair value losses recognised in profit or loss	-3,366	-	-6,796	-10,162	-304
Realised losses	-127	-	-	-127	-287
Other decreases	-19,886	-	-3,317	-23,203	-17,623
Closing balance	**300,560**	**-**	**438,523**	**739,083**	**793,370**

Assets designated at fair value through profit or loss

Assets designated at fair value through profit or loss amount to €30,369,779 thousand (€25,071,202 thousand at 31 December 2014).

The breakdown of the caption at 31 December 2015 is set out below:

thousands €

	31-12-2015				31-12-2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities	2,547,136	879,824	44,133	3,471,093	2,334,595	1,153,966	237,244	3,725,805
- Structured	92,333	264,769	44,133	401,235	148,930	756,889	237,244	1,143,063
- Other	2,454,803	615,055	-	3,069,858	2,185,665	397,077	-	2,582,742
Equity instruments	530,336	-	-	530,336	450,761	-	-	450,761
UCI shares	25,681,301	-	19,249	25,700,550	20,527,382	-	-	20,527,382
Other financial investments	-	-	667,800	667,800	-	-	367,254	367,254
Derivatives	-	-	-	-	-	-	-	-
Total	**28,758,773**	**879,824**	**731,182**	**30,369,779**	**23,312,738**	**1,153,966**	**604,498**	**25,071,202**

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 did not have any forward hedges.

The table below provides a breakdown of the changes in the caption, with the exclusion of derivatives, that took place during 2015:

thousands €

	Debt securities	Equity instruments	UCI shares	Other financial investments	Total 31/12/2015	Total 31/12/2014
Opening balance	**3,725,805**	**450,761**	**20,527,382**	**367,254**	**25,071,202**	**21,051,672**
Increases	**834,524**	**184,095**	**7,596,275**	**301,400**	**8,916,294**	**16,732,894**
Acquisitions	498,690	80,487	3,213,100	250,828	4,043,105	1,579,911
Reversals of impairment losses recognised in profit or loss	-	-	-	-	-	-
Fair value gains recognised in equity	-	-	-	-	-	-
Fair value gains recognised in profit or loss	16,685	37,986	398,456	-	453,127	1,209,718
Transfers from other portfolios	-	-	-	-	-	-
Realised gains	84,594	9,377	808,026	281	902,278	496,453
Other increases	234,555	56,245	3,176,693	50,291	3,517,784	13,446,812
Decreases	**-1,089,236**	**-104,520**	**-2,423,107**	**-854**	**-3,617,717**	**-12,713,364**
Sales	-663,030	-78,212	-1,763,489	-	-2,504,731	-2,704,895
Repayments	-320,912	-	-	-	-320,912	-1,162,972
Impairment losses recognised in profit or loss	-	-	-	-	-	-
Fair value losses recognised in equity	-	-	-	-	-	-
Fair value losses recognised in profit or loss	-58,459	-24,376	-531,177	-	-614,012	-137,446
Transfers to other portfolios	-	-	-	-	-	-
Realised losses	-11,091	-1,932	-126,802	-854	-140,679	-92,319
Other decreases	-35,744	-	-1,639	-	-37,383	-8,615,732
Closing balance	**3,471,093**	**530,336**	**25,700,550**	**667,800**	**30,369,779**	**25,071,202**

Changes in Level 3 assets designated at fair 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 €29,473,819 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.

OTHER RECEIVABLES (caption 5)

They amount to €320,162 thousand (€482,557 thousand at 31 December 2014).

Sundry receivables include, in particular, receivables from the ultimate parent for payment of the IRES advance (€156,703 thousand), tax assets (€58,986 thousand), management commissions on unit-linked and index-linked policies (€59,462 thousand) and other receivables of €27,238 thousand, mainly consisting of hedges of the margins on derivatives agreed with Credit Suisse, Deutsche Bank and Bank of New York.

The following table sets out details of the caption at 31 December 2015:

thousands €

	31-12-2015	31-12-2014
Direct insurance receivables (caption 5.1)	**13,816**	**17,129**
Premiums due from policyholders	7,126	10,250
Receivables from insurance brokers	2,805	3,592
Co-insurance receivables	2,869	2,298
Other	1,016	989
Reinsurance receivables (caption 5.2)	**3,957**	**1,319**
Other receivables (voce 5.3)	**302,389**	**464,109**
Tax assets	58,986	46,646
Management commissions on unit-linked policies	59,462	55,212
Receivables from the ultimate parent for tax payments on account	156,703	262,947
Other receivables	27,238	99,304
Total	**320,162**	**482,557**

OTHER ASSETS (caption 6)

They amount to €1,923,696 thousand (€1,706,345 thousand at 31 December 2014).

thousands €

	31-12-2015	31-12-2014
Non-current assets held for sale and disposal groups	-	-
Deferred acquisition costs	-	48
Deferred tax assets	193,520	180,473
Current tax assets	1,453,609	1,359,560
Other assets	276,567	166,264
Deferred commission expense on investment contracts	*243,279*	*138,064*
Other	*33,288*	*28,200*
Total	**1,923,696**	**1,706,345**

Deferred tax assets (caption 6.3)

This caption includes deferred tax assets through profit or loss of €193,520 thousand (€180,473 thousand at 31 December 2014).

thousands €

	31-12-2015	31-12-2014
Deferred tax assets through profit or loss	193,381	180,244
Deferred tax assets through equity	139	229
Total	**193,520**	**180,473**

The table below shows the changes in this caption:

thousands €

	Deferred tax assets through profit or loss	Deferred tax assets through equity	Total 31/12/2015	Total 31/12/2014
Opening balance	**180,244**	**229**	**180,473**	**160,205**
Increases	**72,636**	**-**	**72,636**	**76,840**
New entities included in the consolidation scope	-	-	-	-
Deferred tax assets recognised in the year	54,300	-	54,300	63,345
- *related to previous years*			-	-
- *due to changes in accounting policies*		-	-	-
- *reversals of impairment losses*		-	-	-
- *other*	*54,300*	-	*54,300*	*63,345*
New taxes or tax rate increases	-	-	-	-
Other increases	18,336	-	18,336	13,495
Decreases	**-59,499**	**-90**	**-59,589**	**-56,572**
Deferred tax assets derecognised in the year			-	-
New taxes or tax rate increases			-	-
Reversals	-32,907	-57	-32,964	-56,508
Tax rate reductions	-26,318	-33	-26,351	-
Other decreases	-274	-	-274	-64
Closing balance	**193,381**	**139**	**193,520**	**180,473**

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. The decreases include the "Tax rate reductions", which, in turn, comprise the adjustment of the IRES rate from 27.5% to 24% from 2017 (provided for by the 2016 Stability Law, Law no. 208/2015).

The deferred tax assets were calculated using the tax rate deemed reasonable considering when they will reverse.

Current tax assets (caption 6.4)

Current tax assets amount to €1,453,609 thousand (€1,359,560 thousand at 31 December 2014). 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 2015:

thousands €

	31-12-2015	31-12-2014
Direct taxes	72,257	108,332
Tax on mathematical provisions	1,381,352	1,251,228
Total	**1,453,609**	**1,359,560**

Sundry assets (caption 6.5)

Sundry assets amount to €276,567 thousand (€166,264 thousand at 31 December 2014). The caption mainly comprises deferred commission costs of €243,279 thousand associated with products of a financial nature without DPF, such as index-linked and unit-linked policies.

The following table sets out details of the caption at 31 December 2015:

thousands €

	31-12-2015	31-12-2014
Deferred commission expense on investment contracts	243,279	138,064
Other	33,288	28,200
Total	**276,567**	**166,264**

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 date of 31 December 2015. They also comprise other prepayments and accrued income.

CASH AND CASH EQUIVALENTS (caption 7)

At 31 December 2015, cash and cash equivalents amount to €3,003,162 thousand (€2,560,638 thousand at 31 December 2014). The caption includes cash and cash equivalents and demand deposits, including treasury current accounts.

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 2015:

thousands €

	31-12-2015	31-12-2014
Share capital	320,423	320,423
Capital reserves	1,328,097	1,328,097
Revenue reserves and other reserves	1,689,868	1,660,635
Own shares	-	-
Reserve for currency translation differences	-	40
Reserve for unrealized gains and losses on assets available for sale	648,895	590,534
Other gains or losses recognised directly in equity	- 306	- 686
Profit for the year attributable to the Group	612,492	480,406
Total equity attributable to the Group	**4,599,469**	**4,379,449**

The change in equity mainly reflects the profit for the year, the income-related reserves and the other equity-related reserves and the variation in the fair value reserve.

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.

Equity-related reserves (caption 1.1.3)

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

Income-related 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 €1,689,868 thousand compared to €1,660,635 thousand at 31 December 2014.

The increase is mainly due to the allocation of the profit for the prior year and the parent's return of €452 million to the ultimate parent.

Fair value reserve (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 2015:

thousands €

	31-12-2015			31-12-2014		
	Unrealized gains	Unrealized losses	Total	Unrealized gains	Unrealized losses	Total
Total gross of shadow accounting	6,960,740	-283,459	6,677,281	6,831,998	-74,381	6,757,617
- Debt securities	6,575,276	-110,560	6,464,716	6,474,822	-24,096	6,450,726
- Equity instruments	214,019	-56,281	157,738	183,841	-5,430	178,411
- UCI shares	171,445	-116,618	54,827	173,335	-44,855	128,480
Shadow accounting	-5,974,963	248,626	-5,726,337	-5,935,055	72,494	-5,862,561
Total gross of income taxes	985,777	-34,833	950,944	896,943	-1,887	895,056
Tax effects	-315,348	13,299	-302,049	-307,820	3,298	-304,522
Total	**670,429**	**-21,534**	**648,895**	**589,123**	**1,411**	**590,534**

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

thousands €

	Debt securities	Equity instruments	UCI shares	31-12-2015	31-12-2014
Opening balance	**539,366**	**41,641**	**9,527**	**590,534**	**321,048**
Increases	**69,310**	**-19,399**	**10,820**	**60,731**	**296,693**
Unrealized gains	98,887	11,368	6,748	117,003	466,443
Accruals	495	117	2,956	3,568	782
Other increases	-30,072	-30,884	1,116	-59,840	-170,532
Decreases	**19,351**	**-7,376**	**-14,345**	**-2,370**	**-27,207**
Unrealized losses	-41,999	-10,540	-12,295	-64,834	-44,587
Impairment losses	1,299	1,725	501	3,525	-61
Utilisations	-56,513	-35,753	-3,151	-95,417	-36,052
Other decreases	116,564	37,192	600	154,356	53,493
Closing balance	**628,027**	**14,866**	**6,002**	**648,895**	**590,534**

PROVISIONS (caption 2)

The caption amounts to €13,922 thousand at 31 December 2015 (€10,648 thousand at 31 December 2014) and comprises other provisions of €10,328 thousand (€10,648 thousand at 31 December 2014). Other provisions mainly include accruals for future personnel expense and for product disputes. The remainder relates to accruals made for tax purposes. The other decreases principally consist of savings on expenses provided for in relation to Intesa Sanpaolo Vita's merger.

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

thousands €

	Tax provisions	Other provisions	31-12-2015	31-12-2014
Opening balance	**-**	**10,648**	**10,648**	**8,315**
Increases	**3,594**	**3,617**	**7,211**	**3,941**
- Additions	-	-	-	2,473
- Accruals	149	328	477	451
- Other increases	3,445	3,289	6,734	1,017
Decreases	**-**	**-3,937**	**-3,937**	**-1,608**
- Utilisations	-	-2,858	-2,858	-1,558
- Other decreases	-	-1,079	-1,079	-50
Closing balance	**3,594**	**10,328**	**13,922**	**10,648**

TECHNICAL PROVISIONS (caption 3)

The table below provides a breakdown of the caption at 31 December 2015:

thousands €

	Direct business	Indirect business	31-12-2015	31-12-2014
Non-life insurance provisions	**504,426**	**-**	**504,426**	**484,165**
Provision for unearned premiums	335,630	-	335,630	308,151
Provision for outstanding claims	167,926	-	167,926	175,099
Other insurance provisions	870	-	870	915
of which following the liability adequacy test	-	-	-	-
Life insurance provisions	**78,730,459**	**-**	**78,730,459**	**73,929,768**
Mathematical provisions	68,925,485	-	68,925,485	64,149,579
Provision for outstanding claims	381,281	-	381,281	306,626
Insurance provisions where investment risk is borne by policyholders and provisions arising from pension fund management	3,652,463	-	3,652,463	3,606,131
Other insurance provisions	5,771,230	-	5,771,230	5,867,432
Total	**79,234,885**	**-**	**79,234,885**	**74,413,933**

The technical provisions of the life business grew by 6.5%. 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 provisions), which shows a slight decrease in line with the financial markets' performance.

The Group performed the liability adequacy test (LAT).

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

thousands €

	Mathematical provisions	Insurance provisions where investment risk is borne by policyholders	Total 31/12/2015	Total 31/12/2014
Opening balance	**64,149,579**	**3,606,131**	**67,755,710**	**56,214,038**
New entities included in the consolidation scope	-	-	-	-
Change in premiums	11,247,106	337,210	11,584,316	14,750,629
Income and other bonuses recognised to policyholde	1,505,210	114,737	1,619,947	1,539,930
Exchange rate differences	-	-	-	-
Portfolio transactions	-	513,909	513,909	1,762,638
Change in payments	-7,896,920	-902,647	-8,799,567	-6,474,203
Other variations	-79,490	-16,877	-96,367	-37,322
Closing balance	**68,925,485**	**3,652,463**	**72,577,948**	**67,755,710**

Technical provisions and financial liabilities of the life business

Technical provisions and financial liabilities amount to €104,500,978 thousand (€94,393,838 thousand at 31 December 2014). Contracts falling within the scope of IFRS 4, insurance contracts and investment contracts with DPF account for roughly 77% of the life portfolio (77% at 31 December 2014), while the investment contracts falling within the scope of IAS 39 account for about 23% (23% at 31 December 2014).

Non-life technical provisions

In the non-life segment, the technical provisions are substantially in line with the previous year end (+4.2% at 31 December 2014). They mainly refer to the portfolio held by Intesa Sanpaolo Assicura.

The breakdown by line of business of the premium provisions at 31 December 2015 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	42,772	-	42,772	9,724	4
Health	61,224	-	61,224	28,613	866
Land vehicles	5,194	-	5,194	2,031	-
Railway rolling stock	-	-	-	-	-
Aircraft	-	-	-	-	-
Ships	-	-	-	-	-
Goods in transit	-	-	-	-	-
Fire and natural events	80,490	-	80,490	5,179	-
Other damage to property	2,768	-	2,768	3,655	-
Credit	10,025	-	10,025	2,100	-
Surety	1,278	-	1,278	884	-
Motor third party liability	32,819	-	32,819	75,560	-
Aircraft liability	-	-	-	-	-
Liability for ships	6	-	6	63	-
Legal protection	509	-	509	1,499	-
General third party liability	3,546	-	3,546	8,131	-
Miscellaneous financial loss	92,465	-	92,465	29,711	-
Assistance	2,534	-	2,534	776	-
Total	**335,630**	**-**	**335,630**	**167,926**	**870**

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

thousands €

	Provision for unearned premiums 31/12/2015	Provision for unearned premiums 31/12/2014
Accident	42,772	43,233
Health	61,224	61,556
Land vehicles	5,194	5,217
Railway rolling stock	-	-
Aircraft	-	-
Ships	-	-
Goods in transit	-	-
Fire and natural events	80,490	64,781
Other damage to property	2,768	2,808
Motor third party liability	10,025	12,335
Aircraft liability	1,278	660
Liability for ships	32,819	28,873
General third party liability	-	-
Credit	6	1
Surety	509	457
Miscellaneous financial loss	3,546	2,186
Legal protection	92,465	83,774
Assistance	2,534	2,270
Total	**335,630**	**308,151**

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

thousands €

	Total 31/12/2015	Total 31/12/2014
Accident	9,724	9,879
Health	28,613	28,650
Land vehicles	2,031	2,160
Railway rolling stock		-
Aircraft		-
Ships		-
Goods in transit		-
Fire and natural events	5,179	4,458
Other damage to property	3,655	3,208
Credit	2,100	2,384
Surety	884	1,147
Motor third party liability	75,560	81,334
Aircraft liability		-
Liability for ships	63	63
Legal protection	1,499	1,091
General third party liability	8,131	6,579
Miscellaneous financial loss	29,711	33,642
Assistance	776	504
Total claim provisions	**167,926**	**175,099**

With reference to the claims provision, 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 2011 to 2015. 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 amounts paid and the residual claims provisions 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 amounts paid to date" represent the cumulative amount of the payments made until 31 December 2015 on claims in accident year N;

– the "Claims provision at the reporting date" represents the amount, for each accident year, of the claims that are still provided for at 31 December 2015;

– the "Other claims provisions" relate to the claims provision from accident years prior to 2011;

Accident insurance	**Year of generation/occurrence**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	5,171	4,089	4,358	5,213	5,562	
	at 31/12 of year N+1	4,506	3,098	3,749	2,964		
	at 31/12 of year N+2	3,817	2,700	2,813			
	at 31/12 of year N+3	3,315	2,556				
	at 31/12 of year N+4	3,307					
Cumulative amounts paid to date		3,236	2,026	2,141	1,714	403	9,520
Claims provision at the reporting date		71	530	672	1,250	5,159	7,682
Final claims provision for years before 2011							171
Total claims provision at 31/12/2015							**7,853**

Health insurance	**Year of generation/occurrence**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	16,663	16,121	18,733	21,030	21,701	
	at 31/12 of year N+1	16,779	16,505	17,174	16,078		
	at 31/12 of year N+2	15,208	15,745	15,562			
	at 31/12 of year N+3	13,928	15,451				
	at 31/12 of year N+4	14,306					
Cumulative amounts paid to date		13,169	13,879	12,346	11,313	5,640	56,347
Claims provision at the reporting date		1,137	1,572	3,216	4,765	16,061	26,751
Final claims provision for years before 2011							1,862
Total claims provision at 31/12/2015							**28,613**

Motor property damage	**Year of generation/occurrence**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	3,901	3,873	7,646	5,638	5,915	
	at 31/12 of year N+1	3,626	4,277	7,290	5,253		
	at 31/12 of year N+2	3,840	3,967	7,273			
	at 31/12 of year N+3	3,833	3,950				
	at 31/12 of year N+4	3,725					
Cumulative amounts paid to date		3,681	3,939	7,179	5,208	4,725	24,732
Claims provision at the reporting date		44	11	94	45	1,190	1,384
Final claims provision for years before 2011							647
Total claims provision at 31/12/2015							**2,031**

Fire	**Year of generation/occurrence**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	2,888	4,137	4,548	4,043	4,695	
	at 31/12 of year N+1	2,384	3,079	2,964	2,919		
	at 31/12 of year N+2	2,139	2,778	2,819			
	at 31/12 of year N+3	1,857	2,844				
	at 31/12 of year N+4	1,758					
Cumulative amounts paid to date		1,633	2,610	2,444	2,282	1,141	10,110
Claims provision at the reporting date		125	234	375	637	3,554	4,925
Final claims provision for years before 2011							254
Total claims provision at 31/12/2015							**5,179**

Miscellaneous damage	Year of generation/occurrence	2011	2012	2013	2014	2015	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	2,722	3,242	2,979	3,632	3,853	
	at 31/12 of year N+1	1,797	1,936	1,827	2,388		
	at 31/12 of year N+2	1,549	1,764	1,742			
	at 31/12 of year N+3	1,492	1,744				
	at 31/12 of year N+4	1,505					
Cumulative amounts paid to date		1,382	1,643	1,689	1,712	1,430	7,856
Claims provision at the reporting date		123	101	53	676	2,423	3,376
Final claims provision for years before 2011							279
Total claims provision at 31/12/2015							**3,655**

Motor vehicle third party liability	Year of generation/occurrence	2011	2012	2013	2014	2015	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	19,010	34,354	46,001	52,603	51,320	
	at 31/12 of year N+1	25,699	35,168	50,031	45,974		
	at 31/12 of year N+2	28,004	33,249	49,695			
	at 31/12 of year N+3	28,020	33,529				
	at 31/12 of year N+4	28,384					
Cumulative amounts paid to date		21,642	24,014	37,154	32,558	19,463	134,831
Claims provision at the reporting date		6,742	9,515	12,541	13,416	31,857	74,071
Final claims provision for years before 2011							1,553
Total claims provision at 31/12/2015							**75,624**

GTPL	Year of generation/occurrence	2011	2012	2013	2014	2015	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	2,871	2,702	3,487	3,588	4,792	
	at 31/12 of year N+1	2,220	3,352	2,065	2,745		
	at 31/12 of year N+2	1,740	2,645	1,890			
	at 31/12 of year N+3	1,677	2,517				
	at 31/12 of year N+4	1,605					
Cumulative amounts paid to date		1,423	1,624	1,450	1,420	632	6,549
Claims provision at the reporting date		182	893	440	1,325	4,160	7,000
Final claims provision for years before 2011							1,130
Total claims provision at 31/12/2015							**8,130**

Pecuniary losses	Year of generation/occurrence	2011	2012	2013	2014	2015	Total
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	15,076	23,225	24,342	23,469	17,292	
	at 31/12 of year N+1	20,681	23,536	21,312	19,088		
	at 31/12 of year N+2	16,793	24,397	21,588			
	at 31/12 of year N+3	15,620	23,981				
	at 31/12 of year N+4	15,463					
Cumulative amounts paid to date		13,772	20,104	17,353	13,722	3,166	68,117
Claims provision at the reporting date		1,691	3,877	4,235	5,366	14,126	29,295
Final claims provision for years before 2011							415
Total claims provision at 31/12/2015							**29,710**

FINANCIAL LIABILITIES (caption 4)

Financial liabilities amount to €27,363,880 thousand (€22,243,677 thousand at 31 December 2014). 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 €25,913,726 thousand (€20,834,274 thousand at 31 December 2014) 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*".

thousands €

	Level 1	Level 2	Level 3	31/12/2015
Financial liabilities held for trading	-	143,111	-	143,111
Financial liabilities designated at fair value through profit or loss	96	25,770,519	-	25,770,615
Total	**96**	**25,913,630**	**-**	**25,913,726**
	Level 1	Level 2	Level 3	31/12/2014
Financial liabilities held for trading	45,188	325,016	-	370,204
Financial liabilities designated at fair value through profit or loss	-	20,464,070	-	20,464,070
Total	**45,188**	**38,094,168**	**-**	**20,834,274**

Financial liabilities held for trading

They amount to €143,111 thousand at 31 December 2015 and include non-hedging derivatives with negative fair values.

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 as well as non-hedging derivatives with negative fair values.

thousands €

	31/12/2015	31/12/2014
Liabilities from index-linked and unit-linked contracts issued by the group	25,770,519	20,464,070
Hedging derivatives	96	-
Total	**25,770,615**	**20,464,070**

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, financial liabilities associated with investment contracts with eligible asset products, other financial liabilities and deposits from reinsurers.

The table below gives a breakdown of the caption:

thousands €

	31-12-2015	31-12-2014
Subordinated liabilities	1,313,499	1,337,556
Financial liabilities associated with policies with eligible assets	-	-
Other financial liabilities	130,324	62,511
Deposits received from reinsurers	6,331	9,336
Total	**1,450,154**	**1,409,403**

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 €1,313,499 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	-
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 bp	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	3,963
Cassa di Risparmio di Firenze	6-month Euribor + 170 bps	17/04/2000	not applicable	2,047
Cassa di Risparmio di Firenze	For first 10 years +4.80% - afterwards 3-month Euribor 360 + 140 bp	15/05/2003	not applicable	5,108
Cassa di Risparmio di Firenze	For first 10 years +4.86% - afterwards 3-month Euribor 360 + 1.70%	22/12/2004	not applicable	3,061
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	515
INTESA SANPAOLO VITA S.p.A.	Dated Subordinated Notes due 18 September 2018 5.35%	18/09/2013	18/09/2018	503,886
INTESA SANPAOLO VITA S.p.A.	Fixed-to-Floating Undated Subordinated Notes (first call 17/12/2024)	17/12/2014	not applicable	745,808
Totale				**1,313,499**

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

The two series of bonds issued by Intesa Sanpaolo Vita, recognised at amortised cost, include the issue costs of €3,518 thousand and €5,975 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 2015:

thousands €

	31-12-2015	31-12-2014
Direct insurance liabilities	138,989	89,323
Reinsurance liabilities	1,598	1,132
Other liabilities	478,348	430,336
Total	**618,935**	**520,791**

The caption "Direct insurance liabilities" of €138,989 thousand mainly includes commissions payable to distribution networks, as well as items to be settled deriving from co-insurance agreements.

"Other liabilities" mainly include trade payables arising from direct and indirect insurance transactions of €169,819 thousand and the IRES payments on account, IRAP liabilities of €48,376 thousand and investment management fees of €31,504 thousand. The caption also comprises the liability for post-employment benefits.

Post-employment benefits

This caption shows the following changes during the year:

thousands €

	31-12-2015	31-12-2014
Opening balance	**3,145**	**2,653**
Increases	**403**	**828**
- New entities included in the consolidation scope	-	-
- Current service cost	366	358
- Transfers between group companies	-	-
- Interest cost	37	437
- Other increases	-	33
Decreases	**- 662**	**- 336**
- Benefits paid	-	-
- Current service cost	-	-
- Curtailments	-	-
- Other decreases	- 662	- 336
- Entities excluded from the consolidation scope	-	-
Closing balance	**2,886**	**3,145**

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 €602,399 thousand to €634,352 thousand.

The following table sets out details of the caption at 31 December 2015:

thousands €

	31-12-2015	31-12-2014
Deferred tax liabilities through profit or loss	332,130	297,699
Deferred tax liabilities through equity	302,222	304,700
Total	**634,352**	**602,399**

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

thousands €

	Profit or loss	Equity	Total 31/12/2015	Total 31/12/2014
Opening balance	**297,699**	**304,700**	**602,399**	**463,439**
Increases	**83,877**	**20,723**	**104,600**	**181,709**
- Deferred tax liabilities recognised in the year	53,357	20,723	74,080	163,175
- New taxes or tax rate increases	-	-	-	-
- New entities included in the consolidation scope	-	-	-	-
- Other increases	30,520	-	30,520	18,534
Decreases	**- 49,446**	**- 23,201**	**- 72,647**	**- 42,749**
- Deferred tax liabilities derecognised in the year			-	-
- Reversals	- 14,163	- 32	- 14,195	- 42,354
- Tax rate reductions	- 35,283	- 20,176	- 55,459	-
- Other decreases	-	- 2,993	- 2,993	- 395
- Entities excluded from the consolidation scope			-	-
Closing balance	**332,130**	**302,222**	**634,352**	**602,399**

Reference should be made to the note to “Other assets” for information about the tax rate reductions.

Current tax liabilities (caption 6.3)

The caption, amounting to €363,568 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 2016.

Sundry liabilities (caption 6.4)

The following table sets out details of this caption:

thousands €

	31-12-2015	31-12-2014
Deferred liabilities relating to investment contracts	1,704	4,320
Pension funds	353	422
Seniority bonuses	2,190	2,131
Deferred operating costs	-	-
Other liabilities	149,657	83,717
Total	**153,904**	**90,590**

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 (€468 thousand, €3,097 thousand at 31 December 2014) and unit-linked policies (€1,236 thousand, €1,223 thousand at 31 December 2014).

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 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 to 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 report 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.

The appeal hearing took place on 16 July 2015 before the Piedmont Regional Tax Commission. The commission reversed the first level ruling with its judgement no. 806 filed on 10 August 2015, fully cancelling the assessment report about the non-recognition of the VAT exemption for the delegation commissions as well. Therefore, the tax authorities have been totally unsuccessful to date. They had not yet presented an appeal to the Supreme Court at the date of this report.

On 20 June 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 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.

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.

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 allowed the appeals made by the parent with its judgement no. 939 filed on 15 July 2014, after having grouped the proceedings. Accordingly, it fully cancelled the above four challenged assessment reports.

On 24 February 2015, the Florence Provincial Tax Office and the Tuscany Regional Tax Office jointly presented an appeal for 2006 and or 2007, 2008 and 2009, respectively. The parent appeared in court on 22 April 2015, presenting two separate briefs and counter-arguments to the Tuscany Regional Tax Commission. A date for the appeal hearing had not yet been set at the date of this report.

During the year, as part of the regular monitoring and checking procedures required for large taxpayers, the Turin tax police squad performed an inspection of the parent for 2011, 2012 and 2013 which ended on 11 December 2015. The tax police issued a preliminary assessment report which included findings about the methods used to deduct premium cancellations on policies inherited from the former Centrovita Assicurazioni, merged into the parent in 2011.

Based on these findings, the parent should have paid higher taxes of €3,397 thousand in 2015. In order to avoid an exhausting and uncertain tax dispute, the parent deemed it appropriate to resort to the mutually-agreed assessment settlement procedure, formalised on 8 January 2016. This option allowed it to decrease the fines significantly and to settle the dispute, reducing the tax expense to €1,104 thousand.

On 29 December 2015, the Lombardy Regional Tax Office notified the parent, as the merging company of the former Intesa Vita, of an assessment report for IRES purposes on 2010 which did not accept the deduction of the impairment losses recognised on two series of unlisted bonds of €22,899 thousand.

The valuation of the price of the unlisted bonds is based on the consistency of the measurement under the Italian Civil Code based on the reliability, truthfulness and correctness of the financial statements, which the Office does not question, before considering any tax issues. Therefore, the parent deems that the assessment report is without grounds and, therefore, may be cancelled. Accordingly, it will appeal against it to the tax commission.

On the basis of the current situation of the tax disputes, in financial terms, almost all of the pending litigation before tax courts turned out to have 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.

<u>Intesa Sanpaolo Assicura</u>

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 and the court cancelled it with the judgment filed on 24 July 2013. The Regional Tax Office presented a counter-appeal in February 2014 and the Regional Tax Commission handed down ruling no. 425/36/15 on 10 March 2015 allowing its appeal. On 29 October 2015, the company appealed to the Supreme Court. The amount in question is about €10 thousand.

<u>Other companies included in the consolidation scope</u>

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

Part D - Notes to the income statement

REVENUE

Net premiums (caption 1.1)

The net premiums for the year amount to €12,002,455 thousand, showing a decrease of 21% compared to 2014.

thousands €

	31-12-2015			31-12-2014		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-life gross earned premiums	258,373	- 8,061	250,312	214,367	- 7,881	206,486
Gross written premiums	*285,850*	*- 6,516*	*279,334*	*210,593*	*- 5,842*	*204,751*
Change inprovision ofr unearned premiums	*- 27,477*	*- 1,545*	*- 29,022*	*3,774*	*- 2,039*	*1,735*
Life gross written premiums	11,752,645	- 502	11,752,143	14,925,959	- 505	14,925,454
Total	**12,011,018**	**- 8,563**	**12,002,455**	**15,140,326**	**- 8,386**	**15,131,940**

COMMISSION INCOME (caption 1.2)

Commissions refer to financial contracts which do not have a significant insurance risk and do not include DPF, 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 €

	31-12-2015	31-12-2014
Unit-linked financial products	384,599	266,096
Index-linked financial products	2,629	4,893
Other commission income	54,665	32,464
Total	**441,893**	**303,453**

Net fair value gains or losses on financial instruments at fair value through profit or loss (caption 1.3)

This caption is a net gain of €47,722 thousand (net loss of €83,225 thousand for 2014). It is broken down in the annex "Gains and losses on financial instruments and investments".
The larger net gains on financial instruments at fair value through profit or loss are 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.

Gains on other financial instruments and investment property (caption 1.5)

This caption amounts to €2,831,931 thousand (€2,515,653 thousand for 2014). The increase is substantially due to the larger volume of average assets under management and the higher gains on disposals compared to 2014.

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 €253,916 thousand (€201,794 thousand for 2014) and mainly consists of other technical income (€91,466 thousand), mostly relating to the management commissions for unit-linked products and exchange rate gains on investments (€153,808 thousand).

COSTS

Charges relating to claims (caption 2.1)

The caption amounts to €13,253,199 thousand (€16,449,125 thousand for 2014) as follows:

thousands €

	31-12-2015			31-12-2014		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-life net insurance benefits and claims	**-97,347**	**4,979**	**-92,368**	**-106,931**	**9,973**	**-96,958**
Claims paid	-105,929	7,864	-98,065	-95,052	3,226	-91,826
Change in provision for outstanding claims	7,174	-2,885	4,289	-12,826	6,747	-6,079
Change in recoveries	1,364	-	1,364	1,161	-	1,161
Change in other insurance provisions	44	-	44	-214	-	-214
Life net insurance benefits and claims	**-13,160,894**	**63**	**-13,160,831**	**-16,352,223**	**56**	**-16,352,167**
Claims paid	-8,672,828	331	-8,672,497	-6,446,144	383	-6,445,761
Change in provision for outstanding claims	-74,655	-251	-74,906	-24,690	262	-24,428
Change in mathematical provisions	-4,327,058	-17	-4,327,075	-9,255,433	-589	-9,256,022
Change in insurance provisions where investment risk is borne by policyholders and provisions arising from pension fund management	-46,332	-	-46,332	-510,364	-	-510,364
Change in other insurance provisions	-40,021	-	-40,021	-115,592	-	-115,592
Total	**-13,258,241**	**5,042**	**-13,253,199**	**-16,459,154**	**10,029**	**-16,449,125**

COMMISSION EXPENSE (caption 2.2)

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 €

	31-12-2015	31-12-2014
Commission expense for management and dealing services	1,378	848
Unit-linked financial products	258,470	149,694
Index-linked financial products	24,133	30,141
Retroceded commission income on unit-linked funds	3,380	973
Other commission expense	1,410	468
Total	**288,771**	**182,124**

Losses on other financial instruments and investment property (caption 2.4)

The caption amounts to €344,734 thousand (€68,595 thousand for 2014).

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 €180,011 thousand on available-for-sale investments, fair value losses of €98,068 thousand and interest expense of €66,646 thousand.

OPERATING COSTS (caption 2.5)

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

thousands €

	31-12-2015	31-12-2014
Gross commissions and other acquisition costs	**332,694**	**311,920**
Acquisition commissions	222,143	196,722
Other acquisition costs	35,866	33,751
Change in deferred acquisition costs	41	472
Premium collection commissions	74,644	80,975
Profit participation and other commissions received from reinsurers	**- 789**	**- 703**
Investment management costs	**57,751**	**50,892**
Other administrative costs	**55,458**	**47,554**
Total	**445,114**	**409,663**

The investment management costs mainly consist of costs of financial instruments (€17,210 thousand) and investment management commissions and custody expenses (€40,541 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 COSTS (caption 2.6)

This caption, equal to €387,079 thousand (€264,034 thousand for 2014) includes, inter alia, the net accruals to the provisions for risks and charges (€477 thousand), depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets (€149 thousand), exchange rate losses (€32,691 thousand) and other technical costs (€343,848 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 €

	31-12-2015	31-12-2014
Current taxes	231,346	236,642
Change in current taxes of previous years	-	-
Change in deferred tax assets	4,832	-6,692
Change in deferred tax liabilities	10,347	-14,282
Total	**246,525**	**215,668**

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

thousands €

	31-12-2015	31-12-2014
Profit before taxes	*859,017*	*696,074*
Theoretical tax expense	*294,815*	*238,893*
Ordinary rate applicable	34.32%	34.32%
Tax impacts relating to:	*-48,289*	*-23,225*
Different tax rates for foreign subsidiaries	-15,673	-12,899
Additional 2013 IRES (8.5%)	-12,804	-
Effect of increase (decrease) compared to ordinary rate	-15,291	-3,063
Other	-4,522	-7,263
Effective tax expense	**246,525**	**215,668**
Effective rate	**28.70%**	**30.98%**

Part E - Other information

Fees of the independent auditors

In compliance with article 149-duodecies of Consob's Issuer Regulation, as amended with resolutions nos. 15915 dated 3 May 2007 and 15960 dated 30 May 2007, the following table discloses the fees for 2015 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		960
Attestation services	KPMG S.p.A.	Intesa Sanpaolo Vita	(1)	1,031
Other services	KPMG S.p.A.	Intesa Sanpaolo Vita	(2)	98
Audit	KPMG S.p.A.	Società controllate		256
Attestation services	KPMG S.p.A.	Società controllate	(1)	-
Other services	KPMG S.p.A.	Società controllate	(2)	-
		Totale		**2,345**

(1)) Fees for the review of the financial statements of the separately-managed businesses, internal funds, open-ended pension funds and Solvency II

(2) Agreed-upon procedures

Part F - Related parties

The group companies have performed transactions with companies of 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	Significant influence comapnies	Imprese sottoposte al controllo delll'impresa controllante	TOTAL	ULTIMATE PARTENT	OTHERS
Loans and receivables	579,958		3,952	583,910	579,958	3,952
Available-for-sale financial assets	4,022,887		61,897	4,084,784	4,022,887	61,897
Financial assets at fair value through profit	497,586		353,164	850,750	497,586	353,164
Other receivables	157,614		4,837	162,451	157,614	4,837
Other assets	666,520		42,325	708,845	666,520	42,325
Cash and cash equivalents	2,680,463		62,980	2,743,443	2,680,463	62,980
ASSETS	**8,605,028**		**529,155**	**9,134,183**	**8,605,028**	**529,155**
Insurance provisions	726,421			726,421	726,421	
Financial liabilities	46,540		17,696	64,236	46,540	17,696
Unrealized gains and losses equity reserve	235,818		44	235,862	235,818	44
Liabilities	246,299	5,494	92,567	338,866	246,299	92,567
Other liabilities	31,192		27,754	58,946	31,192	27,754
LIABILITIES	**1,286,270**	**5,494**	**138,061**	**1,424,331**	**1,286,270**	**138,061**
Net earned premiums						
Fee and commission income	23		4,079	4,102	23	4,079
Gains on investments	12,065		-10,111	1,954	12,065	-10,111
Net gains on available-for-sale financial as	130,760		2,068	132,828	130,760	2,068
Other income	23,976		19,478	43,454	23,976	19,478
Net insurance benefits and claims	-13,275		-1,657	-14,932	-13,275	-1,657
Fee and commission expense	-66,135		-73,495	-139,630	-66,135	-73,495
Commissions and other acquisition costs	-156,862		-125,773	-282,635	-156,862	-125,773
Investment management costs			-29,254	-29,254		-29,254
Other administrative costs	-1,960		-5,516	-7,476	-1,960	-5,516
Other costs	-121,022		-120,075	-241,097	-121,022	-120,075
INCOME STATEMENT	**-192,430**		**-340,256**	**-532,686**	**-192,430**	**-340,256**

Assets and liabilities mainly refer to:

- ownership of bonds issued by the ultimate parent, Intesa Sanpaolo, or its subsidiaries;
- ownership of OEIC units 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 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 latters' independence.

The internal controls include the rules, procedures and organisational structures designed to ensure 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:
  - risk committee;
  - investment committee;
  - AML committee;
  - strategic committee;
  - control coordination 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 three 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 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 which 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 health 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 internal controls, 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 control 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.

- Capital management rules

  The rules were drawn up to comply with the Solvency II Directive and the guidance provided by IVASS (Letter to the market dated 15 April 2014 on Solvency II - application of the EIOPA guidelines on the system of governance, the forward-looking assessment of own risks based on the ORSA principles, the submission of information to the competent national authorities and the pre-application process for internal models) and describe:

  - how to calculate own funds, especially as regards tiering and assessments about transferability and feasibility;
  - the rules for the efficient management of own funds and capital planning;
  - the principles underlying capital volatility measurement and containment;
  - the main aspects of dividend distribution policies;
  - the organisational and governance model, which encompasses the definition of the roles and responsibilities of internal bodies, departments and units involved in capital management;
  - the main monitoring and reporting activities.

- Data quality rules

  These rules were prepared to define the data governance standard for data used to calculate Solvency II ratios to ensure that the data filed are always complete and correct as is the related information to allow the internal bodies to reconstruct the activities performed and identify the related responsibilities.

- 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;
- liquidity risk: this derives from the Group's inability to monetise investments and other assets to meet its financial commitments when they fall due.

Investment portfolios

At 31 December 2015, the carrying amount of investment portfolios relating to financial assets amounted to €106,357 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 €77,024 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 €29,472 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 (-€138 million at their carrying amount) detailed below, 87.84% of the assets (€67,660 million) consisted of bonds, whereas assets subject to equity price risk represented 1.72% of the total and amounted to €1,324 million. The remainder (10.44%, €8,040 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 €2,110 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 6.35% short-term (under one year), 35.78% medium-term and 57.87% long-term (over five years).

thousand €

	Carrying amount	%	Duration
Fixed rate bonds	**61,301,195**	**79.59%**	**6.43**
within one year	3,425,529	4.45%	
from 1 to 5 years	20,340,513	26.41%	
after 5 years	37,535,153	48.73%	
Floating rate/indexed bonds	**6,358,757**	**8.26%**	**2.85**
within one year	869,283	1.13%	
from 1 to 5 years	3,865,813	5.02%	
after 5 years	1,623,661	2.11%	
Sub total	**67,659,952**	**87.84%**	
Equity investments	**1,323,656**	**1.72%**	
OEIC, private equity, hedge fund	**8,040,165**	**10.45%**	
Total	**77,023,773**	**100.00%**	

The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 6.1 years. The provisions relating to the revaluable policies under segregated assets have an average modified duration of 6.3 years. The related portfolios of assets have a modified duration of around 5.4 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 which 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 €3,873 million.

thousands €

	Carrying amount	%	Fair value gains (losses)	
			+100 bps	-100 bps
Fixed rate bonds	61,301,195	90.60%	-3,702,678	4,115,309
Floating rate/indexed bonds	6,358,757	9.40%	-169,968	186,984
Sub total	**67,659,952**	**100.00%**	**-3,872,646**	**4,302,293**
Effect of interest rate hedges				
Total	**67,659,952**		**-3,872,646**	**4,302,293**

Credit risk exposure

The table below sets forth the distribution of the bond portfolio by rating class: AAA/AA bonds represented 3.59% of total investments and single A bonds represented 3.88%. Low investment grade securities (BBB) were 77.92% of the total, while the portion of speculative grade or unrated was minimal (2.46%).

Breakdown of financial assets by rating of the issuer

thousands €

	Carrying amount	%
Bonds	**67,659,952**	**87.84%**
AAA	1,716,394	2.23%
AA	1,046,245	1.36%
A	2,989,063	3.88%
BBB	60,013,199	77.92%
Speculative grade	1,771,934	2.30%
Unrated	123,117	0.16%
Equity investments	**1,323,656**	**1.72%**
OEIC, private equity, hedge fund	**8,040,165**	**10.44%**
Total	**77,023,773**	**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 77.56% of the total investments, whereas the bonds of corporate issuers contributed around 22.44%.

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 2015, are shown in the table below:

thousands €

	Carrying amount	%	Fair value gains (losses) due to	
			+100 bps	-100 bps
Government bonds	52,474,032	77.56%	-3,193,843	3,569,668
Corporate bonds	15,185,920	22.44%	-758,639	791,239
Sub total	**67,659,952**	**100.00%**	**-3,952,482**	**4,360,907**
Effect of credit risk hedges				
Total	**67,659,952**		**-3,952,482**	**4,360,907**

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in share prices of 10% amounts to €132 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	137,320	10.37%	-13,732
Shares of non-financial and other companies	1,186,336	89.63%	-118,634
Effect of share price risk hedge			
Total	**1,323,656**	**100.00%**	**-132,366**

Currency risk exposure

The investment portfolio is not significantly exposed to currency risk: approximately 98% 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 2015 (derivatives with negative fair value are included):

thousands €

	Carrying amount					
	Interest rates		Equity instruments, indices and		Total	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Hedging derivatives					-	-
Effective operating hedges		-139,720	5	556	5	-139,164
Total	**-**	**-139,720**	**5**	**556**	**5**	**-139,164**

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	16,452	16.36%		0.00%	16,452	5.31%
A3/A-/A-	38,732	38.52%		0.00%	38,732	12.51%
Baa1/BBB+/BBB+		0.00%		0.00%	-	0.00%
Baa2/BBB/BBB		0.00%	209,103	100.00%	209,103	67.53%
Baa3/BBB-/BBB-	45,373	45.12%		0.00%	45,373	14.65%
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	**100,557**	**100.00%**	**209,103**	**100.00%**	**309,660**	**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 €25,913 million at 31 December 2015.

Their classification by risk profile shows a concentration of investments in medium and medium-high risk funds (approximately 76.27%).

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	69,939	1.13%	5	69,466	0.35%	11	139,405	0.54%
Medium low	20	94,034	1.52%	34	893,592	4.53%	54	987,626	3.81%
Medium	33	2,184,746	35.25%	46	9,615,572	48.77%	79	11,800,318	45.53%
Medium high	27	2,256,982	36.41%	31	5,708,620	28.96%	58	7,965,602	30.74%
High	30	1,572,491	25.37%	59	2,227,490	11.30%	89	3,799,981	14.66%
Very high	2	20,234	0.33%	2	95,345	0.48%	4	115,579	0.45%
Protected			0.00%	9	1,104,494	5.60%	9	1,104,494	4.26%
Guaranteed			0.00%			0.00%	-	-	0.00%
Not defined			0.00%			0.00%	-	-	0.00%
Total	**118**	**6,198,426**	**100.01%**	**186**	**19,714,578**	**99.99%**	**304**	**25,913,004**	**99.99%**

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**	**442,836**	**7.14%**	**47**	**867,973**	**4.39%**	**74**	**1,310,809**	**5.06%**
of which Italian equities	1	18,039	0.29%	7	64,070	0.32%	8	82,110	0.32%
of which European equities	8	85,210	1.37%	7	256,696	1.30%	15	341,906	1.32%
of which North American equities	3	52,756	0.85%	7	221,341	1.12%	10	274,097	1.06%
of which Pacific equities	3	15,938	0.26%	7	72,745	0.37%	10	88,683	0.34%
of which global equities	11	250,464	4.04%	12	178,023	0.90%	23	428,487	1.65%
of which specialised equities	1	20,428	0.33%	7	75,098	0.38%	8	95,526	0.37%
Total balanced	**27**	**1,103,376**	**17.80%**	**18**	**979,458**	**4.96%**	**45**	**2,082,834**	**8.04%**
of which balanced-equities	11	858,815	13.86%	7	81,236	0.41%	18	940,050	3.63%
of which balanced	14	241,780	3.90%	8	885,670	4.49%	22	1,127,450	4.35%
of which balanced-bonds	2	2,781	0.04%	3	12,552	0.06%	5	15,334	0.06%
Total bonds	**33**	**1,092,637**	**17.63%**	**57**	**8,377,229**	**42.50%**	**90**	**9,469,865**	**36.55%**
of which pure Euro short-term government bonds			0.00%	1	17,300	0.09%	1	17,300	0.07%
of which pure Euro medium to long-term government bonds	9	96,262	1.55%	7	289,584	1.47%	16	385,846	1.49%
of which pure Euro corporate bonds	1	61,344	0.99%	2	202,801	1.03%	3	264,145	1.02%
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	24,684	0.40%	18	230,978	1.17%	19	255,663	0.99%
of which pure international corporate bonds			0.00%	4	251,465	1.28%	4	251,465	0.97%
of which mixed Eurozone bonds	7	41,411	0.67%	3	104	0.00%	10	41,514	0.16%
of which mixed international bonds	15	868,936	14.02%	22	7,384,997	37.46%	37	8,253,933	31.85%
Total liquidity	**3**	**52,292**	**0.85%**	**8**	**282,686**	**1.43%**	**11**	**334,978**	**1.30%**
of which Eurozone liquidity	2	50,057	0.81%	7	277,899	1.41%	9	327,956	1.27%
of which other currency liquidity	1	2,235	0.04%	1	4,787	0.02%	2	7,022	0.03%
Total flexible	**20**	**3,288,308**	53.05%	**47**	**8,102,739**	41.10%	67	11,391,047	43.96%
Total protected	**8**	**218,978**	3.53%	**9**	**1,104,494**	5.60%	17	1,323,471	5.11%
Total guaranteed	**-**	**-**	0.00%			0.00%	-	-	0.00%
N/D	**-**	**-**	0.00%			0.00%	-	-	0.00%
Total	**118**	**6,198,426**	**100.00%**	**186**	**19,714,578**	**99.98%**	**304**	**25,913,004**	**100.02%**

TECHNICAL RISK

Life business

The typical risks of the life insurance portfolio (managed by Intesa Sanpaolo Vita and Intesa Sanpaolo Life) 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 2015.

thousands €

	Mathematical provision	%
up to 1 year	1,553,341	2.14%
from 1 to 5 years	4,918,400	6.78%
from 6 to 10 years	774,344	1.07%
from 11 to 20 years	534,496	0.74%
after 20 years	64,797,367	89.28%
Total	**72,577,948**	**100.00%**

thousands €

	Total provisions	%
Insurance and investment products with annual return guarantee		
0% -1%	34,986,092	44.72%
from 1% to 3%	29,458,831	37.65%
from 3% to 5%	4,433,947	5.67%
Insurance products	3,699,078	4.73%
Shadow accounting provision	5,655,885	7.23%
Total	**78,233,833**	**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	31/12/2015	31/12/2014
Unit-linked	90	25,494,584	25,494,674	20,015,361
Index-linked	275,029	816	275,845	448,709
Subordinated liabilities	-	1,313,499	1,313,499	1,337,556
Total	**275,119**	**26,808,899**	**27,084,018**	**21,801,626**

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 2015:

thousands €

Year of generation/occurrence		2011	2012	2013	2014	2015	Total
Provision:							
Estimate of ultimate cost of cumulative claims	at 31/12 of generation year N	69,086	92,482	116,939	124,079	121,956	-
	at 31/12 of year N+1	78,391	92,088	110,140	101,899		-
	at 31/12 of year N+2	74,023	88,353	107,505			-
	at 31/12 of year N+3	70,460	87,861				-
	at 31/12 of year N+4	70,840					-
Cumulative amounts paid to date		**60,494**	**70,786**	**85,521**	**73,607**	**39,791**	**330,199**
Claims provision at the reporting date		**10,346**	**17,075**	**21,984**	**28,237**	**81,907**	**159,549**
Final claims provision for years before 2011		-	-	-	-	-	**8,377**
Total claims provision at 31/12/2015		-	-	-	-	-	**167,926**

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

Description of share-based payments

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;
– with respect to the 2014 results and to implement the resolutions taken by the shareholders on 8 May 2014 and 27 April 2015, the Group acquired (through Banca IMI, appointed as the programme agent) 6,885,565 ordinary Intesa Sanpaolo shares on 9 October 2015 (equal to roughly 0.04% of its ordinary shares) for an average price per share of €3.197 and a total of €22,012,769.

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 612,495 shares of the ultimate parent, Intesa Sanpaolo.

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 repurchase 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 delivered 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.

The cost of the LECOIP in 2015 was roughly €1.97 million (12/40 of the plan’s total value).

The Group has not recognised liabilities for the cash-settled payments to employees under the plan’s operating mechanism.

In line with the remuneration policies approved by the shareholders of the Italian group companies pursuant to ISVAP regulation no. 39 of 9 June 2011, the Group purchased 252,868 Intesa Sanpaolo shares during the year at an average unit price of €3.188 to serve the deferred variable component tied to management’s attainment of its 2014 targets. If the targets are met, the shares will be made available to the eligible beneficiaries in 2017 and 2018.

Annexes to the notes to the consolidated financial statements

ANNUAL REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

Statement of financial position by segment

value in €

		Non-life segment		Life segment		Consolidation adjustements		Total	
		Total 31-12-2015	Total 31-12-2014	Total 31-12-2015	Total 31-12-2014	Total 31-12-2015	Total 31-12-2014	Total 31-12-2015	Total 31-12-2014
1	**INTANGIBLE ASSETS**	**28,000**	**57,000**	**635,518,000**	**635,619,000**	**-**	**-**	**635,546,000**	**635,676,000**
2	**TANGIBLE ASSETS**	**60,000**	**83,000**	**1,466,000**	**551,000**	**-**	**-**	**1,526,000**	**634,000**
3	**AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**20,391,000**	**24,955,000**	**1,992,000**	**2,261,000**	**-**	**-**	**22,383,000**	**27,216,000**
4	**INVESTMENTS**	**625,876,000**	**531,678,000**	**106,534,427,000**	**96,744,956,000**	**-83,863,000**	**-83,863,000**	**107,076,440,000**	**97,192,771,000**
4.1	Lands and buildings (investment properties)	-	-	19,249,000	19,414,000	-	-	19,249,000	19,414,000
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	-	-	572,878,000	80,934,000	-	-	572,878,000	80,934,000
4.5	Financial assets available for sale	617,118,000	522,172,000	74,651,009,000	70,521,754,000	-	-	75,268,127,000	71,043,926,000
4.6	Financial assets at fair value through profit and loss	8,758,000	9,506,000	31,207,428,000	26,038,991,000	-	-	31,216,186,000	26,048,497,000
5	**RECEIVABLES**	***19,722,000***	***22,175,000***	***300,919,000***	***461,365,000***	***-479,000***	***-983,000***	***320,162,000***	***482,557,000***
6	**OTHER ASSETS**	**23,922,000**	**24,776,000**	**1,899,774,000**	**1,681,601,000**	**-**	**-32,000**	**1,923,696,000**	**1,706,345,000**
6.1	Deferred acquisition costs	-	48,000	-	-	-	-	-	48,000
6.2	Other assets	23,922,000	24,728,000	1,899,774,000	1,681,601,000	-	-32,000	1,923,696,000	1,706,297,000
7	**CASH AND CASH EQUIVALENTS**	**97,637,000**	**129,959,000**	**2,905,525,000**	**2,430,679,000**	**-**	**-**	**3,003,162,000**	**2,560,638,000**
	TOTAL ASSETS	**787,636,000**	**733,683,000**	**112,279,621,000**	**101,957,032,000**	**-84,342,000**	**-84,878,000**	**112,982,915,000**	**102,605,837,000**
1	**SHAREHOLDERS' EQUITY**							**4,599,469,000**	**4,379,449,000**
2	**OTHER PROVISIONS**	**46,000**	**1,101,000**	**13,876,000**	**9,547,000**	**-**	**-**	**13,922,000**	**10,648,000**
3	**INSURANCE PROVISIONS**	**504,426,000**	**484,165,000**	**78,730,459,000**	**73,929,768,000**	**-**	**-**	**79,234,885,000**	**74,413,933,000**
4	**FINANCIAL LIABILITIES**	**7,336,000**	**10,343,000**	**27,356,544,000**	**22,233,334,000**	**-**	**-**	**27,363,880,000**	**22,243,677,000**
4.1	Financial liabilities at fair value through profit or loss	-	-	25,913,726,000	20,834,274,000	-	-	25,913,726,000	20,834,274,000
4.2	Other financial liabilities	7,336,000	10,343,000	1,442,818,000	1,399,060,000	-	-	1,450,154,000	1,409,403,000
5	**PAYABLES**	**39,851,000**	**27,802,000**	**579,595,000**	**494,036,000**	**-511,000**	**-1,047,000**	**618,935,000**	**520,791,000**
6	**OTHER LIABILITIES**	**18,828,000**	**20,689,000**	**1,132,996,000**	**1,016,676,000**	**-**	**-26,000**	**1,151,824,000**	**1,037,339,000**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES							**112,982,915,000**	**102,605,837,000**

ANNUAL REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

Income statement by segment

value in €

		Non-life segment		Life segment		Consolidation adjustements		Total	
		Total 31-12-2015	Total 31-12-2014	Total 31-12-2015	Total 31-12-2014	Total 31-12-2015	Total 31-12-2014	Total 31-12-2015	Total 31-12-2014
1.1	Net earned premiums	250,312,000	206,486,000	11,752,143,000	14,925,454,000	-	-	12,002,455,000	15,131,940,000
1.1.1	*Gross earned premiums*	*258,373,000*	*214,367,000*	*11,752,645,000*	*14,925,959,000*	-	-	*12,011,018,000*	*15,140,326,000*
1.1.2	*Earned premiums ceded*	*-8,061,000*	*-7,881,000*	*-502,000*	*-505,000*	-	-	*-8,563,000*	*-8,386,000*
1.2	Commission income	-	-	441,893,000	303,453,000	-	-	441,893,000	303,453,000
1.3	Gains (losses) on financial instruments at fair value through profit and loss	580,000	334,000	47,142,000	-83,559,000	-	-	47,722,000	-83,225,000
1.4	Income from investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-
1.5	Income from other financial instruments and lands and buildings	33,491,000	26,572,000	2,798,440,000	2,489,081,000	-	-	2,831,931,000	2,515,653,000
1.6	Other income	16,945,000	10,262,000	239,145,000	193,075,000	-2,174,000	-1,543,000	253,916,000	201,794,000
1	**TOTAL INCOME**	**301,328,000**	**243,654,000**	**15,278,763,000**	**17,827,504,000**	**-2,174,000**	**-1,543,000**	**15,577,917,000**	**18,069,615,000**
2.1	Net insurance benefits and claims	-92,368,000	-96,958,000	-13,160,831,000	-16,352,167,000	-	-	-13,253,199,000	-16,449,125,000
2.1.2	*Claims paid and change in insurance provisions*	*-97,347,000*	*-106,931,000*	*-13,160,894,000*	*-16,352,223,000*	-	-	*-13,258,241,000*	*-16,459,154,000*
2.1.3	*Reinsurers's share*	*4,979,000*	*9,973,000*	*63,000*	*56,000*	-	-	*5,042,000*	*10,029,000*
2.2	Fee and commission expense	-	-	-288,771,000	-182,124,000	-	-	-288,771,000	-182,124,000
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-	-	-3,000	-	-	-	-3,000	-
2.4	Expenses from other financial instruments and lands and buildings	-5,295,000	-51,000	-339,439,000	-68,544,000	-	-	-344,734,000	-68,595,000
2.5	Operating expenses	-100,044,000	-75,474,000	-347,517,000	-336,018,000	2,447,000	1,829,000	-445,114,000	-409,663,000
2.6	Other expenses	-53,896,000	-31,786,000	-332,910,000	-231,956,000	-273,000	-292,000	-387,079,000	-264,034,000
2	**TOTAL EXPENSES**	**-251,603,000**	**-204,269,000**	**-14,469,471,000**	**-17,170,809,000**	**2,174,000**	**1,537,000**	**-14,718,900,000**	**-17,373,541,000**
	PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**49,725,000**	**39,385,000**	**809,292,000**	**656,695,000**	**-**	**-6,000**	**859,017,000**	**696,074,000**

ANNUAL REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

Consolidation area

Company	Country of registered office	Country of operating office (5)	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		G	1	0.00%	0.00%		100.00%
INTESA SANPAOLO LIFE LTD	040		G	2	100.00%	100.00%		100.00%
INTESA SANPAOLO ASSICURA S.p.A.	086		G	1	100.00%	100.00%		100.00%
INTESA SANPAOLO SMART CARE S.r.l.	086		G	11	100.00%	100.00%		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 than
(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

ANNUAL REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

Consolidation scope: equity investments in companies with significant non-controlling interests

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	Financial higlights							
					Total assets	Investments	Technical provisions	Financial liabilities	Equity	Profit (loss) for the year	Dividends distributed to third parties	Gross premiums

ANNUAL REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

Non-consolidated equity investments

Name	Country of registered office	Country of operating office (5)	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.

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Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

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 2005-72 0 12/01/25	19,209	-	1,830,706	A 4.6	-	-	1,832,412
CLOVERIE 2005-72 0 12/01/25	220,904	-	21,053,119	A 4.6	-	-	21,072,739
FIPF 1 A2 (FIPF 1 A2)	21,441	-	1,753,717	A 4.6	-	-	1,762,756
E-MAC NL05-3 A (E-MAC NL05-3 A)	19,453	-	5,815,669	A 4.5	-	-	5,839,255
AVONDALE SECURITIES S.A. A2 EON 2032	36,777	-	1,179,149	A 4.5	-	-	1,185,256

ANNUAL REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

Breakdown of tangible and intangible assets

value in €

	Cost	Deemed cost or fair value	Book value
Lands and buildings (investment properties)	19,249,000		19,249,000
Lands and buildings (self used)	0		0
Other tangible assets	1,526,000		1,526,000
Other intangible assets	966,000		966,000

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Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

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				Total Book value	
							Financial assets held for trading		Financial assets designated at fair value through profit and loss			
	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Equity securities and derivatives measured at cost	-	-	-	-	52,000	51,000	-	-	-	-	52,000	51,000
Equity securities at fair value	-	-	-	-	1,322,137,000	846,181,000	-	-	530,336,000	450,761,000	1,852,473,000	1,296,942,000
of which listed securities	-	-	-	-	*1,322,136,000*	*685,365,000*	-	-	*530,336,000*	*450,761,000*	*1,852,472,000*	*1,136,126,000*
Debt securities	-	-	-	-	67,007,064,000	65,868,969,000	300,560,000	383,018,000	3,471,093,000	3,725,805,000	70,778,717,000	69,977,792,000
of which listed securities	-	-	-	-	*66,962,967,000*	*65,722,712,000*	*291,474,000*	*358,954,000*	*3,426,960,000*	*3,488,561,000*	*70,681,401,000*	*69,570,227,000*
UCI shares	-	-	-	-	6,938,874,000	4,328,725,000	438,523,000	410,352,000	25,700,550,000	20,527,382,000	33,077,947,000	25,266,459,000
Loans and receivables from banking customers	-	-	16,179,000	1,179,000	-	-	-	-	-	-	16,179,000	1,179,000
Interbank loans and receivables	-	-	556,374,000	76,976,000	-	-	-	-	-	-	556,374,000	76,976,000
Deposits under reinsurance business	-	-	-	-	-	-	-	-	-	-	-	-
Financial asset components of insurance contracts	-	-	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	-	-	325,000	2,779,000	-	-	-	-	-	-	325,000	2,779,000
Non-hedging derivatives	-	-	-	-	-	-	107,324,000	183,925,000	-	-	107,324,000	183,925,000
Hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Other financial investments	-	-	-	-	-	-	-	-	667,800,000	367,254,000	667,800,000	367,254,000
Total	**-**	**-**	**572,878,000**	**80,934,000**	**75,268,127,000**	**71,043,926,000**	**846,407,000**	**977,295,000**	**30,369,779,000**	**25,071,202,000**	**107,057,191,000**	**97,173,357,000**

ANNUAL REPORT

Company: INTESA SANPAOLO VITA S.p.A. Reporting period: 2015

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	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Assets in the balance sheet	26,479,952,000	21,856,268,000	2,993,867,000	2,262,364,000	29,473,819,000	24,118,632,000
Intercompany assets *	-	-	-	-	-	-
Total Assets	**26,479,952,000**	**21,856,268,000**	**2,993,867,000**	**2,262,364,000**	**29,473,819,000**	**24,118,632,000**
Financial liabilities in the balance sheet	25,770,519,000	20,464,070,000	-	-	25,770,519,000	20,464,070,000
Insurance provisions in the balance sheet	658,596,000	1,343,767,000	2,993,867,000	2,262,364,000	3,652,463,000	3,606,131,000
Intercompany liabilities *	-	-	-	-	-	-
Total Liabilities	**26,429,115,000**	**21,807,837,000**	**2,993,867,000**	**2,262,364,000**	**29,422,982,000**	**24,070,201,000**

*Assets and liabilities adjusted in the consolidation process

ANNUAL REPORT

Company: INTESA SANPAOLO VITA S.p.A. Reporting period: 2015

Breakdown of amount ceded to reinsurers from insurance provisions

value in €

	Direct business		Indirect business		Total (book value)	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Non-life insurance provisions	**20,391,000**	**24,955,000**	**-**	**-**	**20,391,000**	**24,955,000**
Provisions for unearned premiums	9,760,000	11,440,000	-	-	9,760,000	11,440,000
Provisions for outstanding claims	10,631,000	13,515,000	-	-	10,631,000	13,515,000
Other insurance provisions	-	-	-	-	-	-
Life insurance provisions	**1,992,000**	**2,261,000**	**-**	**-**	**1,992,000**	**2,261,000**
Provisions for outstanding claims	1,657,000	1,909,000	-	-	1,657,000	1,909,000
Mathematical provisions	335,000	352,000	-	-	335,000	352,000
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	**22,383,000**	**27,216,000**	**-**	**-**	**22,383,000**	**27,216,000**

ANNUAL REPORT

Impresa: INTESA SANPAOLO VITA S.p.A. Reporting period: 2015

Breakdown of insurance provisions

value in €

	Direct business		Indirect business		Total (book value)	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Non-life insurance provisions	**504,426,000**	**484,165,000**	-	-	**504,426,000**	**484,165,000**
Provision for unearned premiums	335,630,000	308,151,000	-	-	335,630,000	308,151,000
Provisions for outstanding claims	167,926,000	175,099,000	-	-	167,926,000	175,099,000
Other insurance provisions	870,000	915,000	-	-	870,000	915,000
- of which reserves posted following liability adequacy test	-	-	-	-	-	-
Life insurance provisions	**78,730,459,000**	**73,929,768,000**	-	-	**78,730,459,000**	**73,929,768,000**
Provisions for outstanding claims	381,281,000	306,626,000	-	-	381,281,000	306,626,000
Mathematical provisions	68,925,485,000	64,149,579,000	-	-	68,925,485,000	64,149,579,000
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension fund	3,652,463,000	3,606,131,000	-	-	3,652,463,000	3,606,131,000
Other insurance provisions	5,771,230,000	5,867,432,000	-	-	5,771,230,000	5,867,432,000
- of which reserves posted following liability adequacy test	-	-	-	-	-	-
- of which deferred liabilities due to policyholders	*5,655,885,000*	*5,749,492,000*	-	-	*5,655,885,000*	*5,749,492,000*
Total insurance provisions	**79,234,885,000**	**74,413,933,000**	-	-	**79,234,885,000**	**74,413,933,000**

ANNUAL REPORT

Company: INTESA SANPAOLO VITA S.p.A. Reporting period: 2015

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					
	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Financial equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	1,313,499,000	1,337,556,000	1,313,499,000	1,337,556,000
Liabilities related to investment contracts from:	0	0	25,770,519,000	20,464,070,000	0	0	25,770,519,000	20,464,070,000
policies where the investment risk is borne by the policyholders	*0*	*0*	*25,770,519,000*	*20,464,070,000*	*0*	*0*	*25,770,519,000*	*20,464,070,000*
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	6,331,000	9,336,000	6,331,000	9,336,000
Financial liability components of insurance contracts	0	0	0	0	130,298,000	62,477,000	130,298,000	62,477,000
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	143,111,000	321,488,000	96,000	0	0	0	143,207,000	321,488,000
Hedging derivatives	0	48,716,000	0	0	0	0	0	48,716,000
Other financial liabilities	0	0	0	0	26,000	34,000	26,000	34,000
Total	**143,111,000**	**370,204,000**	**25,770,615,000**	**20,464,070,000**	**1,450,154,000**	**1,409,403,000**	**27,363,880,000**	**22,243,677,000**

ANNUAL REPORT

Company: INTESA SANPAOLO VITA Reporting period: 2015

Breakdown of technical insurance items

value in €

		31-12-2015			31-12-2014		
		Gross amount	Ceded amount	Net Amount	Gross amount	Ceded amount	Net Amount
Non-life segment							
NET EARNED PREMIUMS		**258,373,000**	**-8,061,000**	**250,312,000**	**214,367,000**	**-7,881,000**	**206,486,000**
a	Gross written premiums	285,850,000	-6,516,000	279,334,000	210,593,000	-5,842,000	204,751,000
b	Change in the provision for unearned premiums	-27,477,000	-1,545,000	-29,022,000	3,774,000	-2,039,000	1,735,000
NET INSURANCE BENEFITS AND CLAIMS		**-97,347,000**	**4,979,000**	**-92,368,000**	**-106,931,000**	**9,973,000**	**-96,958,000**
a	Claims paid	-105,929,000	7,864,000	-98,065,000	-95,052,000	3,226,000	-91,826,000
b	Change in the provisions for outstanding claims	7,174,000	-2,885,000	4,289,000	-12,826,000	6,747,000	-6,079,000
c	Change in claims to be recovered	1,364,000	0	1,364,000	1,161,000	0	1,161,000
d	Changes in other insurance provisions	44,000	0	44,000	-214,000	0	-214,000
Life segment							
NET EARNED PREMIUMS		**11,752,645,000**	**-502,000**	**11,752,143,000**	**14,925,959,000**	**-505,000**	**14,925,454,000**
NET INSURANCE BENEFITS AND CLAIMS		**-13,160,894,000**	**63,000**	**-13,160,831,000**	**-16,352,223,000**	**56,000**	**-16,352,167,000**
a	Claims paid	-8,672,828,000	331,000	-8,672,497,000	-6,446,144,000	383,000	-6,445,761,000
b	Change in the provisions for outstanding claims	-74,655,000	-251,000	-74,906,000	-24,690,000	262,000	-24,428,000
c	Change in mathematical provisions	-4,327,058,000	-17,000	-4,327,075,000	-9,255,433,000	-589,000	-9,256,022,000
d	Change in the povisions for policies where the investment risk is borne by the policyholders and provisions for pension fund	-46,332,000	0	-46,332,000	-510,364,000	0	-510,364,000
e	Changes in other insurance provisions	-40,021,000	0	-40,021,000	-115,592,000	0	-115,592,000

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

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 31-12-2015	Total income and expenses 31-12-2014
								Unrealized gains	Reversal of impairment losses	Unrealized losses	Impairment losses			
Result of investments		**1,969,217,000**	**223,847,000**	**-422,825,000**	**1,838,898,000**	**-441,735,000**	**3,167,402,000**	**510,998,000**	**0**	**-682,142,000**	**-98,068,000**	**-269,212,000**	**2,898,190,000**	**3,893,187,000**
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	1,399,000
b	From investments in subsidiaries, associates and joint ventures	0	0	0	0	-3,000	-3,000	0	0	0	0	0	-3,000	0
c	From investments held to maturity	0	0	0	0	0	0	0	0	0	0	0	0	0
d	From loans and receivables	4,740,000	0	0	4,896,000	-6,611,000	3,025,000	0	0	0	0	0	3,025,000	3,327,000
e	From available for sale financial assets	1,890,629,000	141,910,000	-1,000	786,175,000	-173,400,000	2,645,313,000	0	0	0	-97,903,000	-97,903,000	2,547,410,000	2,454,381,000
f	From financial assets held for trading	11,145,000	0	-1,638,000	93,114,000	-78,350,000	24,271,000	13,940,000	0	-62,645,000	0	-48,705,000	-24,434,000	118,107,000
g	From financial assets designated at fair value through profit and loss	62,703,000	80,365,000	-421,178,000	954,713,000	-183,371,000	493,232,000	497,058,000	0	-619,497,000	0	-122,439,000	370,793,000	1,315,973,000
Result of receivables		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Result of cash and cash		**1,932,000**	**0**	**0**	**0**	**0**	**1,932,000**	**0**	**0**	**0**	**0**	**0**	**1,932,000**	**19,326,000**
Result of financial liabilities		**-87,494,000**	**0**	**-63,000**	**69,218,000**	**-143,144,000**	**-161,483,000**	**29,714,000**	**0**	**-233,437,000**	**0**	**-203,723,000**	**-365,206,000**	**-1,548,680,000**
a	From financial liabilities held for trading	-20,848,000	0	-63,000	69,141,000	-143,144,000	-94,914,000	27,136,000	0	-2,603,000	0	24,533,000	-70,381,000	-366,527,000
b	From financial liabilities designated at fair value through income statement	0	0	0	0	0	0	2,578,000	0	-230,834,000	0	-228,256,000	-228,256,000	-1,150,778,000
c	From other financial liabilities	-66,646,000	0	0	77,000	0	-66,569,000	0	0	0	0	0	-66,569,000	-31,375,000
Result of payables		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**1,883,655,000**	**223,847,000**	**-422,888,000**	**1,908,116,000**	**-584,879,000**	**3,007,851,000**	**540,712,000**	**0**	**-915,579,000**	**-98,068,000**	**-472,935,000**	**2,534,916,000**	**2,363,833,000**

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Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

Breakdown of insurance expenses

value in €

		Non-life segment		Life segment	
		31-12-2015	31-12-2014	31-12-2015	31-12-2014
Gross commissions and other acquisition costs		-78,501,000	-55,149,000	-254,193,000	-256,771,000
a	Acquisition commissions	-67,836,000	-44,072,000	-154,307,000	-152,650,000
b	Other acquisition expenses	-9,908,000	-9,385,000	-25,958,000	-24,366,000
c	Change in deferred acquisition costs	-41,000	-472,000	0	0
d	Collection commissions	-716,000	-1,220,000	-73,928,000	-79,755,000
Commissions and profit sharing from reinsurers		715,000	703,000	74,000	0
Investment management expenses		-443,000	-355,000	-57,308,000	-50,537,000
Other administrative expenses		-21,815,000	-20,673,000	-36,090,000	-28,710,000
Total		**-100,044,000**	**-75,474,000**	**-347,517,000**	**-336,018,000**

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Impresa: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

Dettaglio delle altre componenti del conto economico complessivo

value in €

	Allocations		Reclassification adjustments to income statement		Other changes		Total changes		Taxes		Balance	
	Total 31-12-2015	Total 31-12-2014	Total 31-12-2015	Total 31-12-2014	Total 31-12-2015	Total 31-12-2014	Total 31-12-2015	Total 31-12-2014	Total 31-12-2015	Total 31-12-2014	al 31-12-2015	al 31-12-2014
Other comprehensive income after taxes without reclassification in the income statement	**380,000**	**-464,000**	**-**	**-**	**-**	**165,000**	**380,000**	**-299,000**	**-**	**-**	**-306,000**	**-686,000**
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	380,000	-464,000	-	-	-	165,000	380,000	-299,000	-	-	-306,000	-686,000
Other items	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income after taxes with reclassification in the income statement	**-**	**10,000**	**-88,324,000**	**-35,331,000**	**146,645,000**	**304,850,000**	**58,321,000**	**269,529,000**	**-**	**-**	**648,895,000**	**590,574,000**
Foreign currency translation differences	-	10,000	-	-	-40,000	33,000	-40,000	43,000	-	-	-	40,000
Net unrealized gains (losses) on available for sale financial assets	-	-	-88,324,000	-35,331,000	146,685,000	304,817,000	58,361,000	269,486,000	-	-	648,895,000	590,534,000
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	**380,000**	**-454,000**	**-88,324,000**	**-35,331,000**	**146,645,000**	**305,015,000**	**58,701,000**	**269,230,000**	**-**	**-**	**648,589,000**	**589,888,000**

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Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

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 30/06/2015 of the reclassified assets		Fair value at 30/06/2015 of the reclassified assets		Assets reclassified in 2015		Assets reclassified up to 2015		Assets reclassified in 2015		Assets reclassified up to 2015	
out of	into			Assets reclassified in 2015	Assets reclassified up to 2015	Assets reclassified in 2015	Assets reclassified up to 2015	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 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 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

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

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	
		31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Assets and liabilities at fair value on a recurring basis									
Financial assets available for sale		72,599,611,000	68,660,210,000	2,191,940,000	2,069,291,000	476,576,000	314,425,000	75,268,127,000	71,043,926,000
Financial assets at fair value through profit and loss	Financial assets held for trading	605,402,000	635,069,000	184,607,000	317,822,000	56,398,000	24,404,000	846,407,000	977,295,000
	Financial assets designated at fair value through profit and loss	28,758,773,000	23,312,738,000	879,824,000	1,153,966,000	731,182,000	604,498,000	30,369,779,000	25,071,202,000
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		**101,963,786,000**	**92,608,017,000**	**3,256,371,000**	**3,541,079,000**	**1,264,156,000**	**943,327,000**	**106,484,313,000**	**97,092,423,000**
Financial liabilities at fair value through profit and loss	Financial liabilities held for trading	0	45,188,000	143,111,000	325,016,000	0	0	143,111,000	370,204,000
	Financial liabilities designate at fair value through profit and loss	96,000	0	25,770,519,000	20,464,070,000	0	0	25,770,615,000	20,464,070,000
Total liabilities at fair value on a recurring basis		**96,000**	**45,188,000**	**25,913,630,000**	**20,789,086,000**	**0**	**0**	**25,913,726,000**	**20,834,274,000**
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

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

Breakdown of changes to assets and liabilities of level 3, at fair value on a recurring basis

value in €

	Financial assets available for sale	Financial assets at fair value through profit and loss		Land and buildings (investment properties)	Tangible assets	Intangible assets	Financial liabilities at fair value through profit and loss	
		Financial assets held for trading	Financial assets designated at fair value through profit and loss				Financial liabilities held for trading	Financial liabilities designated at fair value through profit and loss
Initial amount	**314,425,000**	**24,404,000**	**604,498,000**	**0**	**0**	**0**	**0**	**0**
Purchases/Issues	432,173,000	64,976,000	250,828,000	0	0	0	0	0
Sales/Repurchases	-180,363,000	-38,194,000	-59,857,000	0	0	0	0	0
Refunds	-4,950,000	0	0	0	0	0	0	0
Profit (loss) in income statement	58,402,000	-27,603,000	-2,251,000	0	0	0	0	0
- of which unrealized gains/losses	*0*	*9,795,000*	*-2,657,000*	*0*	*0*	*0*	*0*	*0*
Profit (loss) in other components of comprehensive income statement	52,000	539,000	0	0	0	0	0	0
Transfers to level 3	3,811,000	0	0	0	0	0	0	0
Transfers to other levels	-141,159,000	0	0	0	0	0	0	0
Other changes	-5,815,000	32,276,000	-62,036,000	0	0	0	0	0
Final amount	**476,576,000**	**56,398,000**	**731,182,000**	**0**	**0**	**0**	**0**	**0**

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2015**

Assets and liabilities not at fair value: breakdown by fair value levels

value in €

	Book value		Fair value							
			Level 1		Level 2		Level 3		Total	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Assets										
Financial assets held to maturity	-	-	-	-	-	-	-	-	-	-
Loans and receivables	572,878,000	80,934,000	-	-	556,699,000	79,346,000	16,179,000	3,717,000	572,878,000	83,063,000
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Land and buildings (investment properties)	19,249,000	19,414,000	-	-	-	-	24,990,000	25,860,000	24,990,000	25,860,000
Tangible assets	1,526,000	634,000	-	-	-	-	1,526,000	634,000	1,526,000	634,000
Total Assets	**593,653,000**	**100,982,000**	**-**	**-**	**556,699,000**	**79,346,000**	**42,695,000**	**30,211,000**	**599,394,000**	**109,557,000**
Liabilities										
Other financial liabilities	1,450,154,000	1,409,403,000	-	-	1,325,722,000	1,336,549,000			1,325,722,000	1,336,549,000

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 31/12/2015

Il bilancio consolidato al 31 dicembre 2015 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 612,5 milioni di euro, interamente di pertinenza del gruppo, e un patrimonio complessivo di 4.599,5 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 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.

Il Collegio sindacale, con riferimento alle attività interessanti le società controllate, ricorda che la normativa secondaria di settore è contenuta nel Regolamento IVASS n. 15 in materia di Gruppo assicurativo. Il Collegio ha acquisto – mediante la partecipazione ai Consigli di Amministrazione – evidenza della relazione predisposta dalla Capogruppo assicurativa ai sensi dell'art. 6 dello stesso Regolamento.

Abbiamo preso atto delle attività di direzione e coordinamento svolte dalle funzioni di controllo e indicate nell'omonima relazione annuale. In particolare, tale relazione ha l'obiettivo di fornire una rappresentazione sintetica delle attività di direzione e controllo svolte nell'anno 2015 da parte delle funzioni di controllo della Capogruppo assicurativa e una valutazione dei rischi del 2016, con conseguente piano delle attività.

E' proseguito il processo di miglioramento della formalizzazione di una reportistica periodica delle attività svolte dalle funzioni di controllo interno in materia di capogruppo assicurativa, nonché delle specifiche attività di verifica e dei controlli continuativi introdotti nei piani delle funzioni di controllo. Il Collegio ha sottolineato l'importanza del presidio sul sistema dei controlli interni della controllata IS Life, in corso di adeguamento attraverso idonea attività progettuale.

Tale attività si è ulteriormente rafforzata con l'istituzione del Comitato coordinamento controlli cui partecipano tutti i responsabili delle funzioni di controllo della capogruppo assicurativa e dal 1 gennaio 2016 anche la funzione attuariale.

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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 2015 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

2015 viene presentata agli Azionisti unitamente a quella inerente il bilancio di esercizio a tale data.

Torino lì, 26 febbraio 2016

Il Collegio sindacale

Massimo Broccio:

Paolo Mazzi:

Riccardo Ranalli:

Independent Auditors' Report