

Unipol Gruppo Finanziario
2014 Annual Report

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New dimension.
New perspectives.

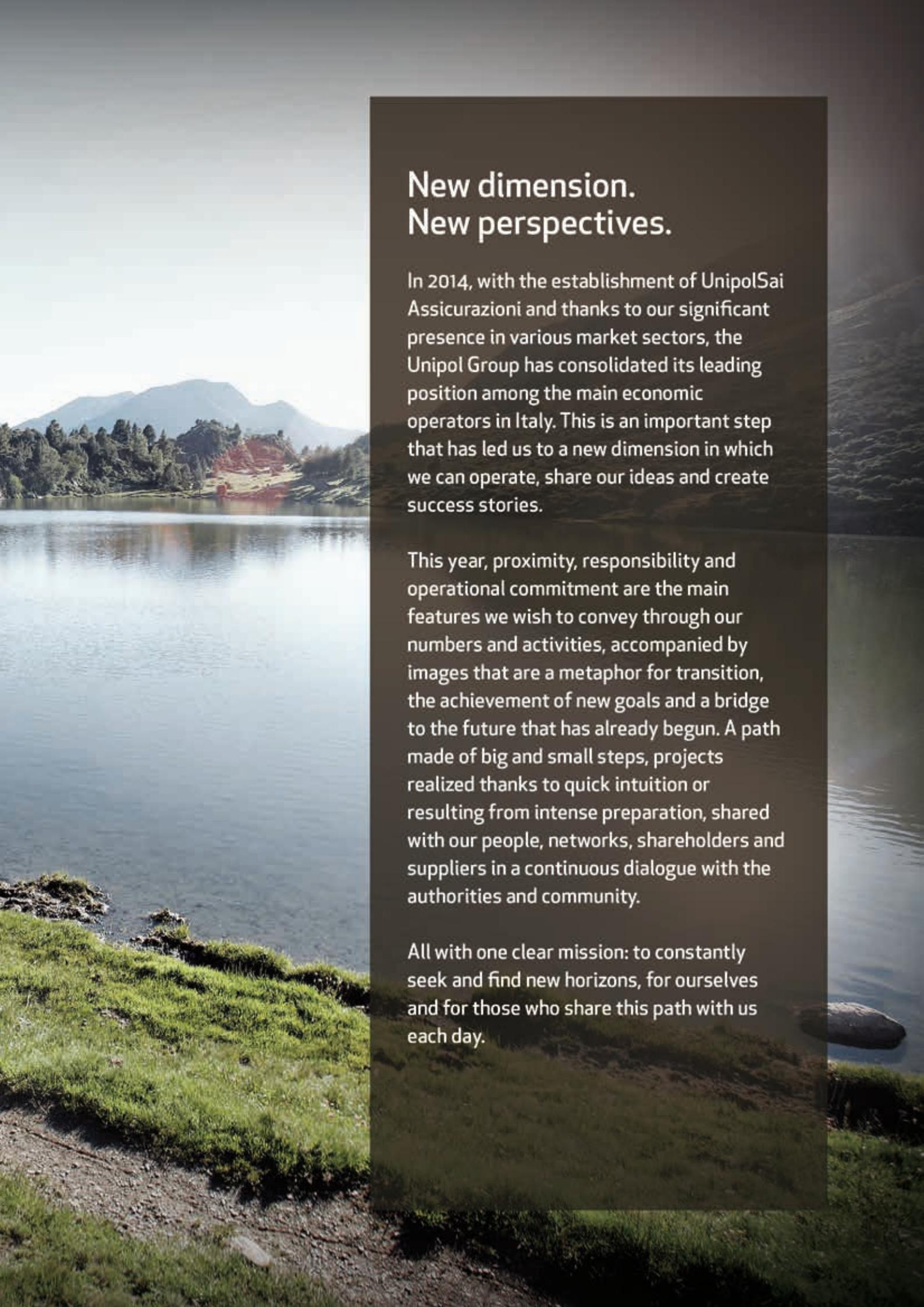
Unipol Gruppo Finanziario Annual Report

2014

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A photograph of a man in a red shirt and black shorts jogging on a grassy path next to a large, calm lake. In the background, a steep mountain slope covered in green trees rises against a clear sky. The image has a white border.

KK2014



New dimension. New perspectives.

In 2014, with the establishment of UnipolSai Assicurazioni and thanks to our significant presence in various market sectors, the Unipol Group has consolidated its leading position among the main economic operators in Italy. This is an important step that has led us to a new dimension in which we can operate, share our ideas and create success stories.

This year, proximity, responsibility and operational commitment are the main features we wish to convey through our numbers and activities, accompanied by images that are a metaphor for transition, the achievement of new goals and a bridge to the future that has already begun. A path made of big and small steps, projects realized thanks to quick intuition or resulting from intense preparation, shared with our people, networks, shareholders and suppliers in a continuous dialogue with the authorities and community.

All with one clear mission: to constantly seek and find new horizons, for ourselves and for those who share this path with us each day.

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Company bodies

	HONORARY CHAIRMAN	Enea Mazzoli
BOARD OF DIRECTORS	CHAIRMAN	Pierluigi Stefanini
	VICE CHAIRMAN	Giovanni Antonelli
	CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER	Carlo Cimbra
	DIRECTORS	Giovanni Battista Baratta Paola Manes Francesco Berardini Pier Luigi Morara Paolo Cattabiani Milo Pacchioni Piero Collina Maria Antonietta Pasquariello Sergio Costalli Elisabetta Righini Ernesto Dalle Rive Francesco Saporito Massimo Di Menna Adriano Turrini Guido Galardi Marco Giuseppe Venturi Giuseppina Gualtieri Rossana Zambelli Claudio Levorato Carlo Zini Ivan Malavasi Mario Zucchelli
	SECRETARY OF THE BOARD OF DIRECTORS	Roberto Giay
BOARD OF STATUTORY AUDITORS	CHAIRMAN	Roberto Chiusoli
	STATUTORY AUDITORS	Silvia Bocci Domenico Livio Trombone
	ALTERNATE AUDITORS	Carlo Cassamagnaghi Chiara Ragazzi
MANAGER IN CHARGE OF FINANCIAL REPORTING		Maurizio Castellina
INDEPENDENT AUDITORS		PricewaterhouseCoopers SpA

Introduction

Introduction

Macroeconomic background and market performance

Macroeconomic background

The year 2014 was characterised by global economic growth of a little over 3%, essentially in line with the results achieved in 2013.

Economic activity in the USA, after the false start of the first quarter attributable to the exceptional cold weather, recorded satisfactory expansion rates: +5% yoy in the third quarter and +2.2% in the fourth, for a total growth of 2.4% compared to 2013. Several factors contributed to this result: the strength of private consumption, expansionary fiscal policy and a good investments trend. The labour market became stronger, with an unemployment which fell gradually during the year to reach 5.6% in December. Though completing the third Quantitative Easing, the Federal Reserve kept official rates at near zero, reserving the right to increase them at an as yet unspecified future date.

Japan, despite the Quantitative Easing put into place by the Central Bank, again fell into a recession as a result of the mid-year tax increase to limit the considerable public deficit, whilst implementation of the structural reforms of the Abe Government - reconfirmed at the recent elections - is slow.

Though marginally slowing its growth rate, China continues the process of changing its development model in order to enhance demand on the home market by restructuring the impact seen thus far from exports and investments.

In 2014 a number of emerging countries, particularly Russia and Venezuela, saw a significant drop in oil prices, whilst the stronger dollar caused tension in countries such as Turkey and Brazil that have a greater need to attract capital to finance their structural deficits.

For the Italian economy, 2014 was the third consecutive year of recession, with GDP down by 0.4%. Growth in the Eurozone failed to rise above 0.9%.

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

Confirming Europe's fragility, a gradual narrowing of differences in consumer prices was seen in 2014. In December, Eurozone inflation recorded a negative value (-0.2%), representing a framework in which over half of European countries have fallen into a deflationary phase.

An important contribution to the consumer price freeze came from the collapse of oil prices (Brent), from a peak of \$115.43 per barrel reached on 19 June 2014 to \$54.76 at year end (-53%).

To combat these signs, the ECB cut the refinancing rate in September to 0.05% and launched a series of initiatives to provide greater funding to the banking system, a condition necessary to reactivating the flow of lending to the economy, including the ABS purchase programme, that relating to covered bonds and TLTRO (Targeted Longer Term Refinancing Operations), the latter with the aim of allowing banks to grant credit to businesses and households.

In this scenario Italy continued to suffer low growth associated with high unemployment. Demand on the home market proved weak, particularly in terms of investments, which would be the determining factor in increasing GDP and reabsorbing the unemployment rate. Some positive signs on the employment front emerged in the last month of the year. ISTAT reported that the balance of trade (goods) in 2014 was positive by just under €43bn (+46.8% on 2013). However, though positive *per se*, these figures are the result of a modest increase in exports (+2%) and a decline in imports (-1.6%) concentrated solely in the energy segment (-14.4%).

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

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

Financial markets

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

In a context of extremely low market rates, for macroeconomic reasons and due to the direct action by the main Central Banks, the 2014 performance of European equity markets was not particularly bright. The Eurostoxx 50 index, representing Eurozone securities with the highest level of capitalisation, increased by only 1.2% (-2.5% in the fourth quarter of 2014). The German Dax performed well with a rise of +2.7% (+3.5% in the last quarter of the year), while Borsa Italiana (the Italian Stock Exchange), with the Milan FTSE MIB index, gained +0.2% (-9% in the fourth quarter of 2014). Lastly, Madrid's Ibex recorded a positive performance, rising +3.7% (-5% in the final quarter of 2014).

The Standard & Poor's 500 index, representing the main listed companies in the United States, recorded an increase of +11.4% (+4.4% in the fourth quarter of 2014), while in Japan, the Nikkei index gained 7.1% in 2014 (+7.9% in the fourth quarter of 2014).

Lastly, in relation to the emerging market indices, the most representative index, the Morgan Stanley Emerging Market, rose by +2.5% in 2014 (-0.4% in the fourth quarter of 2014).

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

Insurance sector

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

Throughout the third quarter of 2014, Non-Life business (also including cross-border operations) saw a 3.1% decrease compared to the same period of 2013. The decline was concentrated in the MV segment, where motor vehicle TPL was down 7.3% as a result of two separate phenomena: on the one hand the drop in claims frequency, strictly associated with lower mileage averages per vehicle due to the economic crisis, and on the other hand the high level of competition in the sector which allows benefits from the drop in claims to be transferred directly to consumers.

Available figures show that, at the end of the third quarter of 2014, the decrease in average MV TPL premiums (-5.87% year on year) was higher in absolute terms than the drop in claims seen in the same period (-3.91%, also calculated yoy). It follows that, at market level, the trend is one of lower technical profitability in the main Non-Life business.

Premiums in Land Vehicle Hulls business recorded a slower decline of 2.4% (-8.6% in 2013). The partial recovery in vehicle registrations (+4.9% in 2014 after six consecutive years of decline) limited the erosion of the business unit's premiums.

The trend in the Non-MV Non-Life class appears to be more structured. The overall figure shows a slower growth in premiums (+1.3% in the first nine months of 2014), against which certain segments have shown a significant

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decrease (Transport -9%), others remained stationary (Accident, Health and General TPL) and others still under development (Other Damage to Property +5.3%, Legal Expenses +6.6%, Assistance +10%, Pecuniary Losses +11.1%).

A 2.2% increase was seen in premiums collected in Italy by representative companies in the European Economic Area (ANIA data), compared to a 1.2% growth recorded by Italian and non-EU businesses. This confirms the shift of major customer segments towards specialised operators able to best meet specific requirements in complex management segments, such as civil liability insurance or goods in transit insurance.

Despite the difficult economic scenario, in the last few quarters ISTAT has reported a stronger appetite for investment of households, now recovering after the minimum seen in the last quarter of 2012. This trend suggests the transformation of consumer models seen in correspondence with a complex economic phase, which Italians clearly no longer see as transitional.

In this context, in 2014 new Life business for individuals recorded a remarkable leap forward: +44.4% on 2013 to give a monetary volume of more than €106bn (including cross-border activities). This is an extraordinary result aided by different factors: the low interest rates resulting from ECB monetary policy, the commercial drive of banks at a time when pressure has eased on accumulating direct funding, and investors' search for products to satisfy their poor appetite for risk.

Business development centred on Class I products (over €67bn in new premiums, corresponding to growth of 42.5%). Considerable increases were recorded by unit-linked policies (+60.6%) and in class V business (+100.5%). The banking and post office channel confirmed its leading position with a market share of 71.3% and a 49.2% development rate. As a result of the recovery seen in the last few months of the year, financial advisors recorded a stronger growth rate: +65%.

According to ANIA preliminary forecasts, Life business premiums for 2014 will be around €110bn (excluding cross-border activities), up 30% on the previous year. Life business net income, i.e. the difference between premiums and services paid by insurers are expected to reach €46bn in 2014, around three times the figure achieved in 2013. In this respect, note the decline in the surrender ratio (ratio between amounts paid for partial and/or total surrenders and the average total of technical provisions) from 9.07% in 2013 to 7.94% in the first nine months of 2014. As a result of these phenomena, Life technical provisions rose by €55.4bn in the last twelve months, reaching the new milestone of €502.4bn at the end of September 2014.

Pension funds

The Supervisory Commission for Pension Funds has published its figures for 2014. In terms of the number of subscribers, the total has risen by 6.1% compared to 2013. More precisely: subscribers to occupational pension funds fell by 0.3% to 1.9 million; a 7% increase was seen in the number subscribing to open pension funds (over 1 million). The more consistent increase, however, related to the "new" Personal Pension Funds, up +15% with a user base now close to 2.5 million individuals.

The managed volumes of supplementary pensions totalled over €126bn at the end of 2014, up 8.5% on the previous year. The strongest increase was recorded by the "new" Personal Pension Funds (+21.2%, to a total value of €15.8bn). Open funds also recorded a positive result, with a 16.4% increase (around €14bn), and growth in occupational pension funds cannot be disregarded, with funds assigned to servicing these reaching €39.6bn (+14.9% compared to 2013).

At the end of 2014, the total supplementary pension assets represented around 8% of GDP and 3% of the financial assets of Italian households. At the end of 2006, prior to the reform, these values were 3.5% and 1.5% respectively. Despite still being limited compared to international levels, in national terms Italian pension funds are beginning to take on a fairly significant dimension.

In 2014 average returns remained positive for all the main types of pension funds. Occupational and open pension funds yielded averages, respectively of 7.3% and 7.5%, whilst the new Class III Personal Pension Funds earned 7.3%. By comparison, note that in 2014 post-employment benefits saw a 1.5% revaluation.

New aspects for the pension funds system were introduced by the 2015 Stability Act. In particular, Art. 1, paragraph 621 increased the substitute tax rate applied on operating results accrued by supplementary pension schemes to 20%. Then paragraph 622 contained measures concerning the calculation method for taxable income on the aforementioned operating result, which aim to ensure that income on Italian and White List countries' debt securities - received by supplementary pension schemes - are subject to 12.50% tax.

Banking sector

Loans to non-financial companies reduced by 0.7% compared to the end of 2013 (which would be -2.9% if certain statistical discontinuities were taken into account), whilst loans to households recorded a decline of 0.9%.

Stagnation on the lending side also had a downward effect on direct deposits, down 5.7%, whilst the most rapidly declining component was bonds (-18.1% yoy in December).

Funding from overseas was also down by 3.9%. Likewise, the securities portfolio recorded a drop of over €92bn (-10.3% compared to December 2013). It is important to emphasise that, despite an overall downsizing of banks' financial investments, the Italian government securities component has increased by 3.4% to exceed €400bn. In these numbers it is not difficult to capture the effects of a crippled economic system in which the recession tends to discourage demand for loans: business investments and household consumption, in fact, both saw changes for the worse. On the other hand, the trend for deterioration of credit quality (+17.8% in gross bad and doubtful loans, now standing almost at €184bn) could not fail to result in a highly cautious approach to lending on the supply side. The interaction between these two phenomena is indicated in the decrease in volumes traded by the banking system.

The ECB cuts in the main refinancing rate in 2014, the last of which (in September) took the monetary policy rate to 0.05%, contributed to a widespread reduction in the interest rates on new loans both to households and companies. The cost of borrowing on new loan transactions of less than €1m to businesses dropped from 4.34% in December 2013 to 3.31% at the end of 2014. Also down are the rates on transactions of over €1m (from 2.82% to 2.15%). The interest rate applied on home purchase loans to households fell from 3.50% at the end of 2013 to 2.88% twelve months later. The rates assigned to consumer credit recorded a more limited decrease: from 7.29% to 6.85%.

Also in terms of direct deposits, further decreases in the remuneration on new transactions were recorded. On term deposits the rate dropped from 1.79% in December 2013 to 1.02% a year later; for repurchase transactions the decrease was by 62 basis points (from 1.44% to 0.82%).

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

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

Real Estate Market

According to Land Registry figures, in the third quarter of 2014 the number of real estate transactions recorded an increase compared to the same period of 2013: +3.4% the purchases and sales in the residential segment with related land; +4.9% for property units for business use. For the latter figure it is worth noting the distinction between the sales trend in property for production activities (+1.6%), commercial use (+9%) and services (-2%). Considering activities as a whole in the first nine months of the year, both segments (residential and non-residential) recorded an increase of 0.7% compared to the first three quarters of the previous year. This is the first positive result after four consecutive years of decline.

Confirmation of the first signs that the real estate market is waking up comes from ISTAT data produced on the number of mortgage-backed loans disbursed. In the third quarter of 2014 the figure reached 66k, up almost 14% on the same quarter of 2013.

In the second half of 2014, however, unit prices were still falling (by around 1.7% for homes, offices and trade outlets). Rents (again expressed in prices per square metre) also decreased for all three property types.

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

Principal new legislation

Regulations and Measures issued by IVASS

IVASS Measure no. 17 of 15 April 2014

The document contains amendments to various IVASS Regulations and, more specifically, to ISVAP Regulation no. 20/2008 governing internal controls, risk management and outsourcing and ISVAP Regulation no. 36/2011 concerning investments and assets covering technical provisions.

The document also contains a draft letter to the market on the application of EIOPA guidelines regarding governance systems, forward-looking risk assessment (based on ORSA principles), transmission of information to the national competent authorities and pre-application for internal models. The guidelines are directed at national authorities and, in essence, anticipate parts of the future prudential supervision system "Solvency II". The aim of the guidelines is to ensure that the companies that will be subject to said system will be ready in time for its first-time application, set for 1 January 2016.

IVASS Measure no. 22 of 21 October 2014

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

IVASS Measure no. 29 of 27 January 2015

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

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

- *Law no. 23 of 11 March 2014* - Delegation of powers to central government concerning provisions for a tax system that is fairer, more transparent and growth-oriented (the "Tax Delegation"), as a result of which a series of measures will be introduced on topics related to reform of the reference legislation. These include: the review of tax deductions and relief, anti-evasion and abuse of rights regulations, simplified tax obligations, tax disputes, the introduction to corporate systems of structured tax compliance, implementation of the group VAT regime and the reform of the land registry and tax litigation system. To date, Legislative Decree 175/2014 on simplifications has been issued.
- *Decree Law no. 66 of 24 April 2014* (the "Renzi Decree"), converted with amendments to Law no. 89 of 23 June 2014, which envisaged the following measures of interest to the sector: decrease in the nominal IRAP rate, which for insurance companies is 6.22% from 2014; increase in the substitute tax rate on the revaluation of Bank of Italy shares (new rate 26%) and mandatory payment in one lump sum by 16 June 2014; increase from 11% to 11.5% for substitute tax on returns accrued by pension funds for 2014 only; increase from 20% to 26%, with certain exceptions, in the tax rate on financial annuities with effect from 1 July 2014;

and exemption from withholding tax on income achieved by insurance companies on shares or quotas included among assets covered by Life business mathematical provisions deriving from investment in established Italian and Luxembourg-based UCIs and in foreign UCITS.

- *Decree Law no. 90 of 24 June 2014*, converted with amendments to Law no. 114 of 11 August 2014, containing urgent measures for the simplification, administrative transparency and efficiency of court offices, important among which are the suppression of the AVCP (Public Works Contracting Authority) and the transfer of functions to the National Antitrust Authority, incentives for electronic civil and administrative proceedings, reduction in the cases for exclusion from public tenders with enhancement of the authority for fast-track processing (granting a settlement deadline for the payment of penalties).
- *Decree Law no. 91 of 24 June 2014* ("2014 Competition Decree"), converted with amendments to Law no. 116 of 11 August 2014, which introduces the option of transforming excess income subject to ACE relief (except for transfers in cases of consolidation or transparency), calculated on the basis of the current IRES tax rate, into a tax credit for use against IRAP, divided into five equal amounts. The revaluation of land and agricultural income is also remodelled.
- *Decree Law no. 133 of 12 September 2014* ("Sblocca Italia Decree"), converted with amendments to Law no. 164 of 11 November 2014. Urgent measures for opening work sites, carrying out public works, country digitization, bureaucratic simplification, the emergency of hydrogeological instability and the recovery of production. Various measures for relaunch of the economy are covered, including - mentioned due to their potential effect on Group companies - those relating to the real estate and hotel sectors.
- *Law no. 186 of 15 December 2014*, containing provisions on the emergence and return of capital held in other countries and on strengthening the fight against tax evasion. The law introduces the offence of self-money laundering to Italian law. Consequently, Legislative Decree 231/2001 on corporate administrative liability for crime was also integrated to include self-money laundering among the offences for which corporate liability could arise. This calls for updating of the Organisational and Management Model (on the prevention of crimes for the purpose of Legislative Decree 231/2001).
- *Law no. 190 of 23 December 2014*, containing provisions on preparation of State annual and multiannual financial statements - the "2015 Stability Act", the most important to the Company being: the repeal from 2014 of regulations that reduced IRAP rates for all production sectors, bringing the IRAP rate back to 6.82% for insurance companies, 5.57% for banks and 3.90% for other companies; from 2015 the deduction for IRAP purposes of the difference between the total costs for short-term contract personnel and the current analytical or one-off deductions relating to the cost of labour; freezing of the IMU and TASI increases in 2015; increase to 20% of taxation on pension funds and changes to the taxation of income from Life policies paid in the event of death of the policyholder, limiting the IRPEF exemption to only the portion of principal disbursed to cover demographic risk. Circulars providing interpretation of taxation on pension funds were issued by the Supervisory Commission for Pension Funds (Circulars of 9 January 2015 and 6 March 2015) and by the Tax Authorities (Circular of 13 February 2015).

Solvency II: recent legislative changes

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

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

Introduction

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

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

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

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

Banking sector

With effect from 1 January 2014 the European Union introduced rules, defined by the Basel Committee for banking supervision, on capital adequacy (Pillar I) and on public disclosures (Pillar III) ("Basel 3"), in order to strengthen banks' capacity to absorb shocks deriving from financial and economic tension, to improve risk management, governance and bank disclosures. The contents of Basel 3 were introduced to European Law through due legislative instruments:

- Regulation (EU) no. 575/2013 (CRR) which governs prudential regulatory measures of Pillar I and the public disclosure rules of Pillar III;
- Directive 2013/36/EU (CRD IV) which regulates the terms for access to banking activities, the freedom to establish business premises and the freedom to provide services, the prudential supervision process and capital reserves.

CRR and CRD IV are integrated by Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) approved by the European Commission as proposed by the ESA (European Supervisory Authorities), which supplement and enforce first level European regulations.

The RTS and ITS are directly applicable to national laws, without the need for further implementing rules, and constitute the "Single Rulebook". The provisions of the Directive, on the other hand, require implementation into national law.

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

- implements CRD IV rules, the responsibility being of the Bank of Italy according to the Consolidated Law on Banking;
- indicates the methods for the exercise of national discretionary powers granted to the National Authorities by the European regulations;
- outlines a regulatory framework that is complete, systematic, rational and integrated with directly applicable European provisions, in order to facilitate use by operators during the transitional period.

The Bank of Italy also issued *Circular no. 286 of 17 December 2013* (as amended), "Instructions for completing prudential reports for banks and financial intermediaries", which implements both the CRR and the ITS prepared by the European Banking Authority (EBA) and adopted by the European Commission (the "COREP formats") in relation to harmonised report formats (own funds, credit and counterparty risks, market risks, operational risk, large exposures, recognition of loan losses, comprehensive statement of financial position, liquidity monitoring and financial leverage) and to non-harmonised reports (related parties).



Management Report

01



Share performance

Information on the share performance

At the end of December 2014 the official price of the ordinary Unipol share was €4.11, in the last 12 months recording a decrease of 5.8% against a steady trend in the FTSE Italia All-share index (-0.3%), the FTSE MIB index (+0.2%) and the decline of the FTSE Insurance All-share index (-3.5%). Again in year-on-year terms, the Unipol preference share recorded growth of 11.7% with an official price of €4.08.

Capitalisation values

At the end of December 2014, capitalisation amounted to €2,944m (€2,932m at 31/12/2013), of which €1,829m in ordinary shares and €1,115m in preference shares.

Shareholding structure

The company is controlled by Finsoe S.p.A., pursuant to Art. 2359, paragraph 1 of the Civil Code. The shareholding structure is illustrated in the following chart:

Shareholding structure

Ordinary Shares

Finsoe S.p.A. **50.75%**

Lima S.r.l. **3.08%**

Coop Adriatica Scarl **0.51%**

Norges Bank **0.84%**

Other Shareholders **44.82%**



Preference Shares

Norges Bank **8.53%**

Coop Adriatica Scarl **7.88%**

Coop Estense Scarl **7.86%**

Lima S.r.l. **6.94%**

Nova Coop Scarl **6.05%**

Other Shareholders **62.74%**

Unipol: Share Capital

443,993,991

Ordinary Shares

273,479,517

Preference Shares

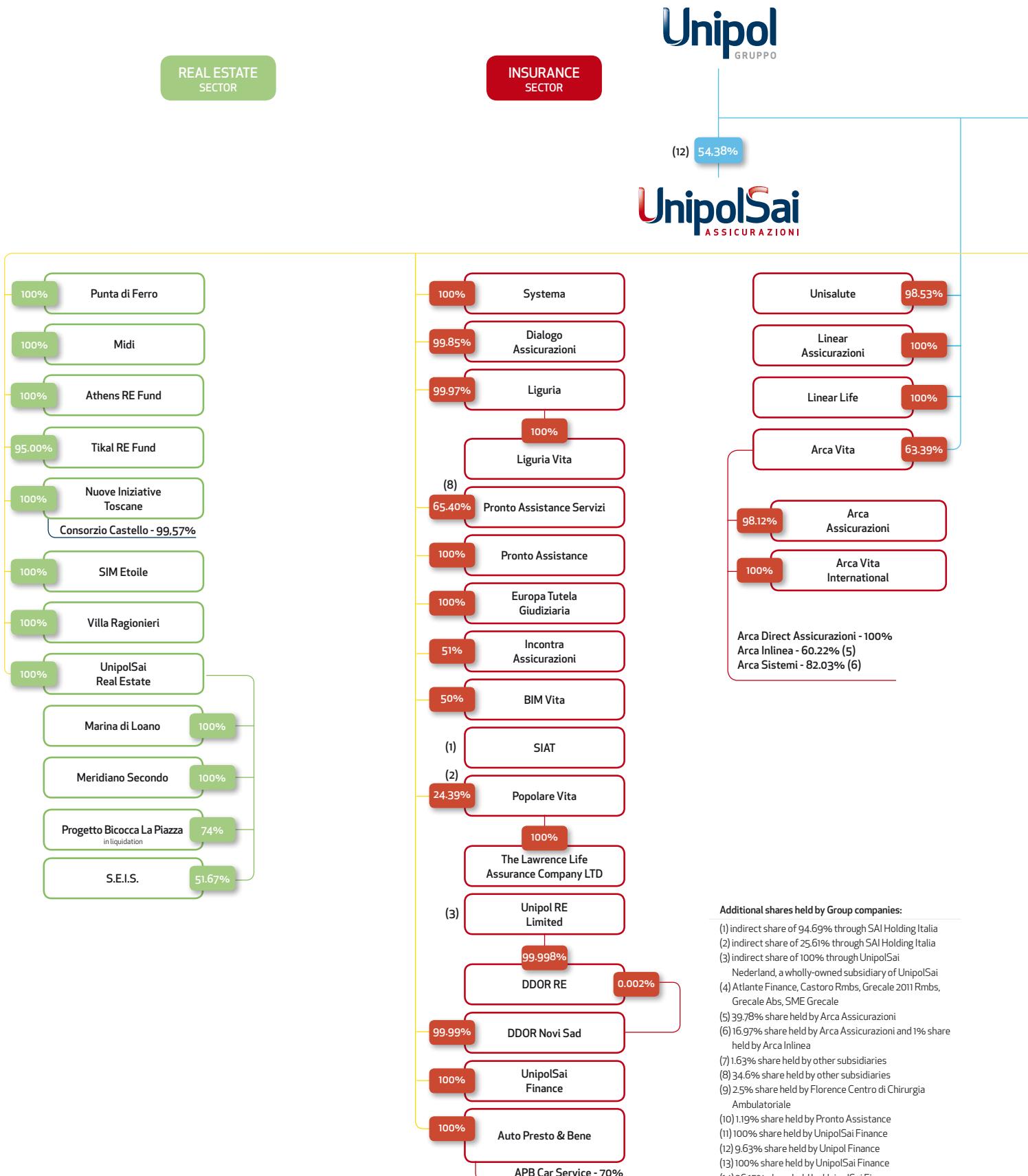
717,473,508

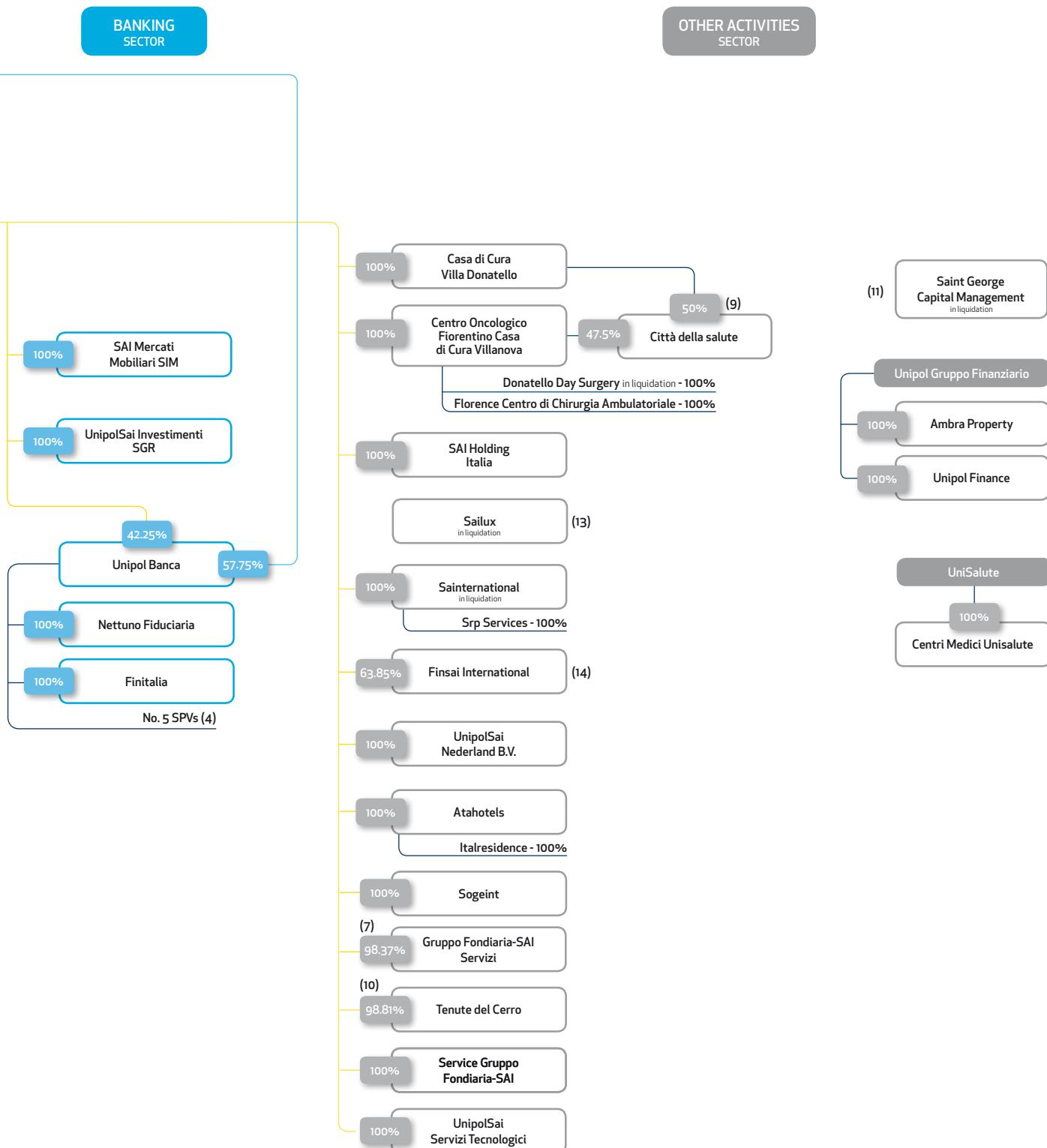
Total Shares

3,365,292,408.03 Total Capital

Group structure at 31 December 2014

(direct holding out of total share capital)





Operating performance

Dear Shareholders,

The most important event that characterised 2014 operations was the **launch of UnipolSai Assicurazioni**. Group activities in 2014 therefore essentially related to the corporate integration of UnipolSai, which is now the leading company in the domestic Non-Life insurance market, with a leading agency network in Italy in terms of distribution, widespread coverage and actual ability to meet customer requirements. The integration involved organisational/logistics aspects and the preliminary activities for the sharing of the agency underwriting systems among the various agency networks, a crucial step towards full exploitation of the synergies identified in the 2013-2015 Business Plan.

On 31 December 2013, the merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin (jointly, the "Merged Companies") into Fondiaria-SAI (the "Merging Company") was stipulated, which as a result of the merger (the "Merger") assumed the company name **UnipolSai Assicurazioni S.p.A.** or **UnipolSai S.p.A.**

The merger took effect on 6 January 2014 ("Effective Date"), following the registration of the associated deed with the competent offices of the Register of Companies, which took place on 2 January 2014. The tax and accounting effects of the Merger were instead from 1 January 2014.

The merger between the long-established companies, among the most important in the domestic insurance field in terms of brands, tradition, expertise and experience, was the final and essential act in the Unipol Group and Premafin/Fondiaria-SAI Group integration plan launched at the beginning of 2012, details of which were provided in previous years' financial statements.

At the Effective Date, all shares of the Merged Companies were cancelled and exchanged for shares of the Merging Company, which arranged:

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

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

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

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

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

On 14 January 2014 the rights issue and right of pre-emption (the "Rights Issue") came to an end for Premafin shareholders other than withdrawing holders of 13,975,294 ordinary Premafin shares in relation to which the right of withdrawal through the Merger was legitimately exercised and which, in application of the swap ratio, became 698,764 ordinary UnipolSai shares (the latter hereinafter the "Shares Subject to Withdrawal").

On conclusion of the Rights Issue a total of 5,144 Shares Subject to Withdrawal were purchased pursuant to Art. 2437-quater, paragraph 3 of the Civil Code, for €3.494 per Share Subject to Withdrawal, and therefore for a total of €17,973.13.

For the remaining 693,620 Shares Subject to Withdrawal not purchased as part of the Rights Issue (the "Unsold Shares"), their offer on the MTA market, organised and managed by Borsa Italiana S.p.A. (the "MTA market") was arranged in accordance with Art. 2437-quater, paragraph 4 of the Civil Code.

The stock exchange offering period concluded on 31 January 2014, following which all 693,620 ordinary UnipolSai shares involved remained unsold.

On 26 February 2014, pursuant to Art. 2437-quater, paragraph 5 of the Civil Code, the Unsold Shares were refunded by UnipolSai via the purchase of treasury shares using the available reserves for €3.494 for each Share Subject to Withdrawal, therefore for a total of €2,423,508.28.

With the launch of UnipolSai as part of the Group integration and reorganisation process, Unipol transferred almost all its service contracts, 245 employees and certain intangible assets, particularly those relating to operating processes for Risk Management activities, to the subsidiary.

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

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

Transfer of a former Milano Assicurazioni insurance business unit to Allianz

On 15 March 2014, UnipolSai and Allianz signed an agreement for the transfer of a business unit including a Non-Life insurance portfolio for a value of €1.1bn (2013 figures), 729 insurance agencies and 500 employees dedicated to managing these activities. The transfer of the assets forming part of former Milano Assicurazioni (now UnipolSai) made provision for a maximum consideration of €440m.

On 30 June 2014, UnipolSai and Allianz signed the contract for transfer of the insurance business unit, effective from 1 July 2014. As part of said contract, the transfer of the insurance product sales activities took effect immediately, consisting of, among others, a network of 725 agencies and 470 employees dedicated to managing these activities, against the payment by Allianz of a consideration of €200m.

The business unit transferred also included the Non-Life insurance portfolio managed by the agencies transferred. The transfer was finalised in December 2014 after obtaining IVASS authorisation.

On 19 December 2014, in fact, having ascertained that the conditions precedent of the transfer agreement signed on 30 June 2014 were met, UnipolSai completed the business unit transfer to Allianz and - with effect from 31 December 2014 - the Non-Life insurance portfolio managed by the agencies transferred, against payment from Allianz on 20 February 2015 of a price integration, calculated on the total portfolio transferred or renewed during the second half of 2014, of €179m (and therefore a total business unit price of €379m).

The total capital gain realised in Unipol's consolidated financial statements was €289m, net of the deducted portion of goodwill and the value of the portfolio already recognised in previous years among intangible assets, for its own attributable share of the business unit transferred.

In relation to the business unit transfer, accessory charges of €34m were also incurred.

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

On 19 February 2014, the Antitrust Authority notified Unipol of provision protocol no. 0016093 with which it started non-compliance proceedings, notifying Unipol and UnipolSai of the breach of Art. 19, paragraph 1, of Law 287/1990, for not having observed the obligation of selling the assets indicated in the Measure by the

pre-established deadlines set by said Measure.

Unipol and UnipolSai, deeming their actions to be proper on the basis of valid arguments in fact and in law, took the necessary defensive actions and submitted a request aimed at obtaining a revision of some of the measures set forth by the Measure.

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

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

- A. the measure relating to the conclusion of proceedings concerning assessment of the review application, by which the Authority decided to replace the provisions of points f) and g) of the Measure of 19 June 2012 as follows:
 - (i) merger of Liguria Assicurazioni S.p.A. and Liguria Vita S.p.A. into UnipolSai;
 - (ii) non-use of the Milano Assicurazioni and Sasa brands;
 - (iii) release of the customer portfolio managed by each agency, for an amount equal to the excess of existing premiums, in the provinces of Barletta-Andria-Trani, Cosenza, Enna, Catania, Ragusa and Cagliari only;
- B. the measure relating to the conclusion of non-compliance proceedings, by which the Authority considered there were no grounds for inflicting the penalty pursuant to Art. 19, paragraph I of Law 287/1990.

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

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

Reduction of overall exposure to Mediobanca

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

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

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

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

The offer period started on 18 February 2014 and ended on 26 February 2014, and the settlement date for the Exchange Offer was set for 5 March 2014.

The Exchange Offer was promoted in compliance with the offer restrictions set forth in the Exchange Offer Memorandum and, in Italy, pursuant to Art. 35-bis, paragraph 4 of the Regulation adopted by Consob in its Resolution no. 11971 of 14 May 1999 as amended (the "Issuers' Regulation") and therefore is exempt from the provisions of Part IV, Title II, Chapter II, Section I of Legislative Decree 58 of 24 February 1998 and those of Part II, Title II of the Issuers' Regulation.

Unipol accepted offers of Existing Notes validly submitted pursuant to the Exchange Offer in the total nominal amount of €352.3m. Therefore, the new nominal value of the 2017 senior bond is €397.7m.

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

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

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

Unipol Gruppo Finanziario Parent of the Unipol Banking Group

Following introduction of the supervisory regulations for banking groups, by specific notice of 1 August 2014, at the end of its investigation, the Bank of Italy granted the request filed by Finsoe S.p.A. to be exempted from being registered as a Banking Group Parent Company as prescribed by Legislative Decree 53 of 4 March 2014, incorporating the Directive 2011/89/EU (Ficod1), which took effect on 16 April 2014.

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

Conversion of the Convertible Loan issued by UnipolSai

On 24 April 2014 the subsidiary UnipolSai issued a Convertible Loan as resolved by the Board of Directors on 15 January 2014, represented by 2,018 bonds with a unit nominal value of €100k, for a total of €201.8m (the "Convertible Loan"). €67.5m of this loan was subscribed by Unipol.

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

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

From a business perspective, in 2014 the Unipol Group had a positive operating performance in terms of the income statement and the financial position, due to the favourable Non-Life loss ratio trend, despite a tariff squeeze, growth in the Life business and profitability of financial investments in a scenario of a return to stability in the financial markets. In the banking business, despite the clear progress in operations, the profit for the year

was influenced by a complete review towards the end of the year of the credit-related asset measurement, based on recommendations of the Supervisory Authority (according to logic deriving from the ECB's Asset Quality Review on the major banks) and on that performed in 2014 by most Italian and European banks.

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

In the Motor Vehicle TPL class, commercial policies aimed to protect the policy portfolio and production relaunch, also through the continuation of targeted advertising and sales campaigns, such as zero-interest premium instalment payment plans in synergy with the Group's banking business, which met with a positive reception by UnipolSai customers. Also note the successful continuation of the electronic product mix: at 31 December 2014 the number of policies matched to black boxes exceeded two million. Premiums in this class came to €4,532m, down 13.3% on 31 December 2013 (operating figure estimated at -9.5%). The Land Vehicle Hulls class declined (-10.9%), recording premiums of €677m which remain conditioned by the effects of the recession on the automotive market (operating figure estimated at -7.7%).

The Non-MV segment showed greater staying power with respect to the unfavourable macroeconomic scenario, with premiums of €3,759m and a slight dip of 2% (operating figure estimated at -0.9%).

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

With regard to Non-Life claims, during the year MV TPL business recorded a drop in claims with a further slight decrease in claims frequency which, albeit only in part, allowed the effects of the decline in average premiums applied to policyholders to be limited. The average cost of claims continued to benefit from the lower impact of claims involving injuries and from action to limit the cost of vehicle repairs and combat fraud, but especially in the final months of the year it was affected by a higher incidence of claims with fatalities compared to last year and by their prudent increase.

Among Non-Life businesses, as a result of maintaining strict subscription policies, the loss ratio improved considerably over the year in the General TPL and Health businesses. Loss ratios deteriorated for Fire, due to a larger number of significant claims and flood damage, for Marine Vessels, due to a highly significant claim, which, however, was almost fully absorbed by reinsurance, and for the Bonds business, which specifically felt the impact of the negative economic scenario associated with the building industry that had a harsh impact on the portfolio of this class.

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

In this context, at the end of 2014 the Unipol Group's loss ratio for direct business (including the balance of other technical items) was 68%, essentially in line with the figure at 31 December 2013 (68.2%).

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

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

In the **Life business**, the 2014 performance - more marginally impacted by the effects of the aforementioned sale of former Milano Assicurazioni agencies historically most active in the Non-Life sector - showed a strong increase in premiums on traditional guaranteed products, aided by the lower interest rates and the lower risk appetite of policyholders. Group premiums therefore increased significantly, +27.7% to reach €8,915m.

In this segment, the Unipol Group benefitted from the growth in the bancassurance channel represented mainly by Arca Vita and Arca Vita International, which recorded total premiums of €1,329m (+57.3% over 31/12/2013), and the Popolare Vita Group which with €3,664m recorded growth of 44.6% at 31 December 2014. With €3,696m in premiums, UnipolSai also experienced growth of 7.5%, despite the fact that some considerable collections on policies which positively impacted 2013 were not repeated. As a result of the above, the volume of new business in terms of pro-quota APE stood at €493m at 31 December 2014 (€430m at 31/12/2013), of which €276m contributed by the traditional companies and €216m relating to bancassurance companies.

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

In the **Banking business** the focus on the retail and small business segments continued, also through a new sales boost deriving from synergies with the insurance sector.

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

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

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

The Financial Statements of Unipol for the year ended 31 December 2014, hereby submitted for your review and approval, closed with **net income of €167.4m** (€146.1m in 2013).

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

Salient aspects of business operations

The economic figures best characterising the operating performance were:

- A. Revenue from ordinary investment and services holding operations of the Unipol Group: these totalled €0.1m compared to €10.3m in 2013. The significant reduction is due to most service contracts being centralised into UnipolSai. Since 6 January 2014, in fact, the contracts for the performance of services previously entered into by the Parent Unipol were transferred to UnipolSai after its establishment.
- B. Other revenue and income: these amounted to €39.7m (€31.7m in 2013), of which €18.5m relating to commissions collected from the subsidiary Unipol Banca (€5.7m at 31/12/2013) in connection with the credit indemnity agreement, €17.9m to the recovery of costs for personnel seconded to Group companies (€21.5m at 31/12/2013) and the remaining €3.3m to remuneration paid to directors and other minor revenue (€4.6m at 31/12/2013).
- C. Costs of production: totalling €291m (€413.5m in 2013), these included all operating costs deriving from ordinary holding operations conducted in 2014. The decrease was particularly due to the provisions for risks (€197.3m in 2014 vs. €295.2m in 2013, when €95.1m were provisioned against the write-down of the investment in Unipol Banca held by the former Unipol Assicurazioni). Personnel costs were also down (€37.9m in 2014 compared to €57.4m in 2013) due to the staff transfers performed, particularly from Unipol to UnipolSai.
- D. Gains on investments: these reached €380.8m (€415.4m in 2013) and related to dividends accrued on the profits recorded on investments in subsidiaries.
- E. Other ordinary net financial income/expense: these declined from -€35.2m in 2013 to -€44.2m in 2014.
- F. Value adjustments to financial assets: these were positive by €1.7m, compared to negative adjustments for €193m in 2013. In 2013 write-downs were recorded on investments in the subsidiaries Unipol Banca S.p.A. and Ambra Property S.r.l. for €199.7m and €12m, respectively.
- G. Operating profit: positive by €87.2m (negative by €182.6m in 2013).
- H. Extraordinary gains (losses): these were positive for €6.4m (positive for €262.9m in 2013). The decrease was attributable to the recognition in 2013 of a capital gain of €273.4m realised on the transfer at market value of Class B savings shares of the former Fondiaria-SAI and of saving shares of the former Milano Assicurazioni to Unipol Finance on 28 November 2013.
- I. Pre-tax profit (loss): positive by €93.6m (€80.3m in 2013).
- J. Income tax: this item had a positive impact on the Income Statement for €73.8m (€65.8m in 2013).

At 31 December 2014, the Company's shareholders' equity, including profit for the year, totalled €5,712.7m (€5,665.5m at 31/12/2013). The difference is caused by a downward change due to the dividend distribution of €120.3m and an upward change due to the profit for the year of €167.4m.

Asset and financial management

Financial operations

Financial operations in 2014 were consistent with the Investment Policy guidelines adopted by the Company and with recommendations of the Group Investments Committee and Financial Investments Committee. The investment policy aimed at optimising the risk/return profile of the portfolio with defined liquidity and prudential standards.

Operating activities were characterised by maintaining a strong level of liquidity which at the end of the year reached €541.1m.

The constant decline in returns on bonds, which affected all of 2014, offered opportunities for trading in government issues and corporate bonds of financial and industrial issuers. These activities aimed to achieve the profitability objectives.

At 31 December 2014, consistent with the operating initiatives undertaken, the portfolio composition showed a duration of 1.04 years, up on the figure recorded last year (0.51 years) and on the limits envisaged in the Investment Policy.

Property, plant and equipment and intangible assets

In 2014, the balance of property, plant and equipment and intangible assets, net of depreciation/amortisation, changed from €66.4m to €45.4m, with a decrease compared to the previous year of €21m due to depreciation/amortisation for the year, particularly of costs related to the 2012 share capital increase (included under start-up and expansion costs) and to the transfer to UnipolSai of most of the software licences for Risk Management applications. The breakdown of property, plant and equipment and intangible assets, with changes compared to the previous year, is provided in the table below.

			Changes	
	31/12/2014	31/12/2013	Value	%
Property, plant and equipment				
- Plant and equipment	0.3	0.3	0.1	20.4
- Other assets	1.6	1.8	(0.2)	(13.1)
Total	1.9	2.1	(0.2)	(8.5)
Intangible assets				
- Start-up and expansion costs	35.9	50.6	(14.8)	(29.2)
- Research, development and advertising costs	0.0	0.8	(0.8)	(99.5)
- Concessions, licences, trademarks and similar rights	5.4	8.6	(3.3)	(37.8)
- Fixed assets in progress and payments on account	0.0	1.4	(1.3)	(96.5)
- Other	2.2	2.8	(0.7)	(23.7)
Total	43.5	64.3	(20.8)	(32.4)
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	45.4	66.4	(21.0)	(31.6)

Note that the fixed assets in progress at 31 December 2013 mainly referred to Risk Management software licences transferred to UnipolSai Assicurazioni in 2014.

For details of fixed assets, reference should be made to Annexes 5 and 6 of the Notes to the Financial Statements.

Financial fixed assets

In 2014 financial fixed assets increased from €5,824.9m to €5,958.5m, recording an increase of €133.6m compared to the previous year. This change was due to:

- the increase in the investment in UnipolSai Assicurazioni S.p.A. for €67.5m following the conversion of 675 bonds representing the "Convertible Loan UnipolSai Assicurazioni 2014-2015 6.971%", subscribed on the issue date of 24 April 2014;
- elimination of the investment in Unipol SGR S.p.A. for €5.6m following completion of the liquidation procedure on 23 December 2014 and cancellation from the Register of Companies;
- increase in the investment in Unipol Banca for €67.7m due to the subscription on 25 June 2014 to the share capital increase approved by the company on 23 April 2014.

The breakdown of financial fixed assets, with changes compared to the previous year, is provided in the following table.

|--|--|--|--|--|--|

Amounts in €m

			Changes			
			31/12/2014	31/12/2013	Value	%
Financial fixed assets						
- Investments						
- Subsidiaries		5,952.8	5,823.1	129.7	2.2	
Total		5,952.8	5,823.1	129.7	2.2	
- Receivables						
- Other companies		5.7	1.7	3.9	226.5	
Total		5.7	1.7	3.9	226.5	
TOTAL FINANCIAL ASSETS		5,958.5	5,824.9	133.6	2.3	

For details of the investments, reference should be made to the table in Annex 7 of the Notes to the Financial Statements.

The breakdown of investments by business segment and changes compared to the previous year was as follows:

|--|--|--|--|--|

Amounts in €m

		2014	Changes compared to 2013	
		2014	Value	%
Insurance		4,974.7	418.6	
Banks and financial services		496.8	62.2	
Other investments		481.3	(351.1)	
		5,952.8	129.7	

Other investments included Ambra Property S.r.l. and Unipol Finance S.r.l.

The decrease in "Other investments" in the above table is due to the allocation of the carrying amount of the merged company Premafin to the investment in UnipolSai. In this respect, note that the merger between the subsidiaries that generated UnipolSai had no effect on the overall total of financial assets as it was performed on the basis of value continuity.

During the year the investments held were subject to the following changes:

Purchase/subscription of treasury shares or quotas

UnipolSai S.p.A.

On 22 May 2014, following the conversion of 675 bonds representing the "UnipolSai Convertible Loan", with a nominal total of €67.5m, the investment increased by 24,725,274 ordinary shares corresponding to 0.93% of the total share capital. Unipol's percentage of the total investment held in UnipolSai rose from 63% to 63.41% of the ordinary share capital, equal to 54.38% of total capital.

Unipol Banca S.p.A.

On 23 April 2014 the Extraordinary Shareholders' Meeting of the subsidiary voted to reduce share capital because of losses from €1,004.5m to €665m and later on a share capital increase to €765m. On 25 June 2014, the shareholders subscribed and paid a pro-rata capital increase, with a direct outlay by Unipol of €67.7m. On 3 November 2014 the merger of Banca Sai S.p.A., a 100% subsidiary of UnipolSai, into Unipol Banca S.p.A. became effective (tax and accounting effects backdated to 1 January 2014). Based on the swap transaction agreed in the related merger plan, UnipolSai received 132,428,578 new Unipol Banca shares, increasing its investment from 32.25% to 42.25%. Consequently, Unipol's investment decreased to 57.75%. All the transactions mentioned were subject to prior approval from the Bank of Italy.

Unipol SGR S.p.A.

This company was placed in liquidation on 21 May 2014, having fully achieved its corporate purpose. In 2014, liquidation advances were paid for a total of €5.6m, resulting in elimination of the carrying amount of the investment and the realisation of a capital gain of €45k. The company was cancelled from the Register of Companies on 23 December 2014.

No contributions to future share capital increases of subsidiaries were recorded in 2014, and there were no decreases due to the sale, transfer or write-down of subsidiaries.

Treasury shares and holding company shares

At 31 December 2014 a total of 6,529,907 treasury shares were held for a countervalue of €21.9m. These shares were purchased to serve the compensation plans based on financial instruments (performance share type), intended for the Chief Executive Officer and Executives of the Company, approved by the Shareholders' Meetings of 30 April 2012 and 30 April 2013. In July the first tranche of shares was allocated in implementation of the compensation plan based on financial instruments for the period 2010-2012.

With regard to treasury shares, the Shareholders' Meeting of 30 April 2014 approved the restoration, pursuant to Art. 2359-bis of the Civil Code, of the balance of the provision for treasury shares by €100m through withdrawal from the extraordinary reserve, and authorised the purchase of shares by the Board of Directors for up to the total value of the provision.

With regard to shares of the holding company Finsoe S.p.A., the Shareholders' Meeting of 30 April 2014 approved the restoration, pursuant to Art. 2359-bis of the Civil Code, of the balance of the provision for the purchase of holding company shares by €45m and authorised the purchase of shares by the Board of Directors for up to the total value of the provision. At 31 December 2014 the Company did not hold shares of the holding company Finsoe S.p.A.

Current financial assets

These totalled €153.7m, recording a decrease of €8.6m compared to the previous year, mainly due to the sale of government securities and listed bonds during the reporting period.

The breakdown of the item was as follows:

- listed corporate bonds for €127.9m (€135.9m at 31/12/2013);
- unlisted bonds for €0.4m (unchanged since 31/12/2013);
- unlisted shares for €3.4m (in line with the figure at 31/12/2013);
- treasury shares for €21.9m (€22.6m at 31/12/2013).

The list of shares and securities recognised as current assets at 31 December 2014 is provided in Annex 8 to the Notes to the Financial Statements.

Cash and cash equivalents

Bank deposits and cash at 31 December 2014 amounted to €541.1m, up €325.4m compared to the balance at 31 December 2013.

Share capital

There were no changes in the share capital in 2014. At 31 December 2014 the breakdown of the share capital, subscribed and fully paid-up, was as follows:

	Share capital at 31/12/2014		Share capital at 31/12/2013	
	No. of shares	Euro	No. of shares	Euro
Ordinary shares	443,993,991	2,082,543,243.71	443,993,991	2,082,543,243.71
Preference shares	273,479,517	1,282,749,164.32	273,479,517	1,282,749,164.32
Total	717,473,508	3,365,292,408.03	717,473,508	3,365,292,408.03

Debt

At 31 December 2014, bonds issued by Unipol totalled €897.7m (€750m at 31/12/2013) and relate to two senior unsecured bond loans listed on the Luxembourg Stock Exchange. The increase compared to 31 December 2013 is attributable to the Partial Exchange Offer of the senior unsecured notes due in January 2017 carried out on 5 March 2014, described in the Management Report section.

Therefore, at 31 December 2014 Unipol had 2 bond loans outstanding, respectively for a nominal value of €500m, at the rate of 4.375%, due in 2021, and a nominal value of €397.7m, at the rate of 5%, due in 2017.

Also included were loans payable to the subsidiary UnipolSai Assicurazioni S.p.A. for €267.8m (the same as in 2013), all or part of which repayable on demand at the request of UnipolSai Assicurazioni S.p.A. and bearing interest at the 3M Euribor rate plus 100 b.p. spread.

The net debt (described in Annex 10 to the Notes to the Financial Statements) improved from -€663.3m to -€487.7m as a result of the increase in cash and cash equivalents.

Risk management policies (Art. 2428 of the Civil Code)

The report aims to provide additional and support information that allows an assessment to be made of the equity and financial position of Unipol Gruppo Finanziario.

Financial risk management is performed through periodic monitoring of the main indicators for interest rate risk, credit risk, equity risk and liquidity risk.

Interest Rate risk

The duration of the investment portfolio, an indicator of the Company's interest rate risk exposure, was 1.04 years at 31 December 2014.

The table shows the sensitivity of the bond portfolio to parallel changes in the benchmark rate curve for the financial instruments.

Amounts in €

Risk Sector	Breakdown	Duration	10 bps increase	50 bps increase
Financial	95.82%	4.86	-611,170	-3,055,848
Corporate	4.18%	7.09	-38,872	-194,359
Bonds	100.00%	4.96	-650,041	-3,250,207

Credit risk

The securities portfolio also included investments in investment grade securities (13.58% of the entire bonds and equities portfolio).

With specific reference to the bond portfolio only, as illustrated in the table below, 1.17% of bonds had an AA rating, 4.14% an A rating and 8.62% a BBB rating. The remainder of the bond portfolio (86.07%) was not investment grade.

Credit risk is monitored by measuring the portfolio's sensitivity to changes in the benchmark credit spread.

Amounts in €

Rating	Breakdown	1 bps increase	10 bps increase	50 bps increase
AA	1.17%	-1,222	-12,218	-61,090
A	4.14%	-3,953	-39,531	-197,655
BBB	8.62%	-2,817	-28,171	-140,855
NIG	86.07%	-63,455	-634,553	-3,172,764
Bonds	100.00%	-71,447	-714,473	-3,572,364

Equity risk

Equity risk monitoring is performed by analysing the equity portfolio's sensitivity to changes in the reference markets represented by sector indices.

The equities segment is made up exclusively of Funds.

Amounts in €

Rating	Breakdown	Beta coefficient	Shock -10%
Equity	100.00%	1.00	-345.475

Liquidity risk

The investment portfolio is built through a preference for financial instruments that can be quickly transformed into cash, in quantitative terms limiting the option of purchasing securities which, due to their type or specific terms, do not guarantee a short sale or a sale at fair conditions.

Human resources

The Company's workforce at 31 December 2014 numbered 83 employees (331 at 31/12/2013). If calculated as full time equivalent (FTE), the number of employees would be 83.

	31/12/2014			31/12/2013		
	Average	Final	FTE	Average	Final	FTE
Permanent	84	83	83	317	331	328
Fixed-term				2		
TOTAL	84	83	83	319	331	328

As part of the action associated with the integration of UnipolSai and the resulting new Group organisation, which led to loss of the intercompany services transferred to UnipolSai, 250 employees were transferred to other Group companies in the first few months of 2014.

Training

In terms of training, a total of 26,695 man-days were provided for all companies in the Group at 31 December 2014 (213,548 man-hours) of which 15,772 (126,171 man-hours) in insurance business (insurance and bancassurance companies), 79 man-days (629 man-hours) within the parent, 10,667 man-days (85,334 man-hours) in banking business and 177 man-days (1,414 man-hours) in the real estate and other companies.

During 2014, dedicated Unipol Gruppo Finanziario training involved classroom-based courses for a total of 58 man-days (459 man-hours) and distance learning courses for 21 man-days (170 man-hours).

Share-based compensation plans

Unipol pays additional benefits to senior executives under closed share-based compensation plans under which Unipol Ordinary shares are granted if specific targets are achieved (performance shares).

On 30 April 2013, Unipol's Shareholders' Meeting approved the compensation plan based on financial instruments (performance share type), intended for the Chief Executive Officer and Company executives.

The plan is for three years, ending in 2015, and provides for benefits to be paid if the following targets are met:

- overall growth in consolidated gross profit for the three-year period 2013-2015;
- increase in the value of Unipol Ordinary securities over the three years;
- an indicator of financial stability.

It is also dependent on individual short-term targets being met.

With reference to the three-year plan for 2010-2012, on 1 July 2014 the first tranche of shares was assigned to eligible executives. Specifically, 210,093 ordinary Unipol shares were delivered for a total value of €0.7m. A further two tranches are due to be assigned to eligible executives still in service at 1 July 2015 and 1 July 2016.

Personnel costs recognised overall at 31 December 2014 in relation to the aforementioned plans totalled €8.8m, including related contributions.

IT services

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

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

- *Non-Life Systems*: procedures were implemented during the year for the migration from the Non-Life systems of the former Fondiaria-SAI to the target Essig Non-Life systems, and September saw the start of the gradual migration of former Fondiaria-SAI agencies to the Group Non-Life system.
- *Life Systems*: after consolidation to the single Essig Life system of old systems still in use by the former Unipol Assicurazioni divisions, action began during the year to migrate the individual policies of former Fondiaria-SAI divisions, due for completion by the end of 2015.
- *Claims Systems*: 2014 saw the completion of development of the new claims system and the new integrated trustees portal, and the release was successfully performed and according to deadlines across the entire adjusters network of the former Unipol Assicurazioni (over 5,000 human resources already online). Completion

of the migration of business claims and the release of a number of special insurance business functions is due in the first few months of 2015. Activities will also begin to make the new claims system available also to the agencies and adjusters network of the former Fondiaria-SAI and for the opening of new claims.

- *Processing centre unification and construction of the new Data Centre:* insourcing of the infrastructures and personnel of UnipolSai Servizi Tecnologici was completed during the year, allowing removal of the outsourcing service and a major economic saving. Construction works are in the final stages on the new Data Centre, to which systems currently hosted by multiple Group offices will be migrated. As a result of the design techniques and innovative technology adopted, the new Data Centre obtained TIER IV certification which makes it an international leader in terms of security, structural reliability and energy efficiency.
- *Automation of the agency networks:* work began in 2014 on the automation of UnipolSai agencies and sub-agencies (5,581 points of sale to be automated) in accordance with a new unified agency architecture that standardises operating methods and introduces latest generation technology through the supply of over 19,000 new integrated multimedia workstations that allow agency personnel to work online in paperless mode and make use of new advanced digital signature functions, alternative storage and direct links to the Company's geographic network. The installation and activation of the new infrastructure was completed for the former Unipol Assicurazioni network and is continuing for the former Fondiaria-SAI/Milano Assicurazioni network in parallel with the migration to the operational target systems.
- *Transfer of insurance assets:* the project to transfer insurance assets of the former Milano Assicurazioni became a major commitment for the Systems Division in 2014, with regard to preparation of the assets for the operational start-up in Allianz of the 725 agencies transferred, migration of the portfolio transferred and planning of an IT service to Allianz as operations support for 2015 regarding the MV portfolio transferred.

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

The activities described, however, did not block ordinary business operations in support of profitability and commercial activity (8 new MV TPL/Land Vehicle Hull tariffs, around 30 portfolio rebuilding actions, 3 new converging Non-MV products and approximately 15 sales campaigns) or upgrading activities resulting from the continuous regulatory developments.

Various technology innovation activities were also completed which allowed the introduction of new services such as advanced digital signatures (already in operation at 8,000 "signing" points), alternative document storage, the new multi-quote calculator for basic classes and the new agency intranet.

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

With reference to **other Group companies**, the following should be noted:

- *Linear Assicurazioni:* optimisation continued of the web issue and call centre, portfolio quality control and customer retention management processes, and claims channelling began on the Auto Presto e Bene (AP&B) and MyGlass network.
- *Unisalute:* the project was launched for renewal of the institutional website and optimisation of links to the main supplier systems. The refactoring of the health services booking app was completed, integrated with development of the new UnipolSai app with use also extended to Windows-Phone devices. Unisalute and UnipolSai health claims management systems were integrated and the necessary IT procedures for launch of the service agreement with Allianz, planned for 2015 as part of the business unit transfer, were developed.
- *Unipol Banca:* the technology refresh of the IT infrastructure of the banks and head offices was completed, leading to the replacement of around 3,000 workstations. November saw the merger of Banca Sai into Unipol Banca, with same-time upgrading of the bank and head office infrastructures of the former Banca Sai to Unipol Banca standards.
- *Finalitalia:* the systems enhancement and integration with UnipolSai applications was completed for the extension of financing services for policy payments.

- *Auto Presto e Bene and MyGlass*: the integration with Unipol Group applications was completed for the use of Auto Presto e Bene and MyGlass channelling and provisioning services in managing Group claims, together with the operational consolidation of MyGlass. Projects were launched for upgrading to the new release of the ERP system management component and for the adoption of the SAP platform for accounting, the completion of which is planned during 2015.
- *Arca Group*: review and upgrading of the IT systems architecture continued for Life and Non-Life sales via bank branches, with greater emphasis on integration with the various distributor bank applications. Creation of the new contact centre management platform began for support to the banking sales network and to end customers, completion of which is expected by the middle of 2015.
- *Atahotels*: work was completed on the design and implementation of the new hotel IT system.
- *Marina di Loano*: IT activities were implemented to improve port control and provide ICT services for the new Molo Grandi Navi (large vessels wharf).
- *Tenute del Cerro*: insourcing of the ICT infrastructure and implementation of the new administrative and production management ERP system were carried out.

Internet

www.unipol.it is the Unipol website via which users can access the websites of the various Group companies and obtain information about Unipol itself.

Research and development activities

Unipol did not perform research and development activities in 2014.

Privacy obligations (Legislative Decree 196/2003)

The Company adopted all measures necessary to ensure compliance with obligations deriving from personal data protection legislation (Legislative Decree 196/2003) so as to guarantee the protection and integrity of customer, employee and partner data and, in general, the data of all those with whom the Company comes into contact. The Company also prepared the Single Data Security Document (DUSI), considered important to illustrating corporate policy at Group level on security measures (IT, physical and organisational) to ensure data confidentiality, integrity and availability.

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

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

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

Social and environmental responsibility

Sustainability governance

In order to ensure integration between the business strategy and sustainability values of the Group, Unipol has at its disposal an ethical and social responsibility governance structure, with the department as a direct staff unit

of the Chairman and a guiding and supervisory role on behalf of the Board of Directors. Its objective is to develop and manage the sustainability strategy and coordinate reporting and communication on projects and on the company's Social responsibility initiatives.

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

The person responsible for promoting the Code of Ethics and applying it properly is the Head of Ethics, whose task is, together with the corporate structures, to raise awareness of the values and principles of conduct defined by the Code, and to collect and report information about alleged infringements of the Code. The Ethics Report, which summarises the activities carried out, is published annually as part of the Sustainability Report. The Chief Executive Officer, supported by the Group Management Committee, has the job of approving the strategic objectives, actions and subsequent budget commitments.

Sustainability activities

With the launch of UnipolSai, 2014 was characterised by action to disseminate and consolidate the objectives and sustainability policies of the new Company, with a particular focus on implementation of the **2013-2015 Sustainability Plan** published during the summer.

The Plan is divided into 10 Policies, each of which associated with a quantitative objective to be achieved by the end of the Plan, monitored and reported on a half-yearly basis and disclosed to the public through the sustainability website. These Policies are essentially made up of 48 actions and over 100 indicators for monitoring progress and efficiency, the result of participation by the working groups responsible for preparing the integration plan, following discussions with managers, all heads of department and Top Managers.

The Sustainability Plan was initially approved by the Board of Directors, after which it was presented at six meetings held in the Group's major cities of operation, in addition to Palermo.

With regard to reporting and with a view to better responding to the expectations of stakeholders, particularly investors and the rating agencies dedicated to SRI (Social Responsible Investing) finance, it was decided to prepare two Sustainability Reports.

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

The **Sustainability Report of UnipolSai Assicurazioni**, which illustrates the insurance business activities and the main economic, environmental and social performance indicators. In UnipolSai's first year of operations this was a Zero Report, which provides an overview of the situation at 31 December 2014.

During the year the dedicated sustainability website, especially constructed last year, was constantly updated on activities relevant to the development of Group sustainability, as were the respective pages of the company websites.

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

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

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

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

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

Relations with Group companies and related party transactions

As the investment and services holding company and Parent of the Unipol Insurance Group (registration no. 046 in the Insurance Groups Register), Unipol carries out management and coordination activities pursuant to Art. 2497 *et seq.* of the Civil Code.

On 1 August 2014, effective from 16 April 2014, Unipol also became parent of the "Unipol Banking Group", entered in the Register pursuant to Art. 64 of the Consolidated Law on Banking with code no. 20052.

It should be noted that in accordance with Art. 2497 *et seq.* of the Civil Code none of the shareholders of Unipol carries out management and coordination activities.

Finsoe S.p.A., which at 31 December 2014 held a 50.75% investment in ordinary Unipol share capital, i.e. a controlling interest pursuant to Art. 2359, paragraph 1.1 of the Civil Code, exercises no management and coordination, either in technical or financial terms, over Unipol.

The "Procedure for the performance of transactions with related parties" (the "Procedure"), prepared in accordance with Art. 4 of Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments, was approved by Unipol's Board of Directors on 11 November 2010 and then amended on 22 December 2011 and 15 May 2014 (with effect from 1/6/2014), subject to prior opinion in favour from the Committee of Independent Directors. The Procedure is published on Unipol's website (www.unipol.it), in the section "Corporate Governance/Related party transactions".

The Procedure aims to define the rules, methods and principles for ensuring transparency and substantive and procedural fairness of transactions with related parties executed by Unipol, either directly or through subsidiaries.

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

From 6 January 2014, following centralisation of most of the service contracts with UnipolSai, the contracts for the performance of services previously entered into by the **Parent Unipol** have been transferred to UnipolSai.

UnipolSai Assicurazioni provided services relating to the following areas:

- Governance (services supporting internal control, risk management and compliance);
- Anti-money laundering and Anti-terrorism;
- Finance;
- Communications;
- Assessment of Investments;
- Human Resources and Organisation (external selection, training, development, remuneration policies and systems, personnel management, industrial relations and disputes, safety, organisation, personnel administration);
- Claims Settlement;
- Insurance (distribution regulations and insurance processes, tariffs and auto portfolio management, reinsurance, marketing, economic contractual management of the network);
- Life (procedures, applications, regulations, products, settlements and bancassurance);
- Legal (corporate affairs, group legal, anti-fraud, legal insurance advice, privacy, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of equity investments, institutional relations);
- IT services;
- Administrative (accounting, tax, administrative and financial statements services, insurance and economic management control, purchases and general services);
- Real estate (logistics, asset and investment management and banking portfolio).

Unisalute provides the following services for the other companies in the Group:

- managing addressing services, providing medical advice and assistance by telephone, making bookings, managing and settling claims relating to specific guarantees/products on behalf of UnipolSai and Linear;
- support services for employee training and learning on behalf of Unipol, UnipolSai, Linear and Linear Life;
- policyholder record updating services and administrative services associated with the payment of health policy claims.

The services provided by **Unisalute** and its subsidiary Centri Medici Unisalute mainly concerned the following areas:

- Administration and budget;
- Planning and management control;
- Marketing;
- Commercial;
- IT services.

SIAT performs the following services in favour of UnipolSai:

- Technical assistance in the negotiation and stipulation of agreements in the transport sector;
- Portfolio management for agreements in the transport sector;
- Claims investigation, management and settlement;
- Administrative management in the transport sector.

Europa Tutela Giudiziaria performs the following services in favour of a number of Group companies:

- Investigation, management and settlement of claims relating to the Legal Expenses portfolio;
- Technical and commercial support for Legal Expenses business contracts.

Systema provides Incontra with services of an administrative nature associated with bancassurance activities (monitoring of processes, customer services and claims support).

In 2014 the **Gruppo Fondiaria-SAI Servizi** consortium continued to manage only certain supply and service agreements:

- Information Technology;
- Procurement;
- Logistic and organisational services;
- Claims BPO (Business Process Outsourcing);
- Assistance to agency networks;
- General services.

Arca Vita provides the following services:

- Services related to human resource management and development, training, organisation, corporate affairs, purchasing, legal services and complaints, secretariat and general services, security and privacy, administration, management control in favour of Arca In linea, Arca Sistemi and Arca Direct Assicurazioni;
- Services related to internal audit, risk management and compliance in favour of Arca Assicurazioni;
- Services related to internal audit in favour of Arca Vita International Ltd;
- Services related to anti-terrorism in favour of Arca Assicurazioni.

Arca In linea provides sales support services in favour of Arca Assicurazioni, Arca Vita, Arca Direct Assicurazioni and Arca Vita International.

Arca Sistemi provides the following services:

- Services related to the design, development and management of IT systems in favour of Arca Vita, Arca Assicurazioni, Arca In linea and Arca Direct Assicurazioni;
- Services related to the design, development and management of alternative storage in favour of Arca Vita and Arca Assicurazioni;
- Services as IT architecture provider in favour of Arca Vita International.

Unipol Banca provided the following services to the companies in the Group of which it is the holding company:

- Organisation (up to 3 November 2014);
- Administration and budget (up to 3 November 2014);
- Human Resources;
- Anti-money laundering;
- Legal Affairs (up to 3 November 2014);
- Risk Management (up to 3 November 2014);
- Compliance;
- Internal auditing;
- Planning and management control (up to 3 November 2014);
- General Business.

None of the above transactions are atypical or unusual.

Fees are based mainly on external costs incurred, for example for products and services acquired from suppliers, and on the costs arising from the activities of the companies themselves, i.e. generated by their own staff, and taking account of:

- the performance objectives that provision of the service to the Company must achieve;
- the strategic investments to be implemented in order to ensure the agreed levels of service.

The following elements are specifically taken into consideration:

- personnel costs;
- operating costs (logistics, etc.);
- general costs (IT, consultancy, etc.).

The amounts for financing activities are calculated by applying a fee on managed volumes. The services provided by Unisalute and SIAT involve fixed prices.

Both the **Parent Unipol** and the subsidiaries, including **UnipolSai**, **Unipol Banca**, **Arca Vita** and **Arca Assicurazioni**, second staff to the Group companies in order to optimise synergies within the Group.

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

For the three-year period 2013-2014-2015, Unipol has opted to join the national tax consolidation of the holding company Finsoe S.p.A., signing an agreement for the settlement of resulting economic relations.

Subscription by Unipol of the Convertible Loan issued by UnipolSai and subsequent conversion

On 24 April 2014 UnipolSai issued a Convertible Loan, represented by 2,018 bonds with a unit nominal value of €100,000, for a total of €201.8m, of which €67.5m subscribed by Unipol.

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

Loan granted to the subsidiary Ambra Property

On 24 January 2014 Unipol signed an agreement with Ambra Property S.r.l., a 100% subsidiary, regarding the granting of an interest-bearing loan, with utilisation in one or more solutions, for an absolute maximum of no more than €20m. This loan, disbursed for a maximum €20m at 31 December 2014, must be used by Ambra Property S.r.l. solely for its own cash flow needs in connection with the valuation project for owned hotel properties located in Piazza Costituzione, Bologna. The due date for repayment of the loan is 31 July 2015.

The interest rate is the 18M IRS rate plus a 4% spread.

The information required by Consob Communication DEM/6064293/2006 is contained in the paragraph on transactions with related parties in the Notes to the financial statements.

Relations with the Tax Authorities

In March 2014, an appeal was filed with the Court of Cassation against the decision of the Regional Tax Commission of Milan with respect to the IRES and IRAP dispute for the 2005 and 2006 tax periods of the former Aurora Assicurazioni, merged by incorporation into Unipol in 2007, pertaining mostly to findings relating to specific insurance provisions. As a result of the adverse decision, the amounts due were paid by way of provisional collection; they had been fully allocated in the preceding years. There is a similar dispute for the year 2007, with favourable decision filed in 2013 by the Provincial Tax Commission of Bologna, against which the offices of the financial administration appealed in 2014. At 31 December 2014 provisions had been recognised for amounts considered fair to cover risks arising from developments in the dispute.

Performance of directly controlled companies

The key figures of directly controlled companies are provided below. Reference should be made to their respective financial statements for details of companies under their direct control.

The financial statements of subsidiaries and associates (direct and indirect) were filed pursuant to Art. 2429 of the Civil Code.

UnipolSai Assicurazioni S.p.A. (formerly Fondiaria-SAI S.p.A.)

Registered office: Bologna

Share capital: €1,996,129k

Carrying amount: €4,527,684k

% holding: 54.38% direct

The company is authorised to operate as insurer and reinsurer in the Non-Life, Life and Capitalisation sectors. It may also set up and manage open pension funds.

UnipolSai Assicurazioni S.p.A. was incorporated on 6 January 2014 following the merger of Unipol Assicurazioni S.p.A., Premafin HPS.p.A. and Milano Assicurazioni S.p.A. into Fondiaria-SAI S.p.A., as described in greater detail in the first part of this report.

Comparative analysis of the economic and financial figures for the year with those of the previous year was affected considerably by the merger, which had a significant impact on all items of the Income Statement and Statement of Financial Position. Comments are provided below, therefore, only in relation to changes in the aggregate results for the previous year of the merged companies.

UnipolSai Assicurazioni S.p.A. closed 2014 with a profit of €751.6m.

The aspects with the most impact on the operating performance at 31 December 2014 were as follows:

- Premiums in direct business down 4.4%. Specifically, Non-Life premiums (direct business) decreased by 9.1%, whilst Life premiums were up 7.5%. At the end of 2014, direct premiums reached €11,742.6m, of which €11,696.9m in direct business with breakdown as follows:

Amounts in €m

Premiums	Non-Life	Life	Total 2014	Total 2013	% var.	Variation on 2013
Direct business	8,000.5	3,696.5	11,696.9	12,237.7	(4.4)	(540.8)
Indirect business	44.3	1.4	45.7	89.4	(48.9)	(43.7)
	8,044.7	3,697.9	11,742.6	12,327.1	(4.7)	(584.5)
Premiums ceded	336.5	20.2	356.6	415.1	(14.1)	(58.4)
Premiums retained	7,708.2	3,677.7	11,385.9	11,912.0	(4.4)	(526.1)
% breakdown	67.7	32.3	100.0			

The net retention of premiums acquired was 97%, up slightly on the previous year (96.6%).

- The loss ratio (direct business) was 66.7% compared to 66.8% at 31 December 2013.
- The result from technical insurance management, which also includes operating expenses and allocation of the share of gains on investments, was positive overall for €961.9m (€1,283.7m in 2013), with the breakdown showing a positive €209.3m for Life business and €752.6m for Non-Life business.
- Operating expenses (including acquisition and collection commissions and other acquisition and administrative costs) totalled €2,319.1m (-2.2%), with a 19.7% impact on premiums (Life and Non-Life) (19.2% in 2013). Net of reinsurers' commissions, the total operating expenses would have been €2,216.7m (-2%).
- Technical provisions for the Life and Non-Life sectors reached a total at the end of 2014 of €42,508m (+0.5%), €41,802.9m net of the reinsurers' share (+0.8%). The technical provisions-premiums ratio was 200.5% in Non-Life business (192.5% in 2013) and 713.4% for Life business (732.3% in 2013).

Company shareholders' equity, including profit for the year, amounted to €5,340.5m.

Compagnia Assicuratrice Linear S.p.A.

Registered office: Bologna

Share capital: €19,300k

Carrying amount: €50,507k

% holding: 100% direct

The company is authorised to conduct Non-Life insurance business, and in particular directly distributes MV insurance products via telephone and the Internet.

The company's performance recorded profit for the year of €12.5m, compared to €16.9m at 31 December 2013.

The aspects with the most impact on the operating performance at 31 December 2014 were as follows:

- A decrease in premiums of 16.5% compared to the previous year. Written premiums reached €172.2m at 31 December 2014 (€206.1m at 31/12/2013). The net retention of premiums acquired was 97.4%, in line with 2013 (97.7% at 31/12/2013).
- The loss ratio (direct business) was 76.5% compared to 76.3% at 31 December 2013.
- The result from technical insurance management, which also includes operating expenses and allocation of the share of gains on investments, was €15.3m (€25.9m in 2013).
- Operating expenses (including acquisition and collection commissions and other acquisition and administrative costs) totalled €40.9m (€37.5m at 31/12/2013), with a 23.7% impact on premiums written (18.2% in 2013).
- Gross technical provisions reached a total at the end of 2014 of €282.4m (€289.6m at 31/12/2013), €281.8m net of the reinsurers' share (€288.7m at 31/12/2013). The technical provisions-gross premiums ratio was 163.6% (140.1% in 2013).

Company shareholders' equity, including profit for the year, amounted to €69.8m.

Unisalute S.p.A.

Registered office: Bologna

Share capital: €17,500k

Carrying amount: €36,613k

% holding: 98.53% direct

The company is authorised to conduct Non-Life insurance business, and specialises in the Health segment.

The company's performance recorded profit for the year of €44.7m, compared to €33.1m in 2013.

The aspects with the most impact on the operating performance at 31 December 2014 were as follows:

- An increase in premiums of 15.9% compared to the previous year. Written premiums reached €299.1m at 31 December 2014 (€258.1m at 31/12/2013). The net retention of premiums acquired was 99.9%, unchanged compared to the previous year.
- The loss ratio (direct business) was 67.5%, down compared to the previous year (69.1% at 31/12/2013).
- The result from technical insurance management, which also includes operating expenses and allocation of the share of gains on investments, was €66.2m (€57m in 2013).
- Operating expenses (including acquisition and collection commissions and other acquisition and administrative costs) totalled €35.4m (€30.3m at 31/12/2013), with an 11.8% impact on premiums (essentially unchanged compared to 2013).
- Gross technical provisions reached a total at the end of 2014 of €222.4m (€194.5m at 31/12/2013), €222.1m net of the reinsurers' share (€194.2m at 31/12/2013). The technical provisions-gross premiums ratio was 74.3% (75.4% in 2013).

Company shareholders' equity, including profit for the year, amounted to €103m.

Linear Life S.p.A.

Registered office: Bologna

Share capital: €5,180k

Carrying amount: €6,175k

% holding: 100% direct

The company is authorised to conduct Life insurance business. From 2011 it became the Group company specialising in the direct sale of Life policies online.

The company's performance recorded a loss for the year of €0.5m, compared to a profit of €0.4m in 2013. As in previous years, the premiums recorded in 2014 were almost immaterial.

Company shareholders' equity, including the loss for the year, amounted to €3.9m.

Arca Vita S.p.A.

Registered office: Verona

Share capital: €208,279k

Carrying amount: €353,739k

% holding: 63.39% direct

The company is authorised to conduct Life insurance business.

The company's performance recorded profit for the year of €57.8m, compared to €55.7m in 2013.

The aspects with the most impact on the operating performance at 31 December 2014 were as follows:

- An increase in premiums, gross of premiums written, of 66.4% compared to the previous year. Gross premiums written reached €1,254.5m at 31 December 2014 (€753.9m at 31/12/2013). The net retention of premiums acquired was 99.5%, up on the previous year (99.1%).
- The result from technical insurance management, which also includes operating expenses and allocation of the share of gains on investments, was €56.6m (€63.2m in 2013).
- Operating expenses (including acquisition and collection commissions and other acquisition and administrative costs) totalled €22.6m (€20.5m at 31/12/2013), with a 1.8% impact on premiums written (2.7% in 2013).
- Gross technical provisions reached a total at the end of 2014 of €4,292m (€3,303m at 31/12/2013), €4,280m net of the reinsurers' share (€3,291m at 31/12/2013). The technical provisions-gross premiums written ratio was 342.1% (438.1% in 2013).

Company shareholders' equity, including profit for the year, amounted to €346.1m.

Unipol Banca S.p.A.

Registered office: Bologna

Share capital: €897,384k

Carrying amount: €496,805k

% holding: 100% - Direct holding of 57.75% and an indirect holding of 42.25% in the ordinary share capital

The company's performance recorded a loss for the year of €91m, compared to a loss of €299.6m in 2013.

The merger between Unipol Banca and the associate Banca Sai S.p.A. was completed in November 2014. This transaction was approved by the Bank of Italy on 25 September 2014 with related tax and accounting effects backdated to 1 January 2014.

The aspects with the most impact on the operating performance at 31 December 2014 were as follows:

- Direct deposits reached €10.2bn, up 1.8% on 31 December 2013 (€10.1bn), whilst loans to customers totalled €9.8bn, up 2.2% compared to the previous year (€9.6bn).
- Net bad and doubtful loans amounted to €1,583.3m (€1,235.8m in 2013), with a 16.1% impact on loans (12.9% in 2013).
- Indirect deposits totalled €49.1bn (€23.7bn in 2013), of which €1.9bn in assets under management and €47.2bn in funds under custody.

- Gross operating income reached €401.5m (+31.1% compared to 2013).
- Value adjustments for impairment of receivables and other financial assets amounted to €194.1m (€306m in 2013).

Company shareholders' equity, including the loss for the year, amounted to €714.9m.

Ambra Property S.r.l.

Registered office: Bologna

Share capital: €25,100k

Carrying amount: €48,495k

% holding: 100% direct

The company conducts hotel business on the property located at Piazza della Costituzione 1, Bologna (Hotel Bologna Fiera) and the "Villa Cicogna" property complex in San Lazzaro di Savena (BO).

The company's performance recorded a loss for the year of €2m, compared to €3.3m in 2013. The loss for the year was negatively affected by the prolonged closure continuing in the first 8 months of 2014 for general renovations on the hotel in Piazza della Costituzione (BO) that had commenced in June 2012. The hotel reopened with fully renovated rooms and facilities on 1 September 2014.

The aspects with the most impact on the operating performance at 31 December 2014 were as follows:

- Value of production of €4.7m (€2.5m at 31/12/2013).
- Costs of production of €6.5m (€6.3m at 31/12/2013).
- Property, plant and equipment of €68.9m (€53.9m at 31/12/2013) relating to the property used as Hotel Bologna Fiera and the property complex used as hotel accommodation in San Lazzaro di Savena (BO).

Company shareholders' equity, including the loss for the year, amounted to €37m.

Unipol Finance S.r.l.

Registered office: Bologna

Share capital: €5,000k

Carrying amount: €432,800k

% holding: 100% direct

The company was incorporated on 25 November 2013 with the corporate purpose of conducting non-public acquisition of interests and investments in other companies and their enhancement, all intended as long-term investments and not for placement or brokerage with the public.

The company's performance recorded profit for the year of €51.6m (€56.7m at 31/12/2013), particularly due to the recognition of dividends matured for the associate UnipolSai Assicurazioni S.p.A., a subsidiary of Unipol Gruppo Finanziario.

The aspects with the most impact on the operating performance at 31 December 2014 were as follows:

- Gains on investments of €52.2m (€57.5m at 31/12/2013).
- Costs of production of €0.8m (€45k at 31/12/2013).
- Financial assets recognised for €432.3m (unchanged since 31/12/2013) and relating to the UnipolSai investment.
- Provision for deferred taxes of €0.7m (€0.8m at 31/12/2013).

Company shareholders' equity, including profit for the year, amounted to €485.4m.

Significant events after the reporting period and business outlook

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

On 25 February 2015, also with respect to the *quorum* envisaged for the Special Meeting of ordinary shareholders, the Unipol Extraordinary Shareholders' Meeting approved the mandatory conversion of the preference shares ("Preference Shares") into ordinary Unipol shares ("Ordinary Shares") (the "Conversion" or "Transaction"), based on the following conversion ratio:

- 1 Ordinary Share, with normal dividend rights, for each Preference Share, without equalisation payment (the "Conversion Ratio").

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

Assuming a reference date of 28 November 2014 (last trading day prior to the Board of Directors Meeting of 30 November 2014 that approved the Transaction), based on the Conversion Ratio, preference shareholders would receive an implied premium of 8.54% compared to the conversion ratio implicit in average stock exchange prices for the previous six months.

The Conversion proposal pursues multiple objectives, given its purpose of:

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

The Conversion will become effective subject to the following conditions being met:

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

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

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

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

Amendments to the Credit Indemnity Agreement signed with the subsidiary Unipol Banca

On 11 February 2015 an amendment to the Credit Indemnity Agreement was defined with the subsidiary Unipol Banca, extending coverage to new positions for a total of €200.8m with effect from 31 December 2014. As a result of this amendment, the total credit covered by the agreement totalled €907.6m.

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

On 26 January 2015, the UnipolSai Extraordinary Shareholders' Meeting, and on 27 January 2015 the Special Meetings of UnipolSai Class A and Class B Savings Shareholders, each to the extent of their responsibility approved the mandatory conversion of Class A savings shares ("Class A Savings Shares") and Class B savings shares ("Class B Savings Shares") into ordinary UnipolSai shares, in accordance with the following conversion ratio:

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

As a result of the above transactions and based on the number of shareholders exercising the right of withdrawal, Unipol's direct holding in the subsidiary UnipolSai will change.

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

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

- (i) to holders of outstanding notes representing the non-convertible Unsecured Senior Note known as "*€750,000,000 5.00 per cent Notes due 11 January 2017*" issued by the Issuer on 11 December 2009 and listed on the regulated market of the Luxembourg Stock Exchange (ISIN Code XS0472940617) (the 2017 Notes) and
- (ii) to holders of notes representing the non-convertible Unsecured Senior Note known as "*€500,000,000 4.375 per cent Notes due 5 March 2021*", issued by the Issuer on 5 March 2014 and listed on the regulated market of the Luxembourg Stock Exchange (ISIN Code XS1041042828) (the 2021 Notes, and jointly with the 2017 Notes, the Existing Notes),

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

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

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

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

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

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

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

Amounts in €

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

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

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

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

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

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

Business outlook

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

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

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

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

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

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

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

Notice of Call to the Ordinary Shareholders' Meeting

Note that, in exercise of the right granted in Art. 8 of the By-Laws, the financial statements at 31 December 2014 will be subject to approval of the Ordinary Shareholders' Meeting to be held on a date subsequent to the deadline of 120 days after year end, pursuant to Art. 2364, paragraph 2 of the Civil Code, and specifically on 18 June 2015.

The opportunity of this postponement is strictly related to the mandatory conversion of the preference shares into ordinary Unipol shares, approved by the relevant Company Shareholders' Meetings held on 25 and 26 February 2015, and is also a result of the similar postponement of the Ordinary Shareholders' Meeting of the subsidiary UnipolSai, in turn associated with the mandatory conversion of Class A and Class B savings shares into ordinary UnipolSai shares, approved by the relevant UnipolSai Shareholders' Meetings of 26 and 27 January 2015.

These transactions are reported in the previous section, "Significant events after the reporting period and business outlook".

Proposals to the Ordinary Shareholders' Meeting

Dear Shareholders,

We submit the following resolution proposal for your approval:

"The Ordinary Shareholders' Meeting of Unipol Gruppo Finanziario S.p.A.,

- having examined the Company's draft financial statements at 31 December 2014;
- having examined the results of said draft financial statements, which recorded profit for the year of €167,387,415.84;
- having read the Management Report at 31 December 2014 prepared by the Board of Directors;
- having accepted the Board of Statutory Auditors report and the report prepared by the Independent Auditors, PricewaterhouseCoopers S.p.A.;
- having accepted that the Company holds 6,529,907 ordinary treasury shares,

hereby resolves

- to approve the financial statements of Unipol Gruppo Finanziario S.p.A. at 31 December 2014, accompanied by the Management Report and recording profit for the year of €167,387,415.84;
- to approve the proposed allocation of profit for the year as recorded in the financial statements of Unipol Gruppo Finanziario S.p.A. at 31 December 2014, in compliance with Art. 19 of the By-Laws, as follows:
 - to the Legal Reserve €16,738,741.58;
 - to the Extraordinary reserve €24,318,671.75;
 - the remaining profit, i.e. 75.47% of the total, as dividend, taking into consideration the redistribution of profit referring to treasury shares held, distributed as follows:
 - to the 273,479,517 preference shares, a unit dividend of €0.17 for a total of €46,491,517.89;
 - to the 437,464,084 ordinary shares, a unit dividend of €0.15 for a total of €65,619,612.60;
 - to the combined total of 710,943,601 preference and ordinary shares, an additional unit dividend of €0.02 for a total of €14,218,872.02;
- to approve, therefore, by allocating profit for the year as stated above, the distribution of a unit dividend of €0.17 for every ordinary share and a unit dividend of €0.19 for every preference share, and hence for a total of €126,330,002.51;
- to set the dividend payment date as 24 June 2015 (ex-dividend date of 22 June 2015 and record date of 23 June 2015)."

Bologna, 19 March 2015

The Board of Directors

The background image shows a perspective view of a wooden boardwalk or pier extending into the distance. The boards are dark brown, and a metal railing runs along the right side. In the upper right corner, the silhouette of a person's head and shoulders is visible against a bright, setting sun. The sky is a warm, golden color.

Financial Statements for the year 2014

02



Amounts in €

Unipol Gruppo Finanziario S.p.A.
Statement of Financial Position

ASSETS	31/12/2014	31/12/2013
A) SUBSCRIBED CAPITAL, UNPAID	-	-
- <i>of which called</i>		
B) FIXED ASSETS		
I Intangible assets		
1) Start-up and expansion costs	35,880,362	50,648,007
2) Research, development and advertising costs	3,744	810,212
4) Concessions, licences, trademarks and similar rights	5,359,194	8,609,801
6) Fixed assets in progress and payments on account	49,000	1,383,505
7) Other	2,169,380	2,843,016
Total	43,461,680	64,294,541
II Property, plant and equipment		
2) Plant and equipment	341,936	284,111
4) Other assets	1,577,627	1,814,812
Total	1,919,563	2,098,923
III Financial fixed assets		
1) Investments in:		
a) subsidiaries	5,952,817,446	5,823,123,446
Total investments	5,952,817,446	5,823,123,446
2) Receivables:		
d) from others	5,656,479	1,721,013
- <i>of which payable within 12 months</i>	303,511	404,897
Total receivables	5,656,479	1,721,013
Total	5,958,473,926	5,824,844,459
TOTAL FIXED ASSETS	6,003,855,169	5,891,237,922

Continued

Amounts in €

Unipol Gruppo Finanziario S.p.A. Statement of Financial Position

ASSETS	31/12/2014	31/12/2013
C) CURRENT ASSETS		
I Inventories		
4) Finished products and goods for resale	25,416	21,163
Total	25,416	21,163
II Receivables		
1) from customers	18,913	10,197
2) from subsidiaries	412,364,203	442,865,276
3) from associates	-	185,089
4) from holding companies	29,737,565	127,010,880
- of which payable after 12 months	2,344,199	10,221,541
4 bis) tax receivables	5,518,705	6,325,687
- of which payable after 12 months	4,721,701	2,326,717
4 ter) deferred tax assets	376,326,646	323,548,998
- of which payable after 12 months	376,326,646	315,315,904
5) from others	1,388,553	1,553,302
- of which payable after 12 months	247,453	159,129
Total	825,354,584	901,499,428
III Current financial assets		
4) Other investments	3,443,729	3,438,642
5) Treasury shares	21,915,233	22,620,333
6) Other securities	128,324,125	136,265,689
Total	153,683,086	162,324,664
IV Cash and cash equivalents		
1) Bank and post office deposits	541,051,596	215,656,004
- of which from subsidiaries	534,228,827	208,960,427
3) Cash at bank and in hand	8,011	6,979
Total	541,059,606	215,662,982
TOTAL CURRENT ASSETS	1,520,122,692	1,279,508,237
D) ACCRUALS AND DEFERRALS		
1) Accruals	1,457,654	968,103
2) Deferrals	4,333,380	2,759,745
3) Discounts on loans	27,705,509	2,200,740
TOTAL ACCRUALS AND DEFERRALS	33,496,543	5,928,587
TOTAL ASSETS	7,557,474,404	7,176,674,747

Amounts in €

Unipol Gruppo Finanziario S.p.A.
Statement of Financial Position

LIABILITIES	31/12/2014	31/12/2013
A) SHAREHOLDERS' EQUITY		
I Share capital	3,365,292,408	3,365,292,408
II Share premium reserve	1,410,009,264	1,410,009,264
III Revaluation reserves	20,700,874	20,700,874
IV Legal reserve	512,388,222	497,780,442
VI Reserve for treasury shares in portfolio	21,915,233	22,620,333
VII Other reserves	214,983,578	203,061,510
- Extraordinary reserve	51,668,118	62,366,384
- Treasury/holding company share reserve	145,000,000	122,379,667
- Share swap reserve	18,315,460	18,315,460
IX Profit (loss) for the year	167,387,416	146,077,799
TOTAL SHAREHOLDERS' EQUITY	5,712,676,995	5,665,542,631
B) PROVISIONS FOR RISKS AND CHARGES		
2) For taxes, including deferred	5,173,410	5,689,998
3) Other	591,619,449	406,977,552
TOTAL PROVISIONS FOR RISKS AND CHARGES	596,792,860	412,667,549
C) POST-EMPLOYMENT BENEFITS	333,395	1,507,886
D) PAYABLES		
1) Bonds	897,699,000	750,000,000
- of which payable after 12 months	897,699,000	750,000,000
3) Payables to shareholders	846,439	1,062,433
5) Payables to other lenders	515,186	515,186
7) Trade payables	5,400,175	9,303,445
9) Payables to subsidiaries	267,891,411	268,901,108
11) Payables to holding companies	32,323	107,352
12) Tax payables	4,571,666	1,975,621
13) Social security charges payable	836,253	1,507,521
14) Other payables	32,471,243	26,417,153
TOTAL PAYABLES	1,210,263,697	1,059,789,819
E) ACCRUALS AND DEFERRALS		
1) Accruals	37,407,458	37,166,862
TOTAL ACCRUALS AND DEFERRALS	37,407,458	37,166,862
TOTAL LIABILITIES	7,557,474,404	7,176,674,747

Amounts in €

Guarantees, commitments and other memorandum accounts

	31/12/2014	31/12/2013
I GUARANTEES GIVEN		
1) Sureties to subsidiaries	21,720,062	21,720,062
to third parties	1,107,650	1,107,650
3) Other personal guarantees to subsidiaries	1,469,348,701	1,133,217,892
TOTAL GUARANTEES GIVEN	1,492,176,414	1,156,045,604
II OTHER MEMORANDUM ACCOUNTS		
1) Commitments	362,998,486	33,772,892
2) Third party assets	1,242,994	959,858
3) Securities deposited with third parties	5,457,506,329	1,569,941,823
4) Other	445,528,743	109,989,231
TOTAL OTHER MEMORANDUM ACCOUNTS	6,267,276,552	1,714,663,804
TOTAL GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS	7,759,452,966	2,870,709,409

Amounts in €

Unipol Gruppo Finanziario S.p.A.
Income Statement

	31/12/2014	31/12/2013
A) VALUE OF PRODUCTION		
1) Revenue from sales and services	93,958	10,260,892
2) Change in inventories of work in progress, semi-finished and finished products	4,253	21,163
5) Other revenue and income		
b) sundry	39,685,428	31,703,651
Total other revenue and income	39,685,428	31,703,651
TOTAL VALUE OF PRODUCTION	39,783,639	41,985,707
B) COSTS OF PRODUCTION		
6) Raw materials, consumables and goods for resale	315,559	387,279
7) Services	29,841,499	28,994,895
8) Use of third party assets	1,829,601	5,238,475
9) Personnel:		
a) wages and salaries	24,855,934	38,263,453
b) social security expenses	7,849,826	10,286,810
c) post-employment benefits	1,140,937	2,112,812
e) other costs	4,101,118	6,715,898
Total personnel	37,947,817	57,378,973
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	17,571,448	18,776,475
b) depreciation of property, plant and equipment	390,248	307,478
Total amortisation, depreciation and write-downs	17,961,696	19,083,954
12) Provisions for risks	197,294,315	295,162,165
13) Other provisions	-	49,834
14) Sundry operating expenses	5,780,605	5,454,883
TOTAL COSTS OF PRODUCTION	290,971,091	411,750,457
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	(251,187,452)	(369,764,751)
C) FINANCIAL INCOME AND CHARGES		
15) Gains on investments:		
a) in subsidiaries	380,768,838	413,818,014
c) in other companies	29,029	1,593,832
Total gains on investments	380,797,867	415,411,846
16) Other financial income:		
a) from receivables recognised under fixed assets	14,736	19,447
4) from others	14,736	19,447
c) from securities recognised under current assets	6,582,342	12,237,769
d) other income	1,679,410	7,228,262
1) from subsidiaries	952,108	1,512,586
4) from others	727,302	5,715,676
Total other financial income	8,276,488	19,485,479
17) Interest and other financial charges:		
a) subsidiaries	3,445,456	5,682,988
d) others	49,021,490	49,035,513
Total interest and other financial charges	52,466,946	54,718,501
17 bis) Exchange gains (losses)	4,944	(7,202)
TOTAL FINANCIAL INCOME AND CHARGES	336,612,354	380,171,623

Continued

Amounts in €

Unipol Gruppo Finanziario S.p.A. Income Statement

	31/12/2014	31/12/2013
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18) Write-ups:		
a) of investments	-	29,081
c) of securities recognised under current assets	4,512,842	18,624,308
Total write-ups	4,512,842	18,653,388
19) Write-downs:		
a) of investments	217,119	211,688,897
c) of securities recognised under current assets	2,556,756	-
Total write-downs	2,773,875	211,688,897
TOTAL ADJUSTMENTS	1,738,968	(193,035,509)
E) EXTRAORDINARY INCOME AND EXPENSES		
20) Extraordinary income:		
a) Gains on disposals	97,734	273,388,433
b) Other	8,638,075	7,430,413
Total extraordinary income	8,735,810	280,818,846
21) Extraordinary expenses:		
b) Taxes relating to previous years	1,789,801	9,787,953
c) Other	529,599	8,128,980
Total extraordinary expenses	2,319,400	17,916,933
TOTAL EXTRAORDINARY ITEMS	6,416,409	262,901,913
PRE-TAX PROFIT (LOSS)	93,580,278	80,273,276
22) Income tax for the year: current and deferred		
a) Current taxes	(19,904,001)	(15,864,790)
b) Deferred tax liabilities	(516,588)	2,252,774
c) Deferred tax assets	(53,386,549)	(52,192,507)
Total income tax for the year	(73,807,137)	(65,804,523)
PROFIT (LOSS) FOR THE YEAR	167,387,416	146,077,799

A close-up photograph of a stack of papers or documents. A prominent yellow band runs horizontally across the middle of the stack. The text "Notes to the Financial Statements" is printed in white, sans-serif capital letters on this yellow band. The background is dark, making the yellow band stand out.

Notes to the Financial Statements

03



Structure and contents of the Financial Statements

Unipol's 2014 Financial Statements were prepared in compliance with provisions of the Civil Code and the national accounting principles approved by the OIC (Italian Accounting Standards Setter). In fact, since it qualifies as an insurance holding company pursuant to Art. 1, paragraph 1, letter aa) of Legislative Decree 209/2005 (the Insurance Code), Unipol is required to prepare consolidated financial statements in compliance with international accounting standards but cannot apply these international accounting standards to the company's separate financial statements in accordance with Art. 4 of Legislative Decree 38/2005.

The financial statements comprise the Statement of Financial Position, the Income Statement and these Notes. They are accompanied by the Management Report.

As stated in Art. 2423, paragraph 5 of the Civil Code, the amounts in the Statement of Financial Position and the Income Statement are expressed in Euro, without decimals, whilst amounts indicated in the Notes to the Financial Statements are expressed in thousands of Euro, unless otherwise indicated, as permitted by the provisions of Art. 2423 of the Civil Code.

The measurement criteria were adopted on the basis of going concern assumptions, in application of the principles of accrual, materiality and significance of the accounting data.

No significant events occurred after year end that could affect the financial statements results.

In order to integrate disclosures provided in the aforementioned mandatory statements, the Income Statement figures were restated in the attached reclassification statement and were accompanied by the statement of changes in shareholders' equity and the statement of cash flows.

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

The Unipol administrative bodies and the manager in charge of financial reporting have provided the Statement on the Annual Report pursuant to Art. 81-ter, Consob Regulation 11971 of 14 May 1999, as amended.

These financial statements were audited by PricewaterhouseCoopers SpA, appointed independent auditors by the Shareholders' Meeting for the years 2012-2020.

Measurement criteria

The measurement criteria used in preparing the financial statements for the year ended 31 December 2014, of which the most important are listed below, are the same as those used to draft the previous year's financial statements.

Intangible assets

Intangible assets are recognised at historical acquisition or production cost, including accessory charges, and are amortised over their residual useful lives (3-5-10 years). For projects under development, amortisation is suspended until the year in which they are first used.

Start-up and expansion costs are amortised on a straight-line basis over five years from the effective date of the related transaction.

Other long-term costs are amortised over their estimated useful lives. Advertising costs with long-term use are capitalised with approval from the Board of Statutory Auditors and amortised over three years. If the future usefulness of intangible assets should no longer apply, the assets are written-down and charged to the Income Statement.

Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost and adjusted by the corresponding accumulated depreciation. The carrying amount takes into consideration any accessory charges and direct/indirect costs in the portion reasonably attributable to the asset.

Depreciation is calculated according to the useful life of the asset:

- plant and equipment: useful life of 3 to 7 years;
- movable assets entered in public registers: useful life of 4 years;
- office furniture and machines: useful life of 3 to 8 years;
- data processing centre machines: useful life of 2 to 5 years;
- assets up to €516: fully depreciated over 1 year.

Financial fixed assets

These are mainly represented by controlling interests.

The investments concerned are recognised at purchase or subscription cost or at a value below cost if, based on their financial position, the investments show signs of impairment.

The bonds held long term among the Company's assets are measured at the average purchase or subscription cost, adjusted or integrated by an amount equal to the accrued portion for the year of the negative or positive difference between the repayment value and the purchase price, with separate recognition of the portion for the year relating to any issue spreads. Any write-down is made only in the event of confirmed impairment. For implied rate securities (zero coupon bonds, etc.) the return accrued during the year is taken into account.

All or part of the original amount is restored in subsequent years if the reasons for recognition of any adjustment should no longer apply.

Receivables

Recognised at their estimated realisable value.

Current financial assets

Shares classed as current assets and mutual investment fund units are recognised at the lower between the average purchase cost and the market value, for shares corresponding to the arithmetic mean of prices recorded in the last month of the year and for unlisted shares to a prudent estimated realisable value.

Furthermore, for listed shares, if the December average does not represent the market value, the averages considered more representative are used as a prudent measure.

Bonds used for current commitments are aligned to the lower between the average cost, increased or adjusted for issue spreads matured and the return accrued on implied rate securities, and that of the market (for listed securities) formed from the arithmetic mean of prices recorded in December and (for unlisted securities) from the estimated realisable value at 31 December, determined on the current value of securities traded on regulated markets and with similar characteristics.

Write-downs in previous years are not maintained if the reasons giving rise to such write-downs should no longer apply.

Financial derivatives

Financial derivatives are used only for hedging purposes, to reduce the risk profile of the assets/liabilities hedged, i.e. to optimise their risk/return profile. Derivative contracts in place at year end are measured in a manner consistent with the assets/liabilities hedged.

The current value of derivative contracts is calculated by the replacement cost method, using prices and rates current at year end with the same maturity and comparing these with contractual prices and rates.

Premiums collected or paid for options on securities, shares, currencies or interest rates in place at year end are recognised in items C.III.6) "Other securities" and D.14) "Other payables", respectively.

On expiry of the option:

- if exercised, the premium is carried as an adjustment to the purchase or sale price of the underlying asset;
- if abandoned, the premium is recognised under item C) "Financial income and charges".

Accruals and deferrals

Accruals and deferrals are calculated on an accrual basis.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or liabilities of certain or probable existence, but

for which the amount or contingency date cannot be reliably determined at year end. The measurement of these provisions complies with general prudent and accrual criteria and the amounts allocated reflect the best possible estimate based on available information.

Post-employment benefits

Post-employment benefits reflect the liability accrued to employees at year end, net of amounts devolved to supplementary pension funds and to the INPS Treasury Fund in accordance with current regulations.

Payables

Payables are recognised at their nominal value.

Guarantees, commitments and other memorandum accounts

Commitments and guarantees are indicated in the memorandum accounts at their contractual value.

Dividends

Dividends are recognised in the year in which they are collected (cash accounting criterion), except for dividends from subsidiaries for which the accrual accounting criterion is applied.

Recognition of costs and revenues

Revenues and costs are recognised according to prudent and accrual principles.

Income tax for the year

Tax for the year is calculated according to current tax regulations and recognised among costs for the year.

It represents:

- the charges/income for current taxes;
- the breakdown of deferred tax assets and liabilities arising during the year and used in future years;
- for the portion due for the year, offsetting of deferred tax assets and liabilities generated in previous years.

Pursuant to Art. 117 et seq. of Presidential Decree 917/1986 and of Ministerial Decree of 9 June 2014, for the years 2013-2014-2015 the Company has opted for the IRES tax regime under the national tax consolidation as a consolidated company, whilst Finsoe S.p.A. acts as tax consolidating company. Unipol signed an agreement with this company regulating the financial and procedural aspects governing the option in question.

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

Also recognised under income tax is IRAP for the year, calculated on the basis of estimates considered fair in view of information available at the time of preparation of the financial statements and taking into consideration current tax regulations.

Lastly, in application of Accounting Principle no. 25 of the Italian Accounting Standards Setter, deferred tax assets and liabilities are recognised under income tax, calculated on the temporary differences (that have arisen or been deducted during the year) between profit (loss) for the year and the taxable income, affecting assets and the provision for deferred taxes, respectively.

Deferred tax assets are recognised only if it is reasonably certain that they can be recovered in future years.

Deferred tax liabilities are quantified according to rates envisaged in current tax regulations and referring to future years in which all or part of the temporary differences they produce are expected to be absorbed.

The disclosure pursuant to Art. 2427, paragraph 1, letter 14 of the Civil Code, together with the statement of reconciliation between theoretical and effective tax charges, is provided in the section "Income Statement - Income tax for the year: current and deferred".

Translation of balances in foreign currencies

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

In compliance with Art. 2426, paragraph 8-bis of the Civil Code, property, plant and equipment, intangible assets and financial assets (held as investments) in foreign currencies are recognised at the spot rate at the time of purchase.

Other items expressed in foreign currency are recognised at the year-end rates. All translation differences are recognised in the Income Statement.

Any net unrealised gains after translation are recognised - at profit allocation stage - to a non-distributable reserve until actually realised.

Exchange rates used

The main exchange rates adopted for translation to Euro are as follows:

Currencies	31/12/2014	31/12/2013
US Dollar	1.2141	1.3791
Pound Sterling	0.7789	0.8337
Swiss Franc	1.2024	1.2276
Yen	145.2300	144.7200
Danish Krone	7.4453	7.4593
Czech Republic Koruna	27.7350	27.4270

Exceptions pursuant to Art. 2423, paragraph 4 of the Civil Code

No exceptions pursuant to Art. 2423, paragraph 4 of the Civil Code have been applied.

Uncertainties in the use of estimates

The application of certain accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.

As regards the 2014 financial statements, it is believed that the assumptions made are appropriate and, subsequently, that the financial statements have been drafted with clarity and give a true and fair view of the equity-financial position and economic result. The relevant paragraphs of the Notes to the Financial Statements provide full details of the reasons underlying the decisions made and the measurements performed. In order to formulate reliable estimates and assumptions, reference has been made to past experience, and to other factors considered reasonable for the case in question, based on all information available.

However, we cannot exclude the fact that changes in these estimates and assumptions may have significant effects on the equity and economic position and on the assets and liabilities reported in the financial statements for disclosure purposes, if different judgment elements emerge with respect to those expressed in due course.

In particular, the greater use of subjective assessments by company management is necessary in the following cases:

- calculation of any impairment losses on equity investments;
- calculation of the current value of financial assets and liabilities where not directly available on active markets. In this case, the subjective elements lie in the choice of measurement models or input parameters that might not be available on the market;
- definition of benchmarks used in the analytical testing of capitalised securities to verify any impairment. In particular, reference is made to the choice of measurement models and the main assumptions and benchmarks used;
- estimation of the recoverability of deferred tax assets;
- quantification of provisions for risks and charges where there is uncertainty about the amount required and the contingency periods.

In such cases an explanation is provided with the aim of providing financial statements readers with a better understanding of the main areas of uncertainty, but in no way intends to suggest that alternative assumptions might be appropriate or more valid. In addition, the financial statements measurements are formulated on the basis of going concern assumptions, in that no risks have been identified that could compromise orderly business operations.

Information on the Statement of Financial Position and Income Statement

Statement of Financial Position - Assets

The items in the Statement of Financial Position and the changes in related balances compared to the previous year are given below, with additional information as required by current regulations.

B. Fixed assets

B) I - Intangible assets

Intangible assets totalled €43,462k at 31 December 2014, down by €20,833k compared to the previous year. The decrease in this balance is mainly influenced by "start-up and expansion costs", which relate to expense for the share capital increase of 2012 and which fell from €50,648k at 31 December 2013 to €35,880k at the end of 2014 as a result of amortisation for the year.

The remaining intangible asset items mainly refer to:

- "Research, development and advertising costs" for €4k (€810k at 31/12/2013). The decrease is fully attributable to the amortisation of costs associated with institutional advertising campaigns launched by the Company in 2011;
- "Concessions, licences, trademarks and similar rights" for €5,359k (€8,610k at 31/12/2013), referring to software user licences and accessory costs for related customisation.

The decrease was particularly due to the transfer of certain assets (mainly software licences used by the Risk Management Department) to UnipolSai in application of the Unipol Board of Directors resolution of 13 February 2014;

- "Fixed assets in progress and payments on account" for €49k (€1,384k at 31/12/2013), referring mainly to expense incurred during the year for the purchase of software licences and consultancy on IT projects that do not yet produce economic benefits for the company and are therefore not yet subject to amortisation;
- "Other" for €2,169k (€2,843k at 31/12/2013). The change in the balance is entirely due to amortisation for the year.

The above amounts were recognised under assets with consent from the Board of Statutory Auditors, where necessary.

B) II - Property, plant and equipment

Property, plant and equipment totalled €1,920k at 31 December 2014 (€2,099k at 31/12/2013) and referred mainly (€1,578k) to furnishings, hardware and works of art (€1,815k at 31/12/2013).

The changes in intangible asset items, property, plant and equipment items and the related accumulated amortisation/depreciation are illustrated in Annexes 5 and 6 to these Notes to the Financial Statements.

B) III - Financial assets

1) Investments

The total value of investments at 31 December 2014 was €5,952,817k, compared to €5,823,123k at the end of the previous year, recording an increase of €129,694k (+2.2%).

Details are provided in the statement below:

Amounts in €k					
Company	Business activities	Share capital	% holding		
			Direct	Indirect	Carrying amount
UnipolSai Assicurazioni S.p.A.	Insurance and reinsurance	1,996,129	54.38	9.63	4,527,684
Compagnia Assicuratrice Linear S.p.A.	Insurance and reinsurance	19,300	100.00		50,507
Linear Life S.p.A.	Insurance and reinsurance	5,180	100.00		6,175
Unisalute S.p.A.	Insurance and reinsurance	17,500	98.53		36,613
Arca Vita S.p.A.	Insurance and reinsurance	208,279	63.39		353,739
Unipol Banca S.p.A.	Bank	897,384	57.75	42.25	496,805
Ambra Property S.r.l.	Hotel business	25,100	100.00		48,495
Unipol Finance S.r.l.	Investment holding	5,000	100.00		432,800
GRAND TOTAL					5,952,817

The details of changes in item B) III 1) "Investments" are provided in Annex 7 to these Notes to the Financial Statements.

The change in the balance is due to the following transactions performed during 2014:

- **UnipolSai S.p.A.**

Following the merger, on 6 January 2014 the value of investments in Premafin HP S.p.A. (€351.1m) and Unipol Assicurazioni S.p.A. (€4,064m) was recognised as an increase in the investment in the merging company Fondiaria-SAI S.p.A. (€45.1m), resulting in a total value of the investment in UnipolSai Assicurazioni S.p.A. of €4,460.2m.

On 22 May 2014, following the conversion of 675 bonds representing the "Convertible Loan UnipolSai Assicurazioni 2014-2015 6.971%", the investment in UnipolSai increased by 24,725,274 ordinary shares for a total value of €67,500k;

- **Unipol Banca S.p.A.**

On 25 June 2014 the share capital increase was subscribed and paid for a total of €100,000k. The pro-rata increase subscribed by Unipol totalled €67,744k;

- **Unipol SGR S.p.A. in liquidation**

After the company was placed in liquidation on 23 December 2014, the carrying amount of the investment was eliminated (€5,550k) against the allocation to Unipol of assets totalling €5,647k.

The following table lists the subsidiaries with an indication of the carrying amount and related percentage of shareholders' equity calculated on the basis of the last draft financial statements approved by the investee's Board of Directors.

Any higher value of the investment recognised, compared to the corresponding portion of the carrying amount of shareholders' equity, refers to the equity, economic and strategic value of the company together with its forecast profitability.

In particular, note that:

- in relation to UnipolSai Assicurazioni, an SOP (Sum of Parts) method was adopted for separate estimation of the value assigned to assets in the Non-Life and Life businesses, using:
 - an excess capital version of a Dividend Discount Model (DDM) in relation to UnipolSai Assicurazioni – Non-Life: taking into account the final pro-forma 2014 figures, note in particular that the data relating to the 2015 Budget were used, and for the years 2016-2019 a net result deriving from the average 2013-2014-2015 results was considered;
 - an Appraisal Value method for UnipolSai Assicurazioni - Life, which envisages valuation of the following components:
 - Adjusted Net Asset Value at 31 December 2014;
 - Value in force business at 31 December 2014;
 - New Business value;
- relating to other insurance subsidiaries:
 - if operating in the Non-Life business, the excess capital version of the Dividend Discount Model described above was adopted. Each company arranged independent preparation and approval of a five-year development plan. The net results of these plans therefore formed the basis for the valuation method identified for the companies concerned;
 - if operating in the Life business, the Appraisal Value Method was used;
- for Unipol Banca a profit-based method was adopted on the basis of a five-year development plan for which the Bank arranged preparation and approval independently.

No indication is provided of the value of investments measured at equity as the consolidated financial statements are prepared in accordance with IAS/IFRS.

Amounts in €k

Company	Carrying amount	% holding	Shareholders' equity at 31/12/2014	Portion of shareholders' equity attributable
UnipolSai Assicurazioni S.p.A.	4,527,684	54.38	5,340,514	2,904,172
Compagnia Assicuratrice Linear S.p.A.	50,507	100.00	69,763	69,763
Linear Life S.p.A.	6,175	100.00	3,912	3,912
Unisalute S.p.A.	36,613	98.53	103,020	101,505
Arca Vita S.p.A.	353,739	63.39	346,146	219,422
Unipol Banca S.p.A.	496,805	57.75	714,888	412,848
Ambra Property S.r.l.	48,495	100.00	36,951	36,951
Unipol Finance S.r.l.	432,800	100.00	485,441	485,441
Total	5,952,817		7,100,635	4,234,014

All the insurance and banking sector subsidiaries comply with the solvency requirements envisaged in their respective sector regulations.

For further information on the performance of subsidiaries, reference should be made to the Management Report.

2) Receivables

The total receivables recognised as fixed assets were €5,656k, compared to €1,721k at 31 December 2013. The change is due to the recognition of a receivable for payments on account, totalling €4,433k, against which a payable of the same amount was recognised under "Other payables" as due to Banca Popolare dell'Emilia Romagna and Banca Popolare di Sondrio in application of the earn in/earn out contractual clause on the June 2010 purchase of the controlling interest in Arca Vita. The agreement envisages a total price adjustment calculated over a ten-year period, settled at the end of each five-year period. The amount of any price adjustment, paid at the end of the first five-year period, will be offset at the end of the second five-year period.

The remainder of this item, all referring to receivables from others, includes:

- €1,048k for collateralised loans;
- €164k for loans granted to employees guaranteed by Life policies;
- €11k for utility guarantee deposits.

The amounts due after 31 December 2015 totalled €5,353k, of which €339k after 31 December 2019.

C. Current assets

C) I - Inventories

At 31 December 2014 the balance of this item was €25k, relating to inventories of finished products and goods for resale held by the CUBO store (€21k at 31/12/2013).

C) II - Receivables

The balance of this item at 31 December 2014 was €825,355k, down €76,145k compared to 31 December 2013. The breakdown and comparison with the previous year are summarised in the following table:

Amounts in €k	31/12/2014	31/12/2013
1) Receivables from customers	19	10
2) Receivables from subsidiaries	412,364	442,865
3) Receivables from associates	-	185
4) Receivables from holding companies	29,738	127,011
4 bis) Tax receivables	5,519	6,326
4 ter) Deferred tax assets	376,327	323,549
5) Receivables from others	1,389	1,553
Total	825,355	901,499

The amounts due after 31 December 2015 totalled €383,640k, of which €186,058k after 31 December 2019.

"Receivables from subsidiaries", totalling €412,364k, mainly referred to the receivables due from the subsidiaries UnipolSai, Unisalute, Linear, Arca Vita and Unipol Finance for 2014 dividends amounting to €375,926k. In addition to this receivable, the item also includes the chargeback of costs for personnel seconded to Group companies and a loan granted to the subsidiary Ambra Property S.r.l. for €20,000k. The decrease in the balance was mainly caused by lower dividends compared to 2013, which reduced from €413,818 at the end of 2013 to €375,926k at the end of 2014.

The receivable due from the holding company Finsoe S.p.A. decreased from €127,011k at 31 December 2013 to €29,738k at 31 December 2014. The item refers to the following receivables:

- €24,481k relating to the IRES calculation of tax losses for the year and previous years, transferred to the Finsoe S.p.A. tax consolidation;

- €2,913k in receivables for payments on account and withholdings, transferred to the Finsoe S.p.A. tax consolidation;
- €2,344k relating to IRES reimbursement claims filed with the Tax Authority by Finsoe S.p.A. as consolidating company, for the deduction from IRES taxable income for 2004 to 2007 of 10% of IRAP payable pursuant to Art. 6 of Decree Law no. 185 of 29 November 2008.

"Tax receivables", amounting to €5,519k, are broken down as follows:

- €1,124k relating to reimbursements for the deductibility of 10% of IRAP on IRES taxable income, pursuant to Art. 6 of Decree Law no. 185 of 29 November 2008, filed directly by the former Aurora Assicurazioni;
- €3,294k (€3,994k at 31/12/2013) in IRAP tax receivables from previous years;
- €1,100k relating to other tax receivables, mainly for the reimbursement of taxes paid in previous years.

The balance of deferred tax assets at 31 December 2014 was €376,327k, up €52,778k compared to 31 December 2013. This item included €231,585k in receivables on deferred tax assets from 2011, following release of the higher value of investments held performed in accordance with the provisions of Art. 23, paragraphs 12-15 of Decree Law 98/2011, converted to Law 111/2011.

Amounts in €k

Deferred tax assets	
Opening balance at 1/1/2014	323,549
Increases in the year	58,811
Uses in the year	(6,033)
Closing balance at 31/12/2014	376,327

With regard to the statement of temporary differences which led to the recognition of deferred tax assets and liabilities (Art. 2427, paragraph 1, no. 14 of the Civil Code), reference should be made to Annex 9 to the Notes to the Financial Statements.

Net tax assets are deemed to be recoverable on the basis of the provisional plans of Group companies, taking account of the effects associated with the tax consolidation and current regulations on unlimited carry-forward of tax losses to future years, both in relation to the transformation of tax receivables on deferred tax assets in the presence of a statutory loss and/or a tax loss in the presence of amortisation of taxable goodwill.

"Receivables from others" under Current Assets decreased from €1,553k at 31 December 2013 to €1,389k at 31 December 2014.

This item mainly refers to:

- foreign tax receivables for €115k;
- receivable from former directors for penalties pursuant to Articles 193 and 195 of the Consolidated Law on Finance for €600k;
- receivable from the Sicilian Regional Government for regional grants relating to a mortgage loan settled in previous years, for €247k;
- sundry receivables from current and former employees for €159k;
- receivables for utility guarantee deposits for €85k.

This item is recognised net of the related write-down provisions.

C) III - Current financial assets

This item, amounting to €153,683k at 31 December 2014, breaks down as follows:

Amounts in €k	31/12/2014	31/12/2013
Other investments	3,444	3,439
Treasury shares	21,915	22,620
Other securities	128,324	136,266
Total	153,683	162,325

The "treasury shares" held were acquired on the regulated market by Unipol in 2013, in service of compensation plans based on financial instruments (performance share type). The decrease in the balance, €705k, was due to allocation in July 2014 of the first tranche of shares in implementation of the compensation plan based on financial instruments for the period 2010-2012.

"Other securities" refer to listed bonds for €127,949k and unlisted bonds for €375k.

Details of the shares and securities recognised as current assets are provided in Annex 8 to the Notes to the Financial Statements.

C) IV - Cash and cash equivalents

Cash and cash equivalents, which at 31 December 2014 totalled €541,060k (€215,663k at 31/12/2013), almost entirely related to bank and post office deposits of €541,052k, of which €534,229k deposited with the subsidiary Unipol Banca S.p.A. (€215,656k at 31/12/2013, of which €208,960k deposited with Unipol Banca S.p.A.).

D. Accruals and deferrals

"Accruals and deferrals" at 31 December 2014 totalled €33,497k (€5,929k at 31/12/2013), with breakdown as follows:

Amounts in €k	31/12/2014	31/12/2013
Accruals	1,458	968
Deferrals	4,333	2,760
Discounts on loans	27,706	2,201
Total	33,497	5,929

Accruals included €913k in interest on securities and €545k in interest on the loan granted to the subsidiary Ambra Property S.r.l.

Deferrals mainly referred to issue costs incurred for the two senior bond loans issued by the Company. Specifically, €1,500k referred to the 5% loan issued in 2009 and €2,287k to the 4.375% loan issued in 2014.

Discounts on loans referred for €1,826k to the 5% senior bond loan (2009-2017) issued at the price of €99.314, and for €25,880k (€29,463k at the issue date) to the 4.375% senior bond loan (2014-2021) issued this year at the price of €99.369.

At the date of subscription, the loan discount on the new issue amounted to €29,463k included:

- i) the costs relating to the difference (€28,712k at the subscription date) between the price recognised on exchange with the 5% senior bond loan (108.1826), including cash rounding, and the repayment price on the new bond loan issue (corresponding with the nominal value), as a result of subscriptions to the Partial Exchange Offer on the 5% senior bond loan described in the Management Report;
- ii) for the residual amount (€751k at the subscription date), the difference between the issue price (€99.369) and the repayment price (corresponding to the nominal value) for the portion of the 4.375% loan (2014-2021) subscribed by investors without the exchange referred to in the previous paragraph.

Statement of Financial Position - Liabilities

A. Shareholders' equity

Movements in equity recognised during the year with respect to the previous year are set out in the attached statement of changes in shareholders' equity (Annex 2).

A statement of use and availability of equity reserves has also been prepared, as required by Art. 2427, par. 1, letter 7-bis of the Civil Code (Annex 3).

The share capital and equity reserves at 31 December 2014 totalled €5,545,290k (€5,519,465k at 31/12/2013). The increase of €25,825k in the balance was determined by profit for the year, net of dividends distributed.

At 31 December 2014 the fully subscribed and paid-up share capital amounted to €3,365,292k (unchanged since 2013) and comprised 717,473,508 shares as follows:

- 443,993,991 ordinary shares;
- 273,479,517 preference shares.

The breakdown of equity reserves, which at 31 December 2014 totalled €2,179,997k, is provided in the following table with an indication of the previous year's values:

Amounts in €k

	31/12/2014	31/12/2013
A.II Share premium reserve	1,410,009	1,410,009
A.III Revaluation reserve pursuant to Law 413/91	20,701	20,701
A.IV Legal reserve	512,388	497,780
A.VI Reserve for treasury shares in portfolio	21,915	22,620
A.VII Extraordinary reserve	51,668	62,366
Provision for purchase of treasury shares	100,000	77,380
Provision for purchase of holding company shares	45,000	45,000
Share swap reserve	18,315	18,315
	2,179,997	2,154,172

B. Provisions for risks and charges

The following table summarises the changes during the year in provisions for risks and charges, which at 31 December 2014 totalled €596,793k, of which €5,173k included under "Provision for taxes, including deferred" in relation to deferred IRES tax liabilities on dividends recorded for the year and €591,619k under "Other":

Amounts in €k

	31/12/2013	Increases	Decreases		31/12/2014
	Provisions	Uses	Other		
Provision for taxes, including deferred	5,690	5,169	(5,686)	-	5,173
Provision for sundry risks and charges	302,266	197,294	(3,489)	(1,320)	494,750
Provision for risks on options	95,079	-	-	-	95,079
Employee leaving provision	50	-	(50)	-	-
Provision for taxes from previous years	9,583	1,790	(9,583)	-	1,790
	412,668	204,253	(18,807)	(1,320)	596,793

Allocations to the "Provision for sundry risks and charges" referred almost entirely to guarantees on receivables of the subsidiary Unipol Banca S.p.A. against which, following specific analytical assessment of the risks undertaken, the recoverability of the receivables and the suitability of collateral used to safeguard them, a provision of €196,000k was allocated.

The "Provision for risks on options" was allocated at 31 December 2013 against the write-down of the investment in Unipol Banca held by Unipol Assicurazioni (now UnipolSai Assicurazioni), following a put and call option agreement signed with the merging company Fondiaria-SAI - as part of the merger resulting in UnipolSai Assicurazioni - on the investment held by Unipol Assicurazioni in Unipol Banca at a price equal to the carrying amount of that portion of the investment.

The "Provision for taxes from previous years" decreased from €9,583k at 31 December 2013 to €1,790k at the end of 2014. The change in the balance was affected, on the one hand, by the April 2014 payment of €9,583k as income taxes and penalties relating to the dispute over the 2005 and 2006 tax periods of the former Aurora Assicurazioni and, on the other hand, by the provision of €1,790k for the former Aurora Assicurazioni's dispute concerning the 2007 tax period.

C. Post-employment benefits

The balance of post-employment benefits at 31 December 2014, totalling €333k, recorded a decrease of €1,174k compared to the previous year, mainly due to the effect of transferring employees and related salaries to other Group companies.

Changes during the year are detailed in the following table:

Amounts in €k

Balance at 1/1/2014	1,508
Increases in the year	
Provisions in the year	1,136
Decreases in the year	
Transfer to pension fund	(811)
Transfers to INPS treasury fund	(138)
Settlements in the year	(114)
Other decreases	(1,248)
Closing balance at 31/12/2014	333

Other decreases totalling €1,099k refer to the transfer of employees to Group companies.

D. Payables

The balance of this item at 31 December 2014 was €1,210,264k (€1,059,790k at 31/12/2013).

The breakdown for this item and related comparison with the previous year are summarised in the following table:

Amounts in €k	31/12/2014	31/12/2013
Bonds	897,699	750,000
Payables to shareholders	846	1,062
Payables to other lenders	515	515
Trade payables	5,400	9,303
Payables to subsidiaries	267,891	268,901
Payables to holding companies	32	107
Tax payables	4,572	1,976
Social security charges payable	836	1,508
Other payables	32,471	26,417
Total	1,210,264	1,059,790

All payables are due within 12 months, except "Bonds", the conditions for which are summarised below.

"Bonds" totalled €897,699k (€750,000k at 31/12/2013), with breakdown as follows:

- for a total of €397,699k (€750,000k at 31/12/2013) of the nominal value of the senior bond loan listed on the Luxembourg Stock Exchange, with a seven-year duration (maturing January 2017) and a fixed interest rate of 5%. On 23 December 2013 the Board of Directors resolved upon a liability management transaction through an exchange offer with the aim of improved correlation with inflows to ease the concentration of 2017 financial commitments by replacing part of the debt exposure at 31 December 2013 with another new bond loan issue;
- for a total of €500,000k from the new senior unsecured bond loan issued on 5 March 2014, listed on the Luxembourg Stock Exchange, with a seven-year duration (maturing March 2021) and a fixed interest rate of 4.375%.

The liability management transaction through an exchange offer and the related issue as described above were implemented as part of the Euro Medium Term Notes (EMTN) Programme, with a total nominal amount of a maximum €2,000,000k, established in December 2009.

The total interest for the year was €41,013k.

"Payables to shareholders" totalled €846k at 31 December 2014 (€1,062k at 31/12/2013) and referred to dividend payables to shareholders as approved in previous years but not yet paid. The decrease in payables refers to 2007 dividends recognised as extraordinary gains since they are no longer payable.

"Trade payables" fell from €9,303k at 31 December 2013 to €5,400k at 31 December 2014.

"Payables to subsidiaries" recorded a balance of €267,891k at 31 December 2014 (€268,901k at 31/12/2013), with breakdown as follows:

- €267,785k (unchanged since 2013) relating to two loans taken out after the UnipolSai Assicurazioni S.p.A.'s takeover from the Company in 2009 of the role of issuer for the UGF 7% and UGF 5.66% bond loans. The loans, granted to the extent of the portion of the bond loan not included among elements that constitute UnipolSai Assicurazioni S.p.A.'s solvency margin, are repayable on demand either in full or in part at the request of UnipolSai Assicurazioni S.p.A., and in any event at least three days prior to the repayment date of the loans. These loans bear interest at the 3M Euribor rate plus a 100 b.p. spread. In 2014 interest expense of €3,329k accrued;
- €105k relating mainly to the VAT receivable due to the indirect subsidiaries Midi S.r.l., Unifimm S.r.l. (now UnipolSai Real Estate S.r.l.) and Ambra Property S.r.l. from the Company as a result of the Group VAT settlement.

The balance of "Tax payables" at 31 December 2014 was €4,572k, up €2,596k on the previous year. This change was mainly due to the increased payable for the year emerging from the Group VAT return, which rose from €178k at the end of 2013 to €3,256k at the end of 2014.

The balance of "Social security charges payable" at 31 December 2014 was €836k (€1,508k at 31/12/2013). This item refers to payables outstanding at year end due to welfare institutions for contributions payable by the Company and borne by employees on December salaries.

The balance of "Other payables" at 31 December 2014 was €32,471k, up €6,054k on the previous year. The balance mainly refers to:

- provisions for employee salary incentives for €24,119k (€23,725k at 31/12/2013);
- liabilities for leave not taken for €1,050k (€1,872k at 31/12/2013);
- write-down of two derivative contracts (one call option and one put option) with underlying shares of the holding company Finsoe S.p.A., for €2,595k;
- the payable of €4,433k due in 2015 to Banca Popolare dell'Emilia Romagna and Banca Popolare di Sondrio in application of the earn in/earn out contractual clause on the June 2010 purchase of the controlling interest in Arca Vita. The agreement envisages a total price adjustment calculated over a ten-year period, settled at the end of each five-year period. The amount of any price adjustment, paid at the end of the first five-year period, will be offset at the end of the second five-year period. A receivable for advances was allocated against this payable, for the same amount, as described under "Receivables recognised under fixed assets".

E. Accruals and deferrals

"Accruals and deferrals" recorded a balance at 31 December 2014 of €37,407k (in line with the figure at 31/12/2013), almost entirely due to interest accrued on the senior bond loans, the first maturing in January 2017 (interest for €19,286k) and the second maturing March 2021 (interest for €18,039k).

Guarantees, commitments and other memorandum accounts

The breakdown of "Guarantees, commitments and other memorandum accounts", totalling €7,759,453k at 31 December 2014 (€2,870,709k at 31/12/2013), is provided in the following table:

	31/12/2014	31/12/2013
Guarantees given		
Sureties to subsidiaries	21,720	21,720
Sureties and endorsements given in the interest of third parties	1,108	1,108
Other personal guarantees given in the interest of subsidiaries	1,469,349	1,133,218
Total	1,492,176	1,156,046
Commitments		
Other commitments	362,998	33,773
Total	362,998	33,773
Third party assets		
Employees' shares held on deposit	1,226	843
Other assets	17	117
Total	1,243	960
Securities deposited with third parties	5,457,506	1,569,942
Other memorandum accounts		
Collateral received from third parties	341	770
Guarantees given by third parties in the interest of the company	1,666	1,666
Guarantees given by subsidiaries in the interest of the company	45	45
Other memorandum accounts	443,477	107,509
Total	445,529	109,989
TOTAL GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS	7,759,453	2,870,709

"Other personal guarantees given in the interest of subsidiaries" include:

- guarantees given in favour of the subsidiary UnipolSai Assicurazioni S.p.A. in relation to subordinated bond loans originally issued by Unipol, for which UnipolSai Assicurazioni S.p.A. took over as issuer in 2009: UGF 7% maturing 2021 (for €300,000k) and UGF 5.66% maturing 2023 (for €261,689k);
- guarantees on receivables of the subsidiary Unipol Banca S.p.A. for €907,660k (including interest).

"Other commitments" refer almost entirely to commitments on the sale of put options (€362,898k). Specifically:

- €31,271k relating to the sale agreement for a put option with 30,646,000 underlying shares of the holding company Finsoe S.p.A.;
- €331,628k relating to put option sale agreements on 246,726,761 Unipol Banca shares held by UnipolSai Assicurazioni, to be exercised at the end of the fifth year following the effective date of the merger (6 January 2014).

"Securities deposited with third parties" referred almost exclusively to securities deposited with Group companies for a total of €5,454,063k. The increase compared to 2013 is due to the deposit of certain investments with the subsidiary Unipol Banca, previously held at the Company's registered office.

"Other memorandum accounts" mainly referred to the purchase of call options associated with the put options described under "Other commitments", for €362,898k. Note that the balance for this item at 31 December 2013 (€107,509k) included €31,271k relating to the call option on Finsoe S.p.A. shares that were previously recognised under "Other commitments".

Information on financial derivatives

In compliance with the guidelines established by resolution of the Company's Board of Directors on 20 December 2012, financial derivative transactions during the year are performed solely to achieve two objectives: reduce investment risk (hedging) or achieve effective management of the portfolio by excluding purely speculative purposes.

These aims are achieved through the specific derivatives listed in the Board of Directors resolution and involve securities held in portfolio at the time of conclusion of the related contract and for its entire duration. All the transactions are performed with banking counterparties or similar.

The derivative positions at year end are illustrated below.

A. Derivative contracts involving forward equity swaps

The value assigned is the settlement price of the contracts in €k. For transactions in foreign currencies the agreed forward rate was applied:

Amounts in €k		
Transaction description	No. of transactions	Notional value at 31/12/2014
Purchase of call options	2	362,898
Sale of put options	2	362,898
Total		725,796

The amounts indicated in the table refer to the following contracts:

- a call option purchase agreement with 30,646,000 underlying shares of the holding company Finsoe S.p.A., corresponding to 1.43% of its share capital, associated with which is a put option purchase agreement with the same characteristics and notional value. These agreements were renewed in June 2013 to July 2015. At 31 December 2014 these contracts were written down by €2,557k;

- a contract signed at the end of 2013 as part of the Merger that gave rise to UnipolSai Assicurazioni, relating to a put option on the investment held in Unipol Banca S.p.A. by Unipol Assicurazioni, corresponding to 32.26% of the related share capital, to be exercised at the end of the fifth year after the effective date of the Merger, at a price equal to the carrying amount of that investment (i.e. €299.4m), against the transfer by Fondiaria-SAI to Unipol of a corresponding call option on the same investment, at the same price but with an exercise option for Unipol open for the entire period between the effective date of the Merger and the end of the fifth year after that date.

B. Derivative contracts that do not involve forward equity swaps

At 31 December 2014 the Company held no contracts of this nature.

As prescribed in Art. 2427-bis, paragraph 1 of the Civil Code, note that the fair value of the put and call option on Finsoe shares at 31 December 2014 was negative for €2,595k.

Information on finance lease transactions

In 2013 the lease agreements on cars assigned to executives were terminated and replaced with rental agreements. Therefore at 31 December 2014 there were no finance lease agreements in place.

Income Statement

The Income Statement is structured in accordance with the provisions of Art. 2425 of the Civil Code. Costs and revenues are recognised separately without netting.

A. Value of production

The total value of production at 31 December 2014 was €39,784k, compared to €41,986k at 31 December 2013.

A.1 Revenue from sales and services

"Revenue from sales and services", totalling €94k at 31 December 2014 (€10,261k at 31/12/2013), referred mainly to income from the assignment of company cars to the Company's executives. The decrease is due to the fact that, with the establishment of UnipolSai, almost all service agreements previously implemented by Unipol were transferred to the subsidiary.

A.5 Other revenue and income

"Other revenue and income", totalling €39,685k at 31 December 2014 (€31,704k at 31/12/2013), mainly referred to:

- recovery of costs for services of Unipol personnel seconded to Group companies, for €17,891k (€21,483k at 31/12/2013);
- commission income on the credit indemnity agreement of the subsidiary Unipol Banca S.p.A., for €18,538k (€5,664k at 31/12/2013);
- remuneration charged back to the Company for Director duties performed by personnel at other companies, for €2,854k (€4,287k at 31/12/2013).

B. Costs of production

The total costs of production at 31 December 2014 were €290,971k, compared to €411,750k at 31 December 2013.

B.6 Raw materials, consumables and goods for resale

This item, totalling €316k (€387k at 31/12/2013) referred to purchase costs of printed materials, stationery and merchandise for the store set up at the CUBO museum, inaugurated in 2013.

B.7 Costs for services

This item, totalling €29,841k at 31 December 2014 (€28,995k at 31/12/2013), can be broken down as follows:

	31/12/2014	31/12/2013
Costs for IT services	189	326
Technical, legal and administrative consultancy	8,849	10,806
Electricity, heating and cleaning	986	1,859
Corporate bodies	3,157	2,988
Seconded personnel services	392	306
Post and telephone	385	336
Other overheads	419	637
Corporate and Shareholders' Meeting costs	331	447
Advertising	4,706	4,856
Software maintenance, repairs and upgrades	304	1,097
Fees for auditing and other certification services	222	403
Conventions, meetings and corporate events	324	132
Subsidiary services	9,576	4,803
Total	29,841	28,995

The increase in the cost of "subsidiary services" was due to reclassification of the expense on the securities dossier held by the subsidiary Unipol Banca (€4,408k at the end of 2014), which at 31 December 2013 were recognised under "Interest and other financial charges" (item C.17a) for €1,744k.

B.8 Costs for use of third party assets

This item, totalling €1,830k at 31 December 2014 (€5,238k at 31/12/2013), mainly referred to rents payable on properties used by the Company (€1,252k at 31/12/2014).

B.9 Personnel costs

Personnel costs at 31 December 2014 totalled €37,948k, compared to €57,379k in the previous year. The decrease was mainly due to downsizing of the Company's workforce, particularly with the transfer of 245 employees to the subsidiary UnipolSai.

The company workforce therefore reduced from 331 at 31 December 2013 to 83 at 31 December 2014, with changes as follows:

	31/12/2013	Recruitments	Transfers from Group companies	Terminations	Transfers to Group companies	31/12/2014
Admin. personnel - Permanent	331	6	5	(7)	(252)	83
Total	331	6	5	(7)	(252)	83

The average workforce is specified below:

	2014	2013
Executives	45	72
Employees	39	245
Total	84	317

B.10 Amortisation, depreciation and write-downs

The balance of this item, which totalled €17,962k at 31 December 2014 (€19,084k at 31/12/2013), can be broken down as follows:

- amortisation of intangible assets for €17,571k;
- depreciation of property, plant and equipment for €390k.

Details of changes in intangible assets and property, plant and equipment are provided in Annexes 5 and 6 to these Notes.

B.12 Provisions for risks

This item, totalling €197,294k at 31 December 2014 (€295,162k at 31/12/2013), referred mainly to the provision for risks associated with the credit indemnity agreement in favour of the subsidiary Unipol Banca S.p.A. for €196,000k.

B.13 Other provisions

No employee leaving provisions were made in 2014. Consequently, the "Other provisions" which amounted to €50k at 31 December 2013 were zeroed out.

B.14 Sundry operating expenses

At 31 December 2014 this item totalled €5,781k (€5,455k at 31/12/2013) and refers mainly to:

- €3,287k in contributions paid to supervisory authorities and other associations (€3,396k at 31/12/2013);
- €1,100k in donations (€1,202k at 31/12/2013);
- €883k in tax charges other than direct taxes (€313k at 31/12/2013);
- €371k in corporate and shareholders' meeting costs (€203k at 31/12/2013).

C. Financial income and charges**C.15 Gains on investments**

This item amounted to €380,798k at 31 December 2014 (€415,412k at 31/12/2013), of which €29k in realised capital gains on share trading and €380,769k in dividends recorded for the year from the subsidiaries UnipolSai, Unisalute, Linear, Arca Vita and Unipol Finance (€413,818k at 31/12/2013).

C.16 Other financial income

The breakdown of this item, which totalled €8,276k (€19,485k at 31/12/2013), is summarised in the following table:

Amounts in €k	31/12/2014	31/12/2013
A) Receivables recognised under fixed assets		
4. Others	15	19
Total	15	19
C) Securities recognised under current assets	6,582	12,238
D) Other income		
1. Subsidiaries	952	1,513
4. Others	727	5,716
Total	1,679	7,228
TOTAL	8,276	19,485

Other income from "Receivables recognised under fixed assets" referred entirely to interest on mortgages and loans granted to employees.

Income from "Securities recognised under current assets", totalling €6,582k, mainly included interest on bonds (€4,415k). The decrease in this item was due to the lower interest on bonds, which at 31 December 2013 totalled €9,503k, and to the reduction in capital gains on securities trading which fell from €2,667k at 31 December 2013 to €1,225k at 31 December 2014.

Other income, totalling €1,679k, mainly refers to:

- €390k from the subsidiary Unipol Banca S.p.A. as bank interest income (€313k at 31/12/2013);
- €545k from the subsidiary Ambra Property S.r.l. for interest on the loan granted to the subsidiary in January 2014;
- €353k in interest income received from banks not pertaining to the Group.

At 31 December 2013 this item totalled €7,228k, of which €4,002k due to reversal of impairment losses on financial derivatives.

C.17 Interest and other financial charges - C.17.bis Exchange gains (losses)

"Interest and other financial charges" were recorded at 31 December 2014 for €52,467k (€54,719k at 31/12/2013), whilst "Exchange gains (losses)" were positive for €5k (negative for €7k at 31/12/2013).

Amounts in €k

	31/12/2014	31/12/2013
Interest and other financial charges		
a. Subsidiaries	(3,445)	(5,683)
d. Others	(49,021)	(49,036)
Total	(52,467)	(54,719)
Exchange gains (losses)	5	(7)
TOTAL	(52,462)	(54,726)

"Interest and financial charges due to subsidiaries", totalling €3,445k (€5,683k at 31/12/2013), included interest, commissions and charges payable to Group banks and companies. The item mainly referred to interest expense on the loan in place with UnipolSai which at 31 December 2014 amounted to €3,329k (€3,289k at 31/12/2013).

"Interest and financial charges due to others" totalled €49,021k (€49,036k at 31/12/2013) and mainly referred to:

- interest expense on two bond loans for €41,013k (€37,497k at 31/12/2013);
- charges arising from the issue of two bond loans for €4,662k (€1,320k at 31/12/2013);
- losses on bond trading for €335k (€94k at 31/12/2013).

D. Value adjustments to financial assets

At 31 December 2014 this item recorded a positive balance of €1,739k (negative for €193,036k at 31/12/2013). It should be remembered that the negative balance of 2013 was affected by write-downs on investments in the subsidiaries Unipol Banca S.p.A. (€199,689k) and Ambra Property S.r.l. (€12,000k).

At 31 December 2014 the breakdown of this item was as follows:

- reversals of impairment losses on bonds recognised under current assets for €4,513k (€18,624k at 31/12/2013);
- investment write-downs for €217k (€211,689k at 31/12/2013);
- write-down of bonds recognised under current assets for €2,557k (no write-downs at 31/12/2013).

E. Extraordinary income and expenses

At 31 December 2014 this item recorded a positive balance of €6,416k (positive €262,902k at 31/12/2013) with breakdown as follows:

Amounts in €k	31/12/2014	31/12/2013
E.20) Income		
Gains on disposals	98	273,388
Other extraordinary income		
- Extraordinary gains	8,638	7,430
Total	8,736	280,819
E.21) Expenses		
Taxes relating to previous years	(1,790)	(9,788)
Other extraordinary expenses		
- Extraordinary losses	(530)	(115)
- Other extraordinary expenses	0	(8,014)
Total	(2,319)	(17,917)
Net extraordinary income (expenses)	6,417	262,902

Extraordinary gains mainly include:

- €6,645k relating to surplus provisions for salary policies;
- €1,322k relating to surplus provisions for risks and charges.

Income taxes relating to previous years referred to the dispute of the former Aurora Assicurazioni for the 2007 tax period, as in 2014 the Regional Department of Emilia Romagna filed an appeal against the first instance decision in favour in the aforementioned dispute.

Income tax for the year: current and deferred

Current taxes referred to total income tax for €73,807k (€65,805k at 31/12/2013) in relation to valuation of the tax loss of €19,904k plus the net balance of deferred tax assets and liabilities for €53,903k, as illustrated in the following table:

Amounts in €k	IRES	IRAP	Total
Current taxes	19,904	-	19,904
Deferred tax assets and liabilities:			
- use of deferred tax assets	(5,424)	-	(5,424)
- use of deferred tax liabilities	5,686	-	5,686
- provisions for deferred tax assets	58,811	-	58,811
- provisions for deferred tax liabilities	(5,169)	-	(5,169)
Balance of deferred tax assets/liabilities	53,903		53,903
Total	73,807	-	73,807

The statement of reconciliation between theoretical and effective IRES tax charges is provided below. The statement of reconciliation for the IRAP rate is omitted as immaterial.

	2014	2013
Pre-tax profit (loss)	93,580	80,273
Theoretical IRES - Expenses/(Income)	(25,735)	(22,075)
Tax effect deriving from taxable income permanent changes		
Increases:		
- Derivatives - write-downs	703	1,100
- Provisions for tax liabilities	492	2,635
- Interest expense	591	483
- PEX investments - write-downs	-	84,361
- Other changes	838	2,852
Decreases:		
- Use of provisions for tax liabilities	2,635	-
- Dividends excluded	99,476	108,110
- PEX investments - gains exempt	-	71,022
- Other changes	55	88
IRES pertaining to the year - Expenses/(Income)	73,807	65,805
Profit (loss) after taxes	167,387	146,078

With regard to the statement of temporary differences which led to the recognition of deferred tax assets and liabilities (Art. 2427, paragraph 1, no. 14 of the Civil Code), reference should be made to Annex 9 to the Notes to the Financial Statements.

Other information

Consolidated financial statements

Unipol's consolidated financial statements were drawn up in accordance with Article 154-ter of Legislative Decree 58/1998 (Consolidated Law on Finance) and of ISVAP Regulation 7 of 13 July 2007, as amended. They conform to the IFRS issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of EC Regulation 1606/2002 in force on the date the financial statements closed. The layout, given the company's status as an insurance holding company pursuant to Art. 1, paragraph 1, letter aa) of Legislative Decree 209/2005 (Insurance Code), conforms to the provisions of ISVAP Regulation 7 of 13 July 2007, Part III as amended, relating to the layout of the consolidated financial statements of insurance and reinsurance companies that must adopt IFRS.

Fees for legally-required audit and non-audit services

Pursuant to Art. 149-duodecies of Consob's Issuer's Regulation, the following table shows the fees (in €k) paid by the Unipol Group to the independent auditors, or a member of their network, for audit assignments and the provision of other services indicated separately by type or category.

Amounts in €k

Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	154
Other professional services	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	140
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	Unipol S.p.A.	78
Total Unipol Gruppo Finanziario			372
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	3,115
Legally-required audit	PricewaterhouseCoopers Dublin	Subsidiaries	123
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	80
Attestation services	PricewaterhouseCoopers S.p.A.	Subsidiaries	588
Other professional services	PricewaterhouseCoopers S.p.A.	Subsidiaries	856
Other professional services	PricewaterhouseCoopers Dublin	Subsidiaries	49
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	Subsidiaries	470
Total subsidiaries			5,280
Grand total			5,653

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

Transactions with related parties

Indemnity agreement on Unipol Banca S.p.A. receivables

A Credit Indemnity agreement is in place with the subsidiary Unipol Banca S.p.A., signed in August 2011 and relating to a specified credit limit mainly of a mortgage nature. This scope, which was extended on 7 August 2014 with effect from 30 June 2014, was further extended on 11 February 2015 with effect from 31 December 2014. The total credit indemnities increased from €571,528k at 31 December 2013 to €907,660k at 31 December 2014. 76 positions were subject to guarantees at year end.

Against the commitments undertaken, in 2014 Unipol collected commissions from Unipol Banca S.p.A. for €18,538k and allocated €196,000k to the provision for risks and charges, thereby bringing the total provision to €492,746k, net of €3,416k already paid to Unipol Banca S.p.A. as indemnity on defined positions.

UnipolSai Assicurazioni S.p.A. loans payable

Two loan agreements are in place, arranged in 2009, for €267,785k (unchanged compared to the previous year). Interest paid to UnipolSai Assicurazioni S.p.A. in 2014 amounted to €3,329k.

Loan receivable originally granted to Premafin HP S.p.A.

In February 2014 UnipolSai Assicurazioni S.p.A. arranged settlement of the loan granted to Premafin HP S.p.A. by Unipol in March 2013.

Interest income on this loan for 2014 was €17k.

Loan granted to the subsidiary Ambra Property S.r.l.

On 24 January 2014 Unipol signed an agreement with Ambra Property S.r.l., a 100% subsidiary, regarding the granting of an interest-bearing loan for an absolute maximum of no more than €20m, as described in greater detail in the Management Report.

At 31 December 2014 the loan disbursed amounted to €20m and interest income collected totalled €545k.

In addition to the information provided in previous paragraphs of these Notes to the Financial Statements, the breakdown of assets, liabilities, costs and revenue involving related parties is provided below:

Amounts in €k

	Holding company	Subsidiaries	Associates	Total	% impact
Fixed shares and holdings		5,952,817		5,952,817	78.8 (1)
Other receivables	29,738	412,364	-	442,102	5.8 (1)
Bank deposits		534,229		534,229	7.1 (1)
TOTAL ASSETS	29,738	6,899,410	-	6,929,148	91.7 (1)
Sundry payables	32	267,891		267,924	3.5 (1)
TOTAL LIABILITIES	32	267,891	-	267,924	3.5 (1)
Revenue from services		23		23	0.0 (2)
Income from land and buildings		86		86	0.0 (2)
Dividends and other income from shares and holdings		380,769		380,769	5.0 (2)
Other financial income		952		952	0.0 (2)
Other revenue and income	13	38,888	18	38,919	0.5 (2)
TOTAL INCOME	13	420,718	18	420,749	5.6 (2)
Interest and financial charges		3,445		3,446	0.0 (2)
Costs for services	32	10,545		10,578	0.1 (2)
Costs for use of third party assets		1,310		1,310	0.0 (2)
Sundry operating expenses		1,100		1,100	0.0 (2)
TOTAL EXPENSES	32	16,401	-	16,433	0.2 (2)
					2.7 (3)

(1) Percentage based on total assets in the Statement of Financial Position.

(2) The percentage on pre-tax profit (loss).

(3) The percentage on total sources of financing in the statement of cash flows.

Remuneration paid to members of the Administration and Control Bodies, the General Manager and Key Managers

Remuneration payable for 2014 to the Parent's Directors, Statutory Auditors and Key Managers for carrying out their duties in Unipol and in other consolidated companies amounted to €14,624k, details of which are as follows:

<i>Amounts in €k</i>		
Directors and General Manager		7,503
Statutory Auditors		438
Other Key Managers		6,683 (*)

(*) Amount mainly includes income from employment.

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

During 2014 the companies in the Group paid Unipol the sum of €2,447k as remuneration for the posts held in them by the Chairman, the Chief Executive Officer and General Manager and the Key Managers.

Non-recurring significant transactions during the year

Note the transaction relating to the Partial Exchange Offer on the senior unsecured bond loan, maturing January 2017, against the issue of a new 4.375% senior loan, maturing 2021, for a total nominal value of €500m, of which €381m issued to directly serve the Exchange Offer and the remaining €119m placed with qualified Italian and foreign investors. For further details, reference should be made to the paragraph "Operating performance" in the Management Report.

Atypical and/or unusual transactions during the year

No atypical and/or unusual transactions were carried out in 2014.

1. Reclassified Income Statement (Consob Recommendation 94001437)
2. Statement of changes in shareholders' equity (Art. 2427, no. 4 of the Civil Code)
3. Statement of use and availability of equity reserves at 31 December 2014 (Art. 2427, no. 7-bis of the Civil Code)
4. Statement of cash flows
5. Statement of changes in intangible assets (Art. 2427, no. 2 of the Civil Code)
6. Statement of changes in property, plant and equipment (Art. 2427, no. 2 of the Civil Code)
7. Statement of changes in fixed investments
8. List of shares and securities included in current assets at 31 December 2014 (Consob Recommendation 94001437)
9. Statement of temporary differences that involved the recognition of deferred tax assets and liabilities (Art. 2427, no. 14 of the Civil Code)
10. Information on debt at 31 December 2014 (Consob Recommendation 6064293)

Tables appended to the Notes to the Financial Statements

04.



Amounts in €k

Reclassified Income Statement

	31/12/2014	31/12/2013
1) Gains on investments:		
in subsidiaries	380,769	413,818
in other companies	29	1,594
Total gains on investments	380,798	415,412
2) Other financial income:		
a) from receivables recognised under fixed assets	15	19
from others	15	19
c) from securities recognised under current assets and not classed as investments	6,582	12,238
d) other income	1,679	7,228
from subsidiaries	952	1,513
from others	727	5,716
Total other financial income	8,276	19,485
3) Interest expense and other financial charges:		
subsidiaries	(3,445)	(5,683)
other	(49,021)	(49,036)
Total interest expense and other financial charges	(52,467)	(54,719)
Exchange gains (losses)	5	(7)
TOTAL FINANCIAL INCOME AND CHARGES	336,612	380,172
4) Write-ups:		
a) of investments	-	29
c) of securities recognised under current assets and not classed as investments	4,513	18,624
Total write-ups	4,513	18,653
5) Write-downs:		
a) of investments	(217)	(211,689)
c) of securities recognised under current assets and not classed as investments	(2,557)	-
Total write-downs	(2,774)	(211,689)
TOTAL ADJUSTMENTS	1,739	(193,036)
6) Other operating income	39,784	41,986
TOTAL OTHER OPERATING INCOME	39,784	41,986
7) Costs for non-financial services	(29,841)	(28,995)
8) Costs for use of third party assets	(1,830)	(5,238)
9) Personnel costs	(37,948)	(57,379)
10) Amortisation, depreciation and write-downs	(17,962)	(19,084)
11) Provisions for risks	(197,294)	(295,162)
12) Other provisions	-	(50)
13) Sundry operating expenses	(6,096)	(5,842)
TOTAL OTHER OPERATING COSTS	(290,971)	(411,750)
PROFIT (LOSS) FROM ORDINARY OPERATIONS	87,164	(182,629)
14) Extraordinary income:		
a) Gains on disposals	98	273,388
b) Other	8,638	7,430
Total extraordinary income	8,736	280,819
15) Extraordinary expenses:		
b) Taxes relating to previous years	(1,790)	(9,788)
c) Other	(530)	(8,129)
Total extraordinary expenses	(2,319)	(17,917)
EXTRAORDINARY GAINS (LOSSES)	6,416	262,902
PRE-TAX PROFIT (LOSS)	93,580	80,273
16) Income tax for the year	73,807	65,805
17) PROFIT (LOSS) FOR THE YEAR	167,387	146,078

Amounts in €k

Statement of changes in shareholders' equity

Equity reserves and unallocated profit										
	Share capital	Share premium reserve	Revaluation reserves	Legal reserve	Reserve for treasury/holding company shares	Reserve for treasury shares in portfolio	Extraordinary reserve	Other reserves	Profit (loss) for the year	TOTAL
BALANCES AT 31 DECEMBER 2012	3,365,292	1,410,008	20,701	478,285	145,000	-	-	18,315	194,952	5,632,555
Shareholders' Meeting resolutions of 30 April 2013:										
Allocation of 2012 profit										
- legal reserve				19,495					(19,495)	-
- extraordinary reserve							62,366		(62,366)	-
- dividend to shareholders									(113,091)	(113,091)
Share capital increase for exercise of warrants	0	1								1
Treasury shares in portfolio					(22,620)	22,620				
Profit (loss) for the year 2013									146,078	146,078
BALANCES AT 31 DECEMBER 2013	3,365,292	1,410,009	20,701	497,780	122,379	22,620	62,366	18,315	146,078	5,665,543
Shareholders' Meeting resolutions of 30 April 2014:										
Allocation of 2013 profit										
- legal reserve				14,608					(14,608)	-
- extraordinary reserve							11,217		(11,217)	-
- dividend to shareholders									(120,253)	(120,253)
Top-up of provision for purchase of treasury shares					22,620		(22,620)			-
Treasury shares in portfolio						(705)	705			-
Profit (loss) for the year 2014									167,387	167,387
BALANCES AT 31 DECEMBER 2014	3,365,292	1,410,009	20,701	512,388	145,000	21,915	51,668	18,315	167,387	5,712,677

Amounts in €k

Statement of use and availability of equity reserves at 31/12/2014

Nature/Description	Amount	Possibility of use (*)	Available portion	Summary of uses made in the last three years	
				to cover losses	for other reasons
Share capital	3,365,292				
Capital reserves					
Share premium reserve	1,410,009	A, B	1,410,009 (a)	168,293 (i)	
Legal reserve	365,499 (b)	B	-		
Extraordinary reserve	705 (b)	A, B, C	705	187,429 (i)	
Provision for purchase of treasury shares	77,380 (b)	A, B, C	77,380		
Provision for purchase of holding company shares	45,000 (b)	A, B, C	45,000		
Reserve for treasury shares in portfolio	21,915 (b)	-	-		
Revaluation reserve pursuant to Law 413/91	14,762	A, B, C	14,762 (c)		
Property revaluation reserve	5,939	A, B, C	5,939 (c)		
Share swap reserve (formerly revaluation Law 413/91)	18,315	A, B, C	18,315 (c)		
Share swap reserve	-		-	2,626 (i)	
Income-related reserves					
Legal reserve	146,890	B	-		
Extraordinary reserve	50,963	A, B, C	50,963		
Provision for purchase of treasury shares	22,620	A, B, C	22,620		
Total	2,179,997		1,645,694		
Non-distributable portion			196,554 (d)		
Distributable portion			1,449,139		

(*) A: for share capital increase;

B: to cover losses;

C: for distribution to shareholders.

(a) Distributable only if the legal reserve has reached the limit set forth in Art. 2430 of the Civil Code.

(b) For transfer from share premium reserve.

(c) Taxable if distributed to the company and to shareholders.

(d) Includes start-up and expansion costs, advertising costs not yet amortised, the residual amount required to top up the legal reserve to one-fifth of share capital pursuant to Art. 2430 of the Italian Civil Code, and the non-distributable portion of reserves.

(i) Coverage of 2011 loss.

Amounts in €k

Statement of cash flows

	2014	2013
SOURCES OF FINANCING		
Cash flow generated by operations		
Net profit for the year	167,387	146,078
Depreciation of property, plant and equipment and amortisation of intangible assets	17,962	19,084
Value adjustments to financial fixed assets	-	211,689
Value adjustments to other financial assets	217	14,652
Increase (decrease) in net tax payables	2,596	(3,083)
Increase (decrease) in net deferred tax liabilities	(53,294)	(48,115)
Allocations to provisions for risks and charges	198,976	304,466
Increase (decrease) in post-employment benefit payables	(1,174)	2,125
Decrease (increase) in prepayments and accrued income	(2,063)	1,799
Increase in accrued expense and deferred income	241	0
Other items	5,633	(277,293)
Total cash flow generated by operations	336,480	371,401
Other sources of financing		
Disposal of property, plant and equipment and intangible assets	3,400	-
Disposal of capitalised investments	97	-
Disposal and repayments of other financial fixed assets	-	258
Decrease in receivables recognised under current assets	128,931	126,075
Decrease in financial assets recognised under current assets	8,647	345,679
Increase in payables	6,054	6,153
Share capital increase	-	1
New bond loan issue	122,194	-
Total other sources of financing	269,323	478,167
TOTAL SOURCES	605,803	849,568
USES OF CASH		
Increase in property, plant and equipment and intangible assets	350	3,449
Increase in fixed investments	135,244	635,067
Increase in other financial fixed assets	3,935	-
Increase in receivables recognised under current assets	9	185
Increase in financial assets recognised under current assets	222	22,620
Use of provisions for risks and charges	14,334	3,915
Other cash commitments	4	21
Decrease in payables	6,056	13,413
Dividends distributed	120,253	113,091
TOTAL USES	280,407	791,761
Increase (decrease) in cash and cash equivalents	325,397	57,808
TOTAL	605,803	849,568
Cash and cash equivalents at 1 January	215,663	157,855
Cash and cash equivalents at 31 December	541,060	215,663

Amounts in €k

Statement of changes in intangible assets

OPENING POSITION

	Historical cost	Amortisation	Net amount at 31/12/2013
Start-up and expansion costs	73,835	(23,187)	50,648
Research, development and advertising costs	9,259	(8,449)	810
Concessions, licences, trademarks and similar rights	11,380	(2,770)	8,610
Fixed assets in progress and payments on account	1,384	-	1,384
Other	3,373	(530)	2,843
TOTAL	99,231	(34,936)	64,295

Amounts in €k

Statement of changes in property, plant and equipment

OPENING POSITION

	Historical cost	Accumulated depreciation	Net amount at 31/12/2013
Plant and equipment	360	(76)	284
Other assets	2,939	(1,124)	1,815
TOTAL	3,299	(1,200)	2,099

Annex 5

MOVEMENTS DURING THE PERIOD							CLOSING POSITION		
HISTORICAL COST				AMORTISATION					
Increases	Decreases			Increases	Decreases				
Purchases	Sales	Reversals	Other changes	Pro-rata current portion	Sales	Other changes	Historical cost	Amortisation	Net amount at 31/12/2014
				(14,768)			73,835	(37,955)	35,880
-	-	-	-	(806)	-	-	9,259	(9,256)	4
134	(3,395)	1,335	-	(1,324)	-	-	9,453	(4,094)	5,359
-	-	(1,335)	-	-	-	-	49	-	49
-	-	-	-	(674)	-	-	3,373	(1,203)	2,169
134	(3,395)	-	-	(17,571)	-	-	95,969	(52,507)	43,462

Annex 6

MOVEMENTS DURING THE PERIOD							CLOSING POSITION		
HISTORICAL COST			ACCUMULATED DEPRECIATION						
Increases	Decreases		Increases	Decreases					
Purchases	Sales	Other outflows	Current portion	Sales	Other outflows	Historical cost	Accumulated depreciation	Net amount at 31/12/2014	
159	(5)	-	(96)	1	-	513	(172)	342	
57	(7)	-	(294)	7	-	2,989	(1,411)	1,578	
216	(12)	-	(390)	8	-	3,502	(1,582)	1,920	

Amounts in €k

Statement of changes in fixed investments

CARRYING AMOUNT AT 31/12/2013

Name	No. of shares/ holdings	Value
UnipolSai Assicurazioni S.p.A.		
Unipol Assicurazioni S.p.A.	859,056,000	4,063,989
Fondiaria-SAI S.p.A.	45,107,730	45,108
Premafin HP S.p.A.	1,741,239,877	351,087
Arca Vita S.p.A.	14,601,669	353,739
Compagnia Assicuratrice Linear S.p.A.	19,300,000	50,507
Linear Life S.p.A.	3,430,535	6,175
Unipol Sgr S.p.A.	5,000,000	5,550
Unisalute S.p.A.	17,242,993	36,613
Unipol Banca S.p.A.	612,815,961	429,061
Ambra Property S.r.l.	1	48,495
Unipol Finance S.r.l.	1	432,800
Total subsidiaries	3,317,794,767	5,823,123
TOTAL B.III.1)	3,317,794,767	5,823,123

INCREASES IN THE YEAR				DECREASES IN THE YEAR				CARRYING AMOUNT AT 31/12/2014	
FOR PURCHASES/SUBSCRIPTIONS		OTHER		FOR SALES		OTHER			
No. of shares/ holdings	Value	No. of shares/ holdings	Value	No. of shares/ holdings	Value	No. of shares/ holdings	Value	No. of shares/ holdings	Value
24,725,274	67,500	2,645,403,607	4,460,184					2,670,128,881	4,527,684
						(859,056,000)	(4,063,989)		-
						(45,107,730)	(45,108)		-
						(1,741,239,877)	(351,087)		-
								14,601,669	353,739
								19,300,000	50,507
								3,430,535	6,175
				(5,000,000)	(5,550)				-
								17,242,993	36,613
67,744,000	67,744					(162,331,119)		518,228,842	496,805
								1	48,495
								1	432,800
92,469,274	135,244	2,645,403,607	4,460,184	(5,000,000)	(5,550)	(2,807,734,726)	(4,460,184)	3,242,932,922	5,952,817
92,469,274	135,244	2,645,403,607	4,460,184	(5,000,000)	(5,550)	(2,807,734,726)	(4,460,184)	3,242,932,922	5,952,817

4 Tables appended to the Notes to the Financial Statements

Annex 8

List of shares and securities included in current assets at 31/12/2014

Amounts in €k

ISIN Code	Security description	No. of shares/ holdings at 31/12/2014	Carrying amount at 31/12/2014	Current value at 31/12/2014	Write-downs	Type
IT0004810054	Unipol Gruppo Finanziario	6,529,907	21,915	27,018	-	Treasury shares
	Total treasury shares	6,529,907	21,915	27,018	-	
unipwcs9215	Banca di Rimini	1	0	0	-	Unlisted Italian shares
EQUINOXA	Equinox Two S.C.A. A shares	20	15	26	-	Unlisted foreign shares
EQUINOX	Equinox Two S.C.A. R shares	2,645	3,429	3,429	(217)	Unlisted foreign shares
	Total unlisted shares	2,666	3,444	3,455	(217)	

ISIN Code	Security description	Nominal value at 31/12/2014 (in €)	Carrying amount at 31/12/2014	Current value at 31/12/2014	Write-downs	Type
XSo291642154	AIG 4.875% 15/03/17-67	10,000,000	9,990	10,454		Other listed bonds
XSt084568762	Arcelormittal 2.875% 06/07/2020	1,000,000	992	1,018		Other listed bonds
XSt144086110	AT&T 1.45% 01/06/2022	1,500,000	1,496	1,522		Other listed bonds
XSt076018131	AT&T 2.4% 15/03/2024	1,300,000	1,299	1,393		Other listed bonds
XSt0222841933	Banca Popolare di Milano 29/06/10-15 Frn	4,000,000	3,984	3,984		Other listed bonds
XSt0272309385	Banca Popolare di Verona e Novara 1.65% 15/11/2021 (formerly Cms)	85,000,000	80,579	80,579		Other listed bonds
XSt0555834984	Banco Popolare 6% 05/11/2020	2,000,000	1,996	2,164		Other listed bonds
XSt1119021357	Exor 2.5% 08/10/2024	500,000	497	522		Other listed bonds
XSt074144871	Goldman Sachs 2.875% 03/06/2026	400,000	396	440		Other listed bonds
XSt1143163183	IBM 1.25% 26/05/2023	1,500,000	1,497	1,517		Other listed bonds
XSt1109765005	Intesa Sanpaolo 3.928% 15/09/2026	1,000,000	1,000	1,019		Other listed bonds
XSt110449458	JP Morgan 1.375% 16/09/2021	2,000,000	1,997	2,045		Other listed bonds
XSt0459090931	LBG Capital Lloyds float 12/03/20	12,000,000	11,061	11,663		Other listed bonds
IT0005038283	MPS 2.875% 16/07/2024	300,000	299	321		Other listed bonds
XSt072613380	Poste Vita 2.875% 30/05/2019 Sub	1,500,000	1,495	1,563		Other listed bonds
XSt0527624059	Unicredit International Bank 9.375% 21/07/20-49	4,000,000	4,000	4,706		Other listed bonds
XSt0231436238	Unicredito 4.028% 27/10/15-49	5,000,000	4,874	5,017		Other listed bonds
XSt069508494	Veneto Banca 4% 20/05/2019	500,000	498	512		Other listed bonds
	Total listed bonds	133,500,000	127,949	130,437	-	
QS000212A0D3	SNS 6.25% 26/10/2020 Sub tmp	5,000,000	375	375	-	Other unlisted bonds
	Total unlisted bonds	5,000,000	375	375	-	
	TOTAL SHARES AND SECURITIES INCLUDED IN CURRENT ASSETS	145,032,573	153,683	161,285	(217)	

Statement of temporary differences that involved the recognition of deferred tax assets and liabilities

Amounts in €k

DEFERRED TAX ASSETS	2013		Increases		Decreases		2014	
	Taxable amount	Tax effect (*)						
Unrealised losses relating to short-term investments	2,876	791	-	-	-	-	2,876	791
Excess amortisation/depreciation	2,667	733	328	90	2,011	553	984	270
Provisions for personnel expenses	23,945	6,585	16,238	4,465	16,096	4,426	24,087	6,624
Bad debt provision	143	39	-	-	26	7	117	32
Provision for future charges	304,480	83,732	197,189	54,227	3,502	963	498,167	136,996
Audit fees	304	84	102	28	304	84	102	28
TOTAL	334,415	91,964	213,857	58,810	21,939	6,033	526,333	144,742 (**)

DEFERRED TAX LIABILITIES	2013		Increases		Decreases		2014	
	Taxable amount	Tax effect (*)						
Dividends recognised for the year	20,691	5,690	18,796	5,169	20,675	5,686	18,812	5,173
TOTAL	20,691	5,690	18,796	5,169	20,675	5,686	18,812	5,173

(*) 27.5% IRES.

(**) The statement does not show the amount of substitute taxes recognised under deferred tax assets for a total of €231,585k.

Amounts in €k

Information on debt at 31 December 2014

	31/12/2014	31/12/2013
A Cash	8	7
B Other cash and cash equivalents	541,052	215,656
- of which subsidiaries	534,229	208,960
- of which others	6,823	6,696
C Securities held for trading	154,614	163,254
D Cash and cash equivalents (A) + (B) + (C)	695,674	378,917
E Current financial receivables	20,000	12,500
F Current bank payables		
G Current portion of non-current debt	(37,352)	(36,370)
H Other current financial payables	(268,300)	(268,300)
I Current financial debt (F) + (G) + (H)	(305,652)	(304,670)
J Net current financial debt (I) - (E) - (D)	410,021	86,747
K Non-current bank payables		
L Bonds issued	(897,699)	(750,000)
M Other non-current payables		
N Non-current financial debt (K) + (L) + (M)	(897,699)	(750,000)
O Net financial debt (J) + (N)	(487,678)	(663,253)



Statement on the Annual Report

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

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Statement on the Annual Report



**STATEMENT ON THE FINANCIAL STATEMENTS
IN ACCORDANCE WITH ART. 81-ter, CONSOB REGULATION NO. 11971
OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS**

1. The undersigned, Carlo Cimbri, as Chief Executive Officer, and Maurizio Castellina, as Manager in charge of financial reporting of Unipol Gruppo Finanziario S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:
 - the adequacy in relation to the characteristics of the company and
 - the effective application,of the administrative and accounting procedures for preparation of the financial statements for 2014.
2. The assessment of the adequacy of the administrative and accounting procedures for preparing the financial statements for the year ended 31 December 2014 is based on a process defined by Unipol Gruppo Finanziario S.p.A., inspired by the COSO Framework (Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organisations of the Treadway Commission and, as regards the IT component, by the COBIT Framework (Control Objectives for IT and related technology), unanimously recognised as the reference standards for the implementation and evaluation of internal control systems.
3. It is also certified that:
 - 3.1. The financial statements at 31 December 2014:
 - were prepared in compliance with provisions of the Civil Code and the national accounting principles approved by the OIC (Italian Accounting Standards Setter);
 - correspond to the book results and accounting records;
 - are suitable to provide a true and fair view of the equity, economic and financial situation of the issuer;
 - 3.2. the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Bologna, 19 March 2015

The Chief Executive Officer

Carlo Cimbri

(signed on the original)

The Manager in charge

of financial reporting

Maurizio Castellina



Board of Statutory Auditors' Report

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Board of Statutory Auditors' Report of Unipol Gruppo Finanziario S.p.A. to the Shareholders' Meeting

pursuant to Art. 153 of Legislative Decree no. 58 of 24 February 1998 and Art. 2429 of the Civil Code

Dear Shareholders,

in the year ending on 31 December 2014, we carried out the monitoring activity required by law, according to the principles of conduct of the Board of Statutory Auditors recommended by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants). In particular, also in compliance with the guidelines provided by Consob by means of communication no. 1025564 of 6 April 2001, we report, pursuant to Art. 153, paragraph 1 of Legislative Decree no. 58 of 24 February 1998 (hereinafter also Legislative Decree no. 58/98 or "Consolidated Law on Finance") and Art. 2429 of the Civil Code, the information shown below.

I. Preliminary evidence regarding the legal provisions governing the preparation of the Financial Statements of Unipol Gruppo Finanziario S.p.A. at 31 December 2014.

The Board of Statutory Auditors would first like to report to you that the Financial Statements for 2014 of Unipol Gruppo Finanziario S.p.A. ("UGF") - as the previous years' financial statements - were prepared in compliance with the provisions of the Civil Code and the national accounting standards approved by the OIC (Italian Accounting Standards Setter), in consideration of the fact that during 2014 the OIC published a new version of the national accounting standards to be applied to the financial statements for the year ending 31 December 2014. The Board of Statutory Auditors verified that, based on a check carried out by the Company, the application of the new standards did not imply substantial changes to the measurements and presentation of the figures in the financial statements.

In fact, since UGF qualifies as an insurance holding company pursuant to Art. 1, paragraph 1, letter aa) of Legislative Decree no. 209 of 7 September 2005 (the Insurance Code) and, as such, is required to prepare the Consolidated Financial Statements in compliance with International Accounting Standards, but cannot apply these International Accounting Standards to the company's Separate Financial Statements (i.e. the Separate Financial Statements subject to your approval) in accordance with Art. 4 of Legislative Decree 38 of 28 February 2005, the Board of Statutory Auditors highlights that the measurement criteria used in preparing the Financial Statements for the year ended 31 December 2014 are the same as those used to draft the previous year's Financial Statements.

II. Details on the control activity performed by the Board of Statutory Auditors.

In observance of the legal and regulatory provisions mentioned above, the Board of Statutory Auditors acknowledges the outcome of its checks below.

1. The Board of Statutory Auditors monitored observance of the law and the Articles of Association.
2. The Board of Statutory Auditors obtained information from the Directors on the activities carried out and on the transactions performed of the greatest economic, financial and equity significance and can reasonably assert that the actions resolved and implemented conform to the law and the By-Laws and do not appear to be manifestly imprudent, hazardous, or in contrast with the resolutions adopted by the Shareholders' Meeting, or such to compromise the integrity of the company's assets. In addition, the transactions that involve a potential conflict of interests were resolved in compliance with the law and the codes of conduct adopted.

With reference to the above transactions the Board of Statutory Auditors would like to report the following to you.

2.1 Transactions of greatest economic, financial and equity significance performed by the Company in 2014.

The most important event that characterised 2014 operations was the launch of UnipolSai Assicurazioni S.p.A. On 31 December 2013, the merger by incorporation of Unipol Assicurazioni S.p.A. ("Unipol Assicurazioni"), Milano Assicurazioni S.p.A. ("Milano Assicurazioni") and Premafin HP S.p.A. ("Premafin") into

FONDIARIA-SAI S.p.A. ("Fondiaria-Sai") was stipulated, which as a result of the merger (the "Merger") assumed the company name UnipolSai Assicurazioni S.p.A. or UnipolSai S.p.A. ("UnipolSai"). The merger took effect on 6 January 2014, following the registration of the associated deed with the competent offices of the Register of Companies, which took place on 2 January 2014. The tax and accounting effects of the Merger were instead from 1 January 2014.

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

It should be preliminarily remembered that, by Measure dated 19 June 2012 (the "Measure"), which authorised the Unipol Group's acquisition of control of the Premafin/Fondiaria-SAI Group, the Antitrust Authority prescribed certain measures and disposals, in part already carried out in previous years, for which reference should be made to the financial statements of the Company and the consolidated financial statements of the Unipol Group for 2012 and 2013.

The Board of Statutory Auditors acknowledged the actions taken in compliance with the Measure in the year in question, including the transfer of a business unit of the merged company Milano Assicurazioni.

Transfer to Allianz of an insurance business unit of the merged company Milano Assicurazioni.

On 15 March 2014, UnipolSai and Allianz S.p.A. ("Allianz") signed an agreement for the transfer of a business unit including a Non-Life insurance portfolio for a value of €1.1bn (2013 figures), 729 insurance agencies and 500 employees dedicated to managing these activities. The transfer of the assets forming part of the merged Milano Assicurazioni (now UnipolSai) made provision for a maximum consideration of €440m. On 30 June 2014, UnipolSai and Allianz signed the contract for transfer of the insurance business unit, effective from 1 July 2014. As part of said contract, the transfer of the insurance product sales activities took effect immediately, consisting of, among others, a network of 725 agencies and 470 employees dedicated to managing these activities, against the payment by Allianz of a consideration of €200m. The business unit transferred also included the Non-Life insurance portfolio managed by the agencies transferred. The transfer was finalised in December 2014 after obtaining IVASS authorisation.

On 19 December 2014, in fact, having ascertained that the conditions precedent of the transfer agreement signed on 30 June 2014 were met, UnipolSai completed the business unit transfer to Allianz and - with effect from 31 December 2014 - the Non-Life insurance portfolio managed by the agencies transferred, against payment from Allianz on 20 February 2015 of a price integration, calculated on the total portfolio transferred or renewed during the second half of 2014, of €179m (and therefore a total business unit price of €379m).

The total capital gain realised in Unipol's consolidated financial statements was €289m, net of the deducted portion of goodwill and the value of the portfolio already recognised in previous years among intangible assets, for its own attributable share of the business unit transferred. In relation to the business unit transfer, accessory charges of €34m were also incurred.

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

On 19 February 2014, the Antitrust Authority notified UGF of measure protocol no. 0016093 with which it started non-compliance proceedings, notifying UGF and UnipolSai of the breach of Art. 19, paragraph 1, of Law 287/1990, for not having observed the obligation of selling the assets indicated in the Measure by the pre-established deadlines set by said provision.

UGF and UnipolSai, deeming their actions to be proper on the basis of valid arguments in fact and in law, took the necessary defensive actions and submitted a request aimed at obtaining a revision of some of the measures set forth by the Measure.

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

- the measure relating to the conclusion of proceedings concerning assessment of the review application, by which the Authority decided to replace the provisions of points f) and g) of the Measure of 19 June 2012 as follows:
 - merger of Liguria Assicurazioni S.p.A. and Liguria Vita S.p.A. into UnipolSai;
 - non-use of the Milano Assicurazioni and Sasa brands;
 - release of the customer portfolio managed by each agency, for an amount equal to the excess of existing premiums, in the provinces of Barletta-Andria-Trani, Cosenza, Enna, Catania, Ragusa and Cagliari only;

b) the measure relating to the conclusion of non-compliance proceedings, by which the Authority considered there were no grounds for inflicting the penalty pursuant to Art. 19, paragraph 1, Law 287/1990.

With reference to the replacement measures indicated under point a), prescribed by the Antitrust Authority, the Board of Statutory Auditors acknowledged that:

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

Unipol Gruppo Finanziario Parent of the Unipol Banking Group.

Following introduction of the supervisory regulations for banking groups, by specific notice of 1 August 2014, at the end of its investigation, the Bank of Italy granted the request filed by Finsoe S.p.A. to be exempt from registration as a Banking Group Parent as prescribed by Legislative Decree no. 53 of 4 March 2014, incorporating Directive 2011/89/EU (Ficod1) which took effect on 16 April 2014. The Bank of Italy thus arranged entry in the Register, pursuant to Art. 64 of the Consolidated Law on Banking and with effects backdated to 16 April 2014, of the "Unipol Banking Group", with Unipol Gruppo Finanziario S.p.A. as Parent. At the same time, the Unipol Banca Banking Group was cancelled.

2.2 Significant events after the reporting period.

In relation to the conclusion of the proceedings started on 14 November 2012 by the Antitrust Authority against Fondiaria-Sai (now UnipolSai) and the merged company Unipol Assicurazioni S.p.A., pertaining to the methods of participation in the tenders for Motor TPL of the vehicles of 15 local public transport companies in as many Italian cities, and the infliction of a penalty of €16,930,031 to the company, the Board of Statutory Auditors viewed the Antitrust Authority's measure and the considerations expressed by the company on the subject, from which it emerged that the conclusions reached by the Antitrust Authority are deemed groundless and void of objective probative value and that, therefore, the company will take court actions to protect its rights.

3. The Board of Statutory Auditors acquired knowledge and monitored, for matters within its competence, on the adequacy of the Company's organisational structure, in compliance with the principles of proper administration and on the adequacy and promptness of the information requested by said entity as holding company, in order to fulfil the obligations set forth in Art. 114, paragraph 1 of Legislative Decree no. 58/98, by collecting information from managers and through meetings with the Independent Auditors, for the purposes of the mutual exchange of significant data and information. In this regard, there are no particular comments to make.

4. The Board of Statutory Auditors monitored the adequacy of the internal control system and the administrative-accounting system, and the latter's reliability in correctly representing operating events, through information collected from the managers of the respective departments, the examination of company documents, the analysis of the results of the work carried out by the Independent Auditors and the bodies and departments responsible for internal control.

5. Through direct verification of the activities carried out by the Audit, Compliance and Risk Management Departments and by the Manager in charge of financial reporting, and by taking part in all meetings of the Control and Risk Committee (with which joint meetings were held), the Board of Statutory Auditors examined the activities performed by the Control Functions in charge of verifying the adequacy, and obtained an evaluation of the actual functioning of the overall Internal Control System.

Based on the checks carried out in fulfilment of the monitoring obligations imposed, the Board of Statutory Auditors expresses a positive judgment on the adequacy of the Internal Control System. The Board also believes that the field of operations of the Audit, Compliance and Risk Management Departments, and of the Manager in charge of financial reporting - also on the basis of the degree of adequacy of the employees and their professionalism - appears to be able to ensure significant coverage to guarantee the effectiveness and efficiency of the Internal Control System.

6. As mentioned in point 2.1) above, UGF has become the Parent of the Unipol Banking Group. In this context the Board of Statutory Auditors monitored the activities performed to comply with the new role assumed by UGF. In particular it examined the operations of the Audit, Compliance and Risk Management Departments. The Board of Statutory Auditors believes that the activities performed – at Banking Group level – by the three Control Functions are suitable to control the completeness, adequacy, functionality and reliability of the internal control risk and the Risk Appetite Framework (RAF).

7. As regards the Organisational and Management Model prepared in accordance with Legislative Decree no. 231/2001, the Board acquired information on the work performed by the Supervisory Body, and was informed that no presumed infringements of the Model occurred and that no particularly relevant situations were reported to the Board pursuant to Legislative Decree no. 231/2001. The Board also acknowledged that the activities continued for the alignment and standardisation of the company rules and procedures within the Unipol Group, including those regarding the implementation of the Model adopted by the Company and its subsidiaries.

8. Relations with Group companies and related party transactions.

Whereas:

- as an investment and services holding company and Parent of the Unipol Insurance Group (registration no. 046 in the Insurance Groups Register), UGF carries out management and coordination activities on its subsidiaries pursuant to Art. 2497 et seq. of the Civil Code;
 - on 1 August 2014, effective from 16 April 2014, UGF also became parent of the Unipol Banking Group (entered in the Register pursuant to Art. 64 of the Consolidated Law on Banking with code no. 20052);
 - in accordance with Art. 2497 et seq. of the Civil Code, none of the shareholders of UGF carries out management and coordination activities;
 - Finsoe SpA, which at 31 December 2014 held a 50.75% investment in ordinary UGF share capital, i.e. a controlling interest pursuant to Art. 2359, paragraph 1.1 of the Civil Code, exercises no management and coordination, either in technical or financial terms, over UGF,
- the Board of Statutory Auditors viewed the reasons that led to the review of the "Procedure for the performance of transactions with related parties" (the "Procedure"), prepared in accordance with Art. 4 of Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments, adopted by UGF at the time, and that of the subsidiary UnipolSai, with special reference to the objective of standardisation of the principles and logics underlying the rules governing the operations with related parties within the Unipol Group as resulting after the Merger. The Board of Statutory Auditors took part in the meeting of the Committee for Transactions with Related Parties, called to express its motivated opinion on the new Procedure, receiving a copy of the documents available to the Committee for its assessments; the Board of Statutory Auditors verified that the Procedure is in compliance with principles set by Consob and consequently expressed its favourable opinion for the adoption of the same Procedure.

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

Moreover, the Board of Statutory Auditors verified that, from 6 January 2014, the contracts for the performance of services previously entered into by the Parent UGF have been transferred to UnipolSai, following centralisation of most of the service contracts of this company.

UnipolSai Assicurazioni provided services relating to the following main company areas:

- Governance (services supporting internal control, risk management and compliance);
- Anti-money laundering and Anti-terrorism;
- Finance;
- Communications;
- Assessment of Investments;
- Human Resources and Organisation (external selection, training, development, remuneration policies and systems, personnel management, industrial relations and disputes, safety, organisation, personnel administration);

- Claims Settlement;
- Insurance (distribution regulations and insurance processes, tariffs and auto portfolio management, reinsurance, marketing, economic contractual management of the network);
- Life (procedures, applications, regulations, products, settlements and bancassurance);
- Legal (corporate affairs, group legal, anti-fraud, legal insurance advice, privacy, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of equity investments, institutional relations);
- IT services;
- Administrative (accounting, tax, administrative and financial statements services, insurance and economic management control, purchases and general services);
- Real estate (logistics, asset and investment management and banking portfolio).

Fees for these services are based on external costs incurred, for example for products and services acquired from suppliers, and on the costs arising from the activities of the companies themselves, i.e. generated by their own staff, and taking account of:

- the performance objectives that provision of the service to the Company must achieve;
- the strategic investments to be implemented in order to ensure the agreed levels of service.

The following elements are specifically taken into consideration:

- personnel costs;
- operating costs (logistics, etc.);
- general costs (IT, consultancy, etc.).

The Board of Statutory Auditors also verified that UGF has financial relations with the subsidiary Unipol Banca S.p.A. related to services, deposit accounts or financing agreements. Agreements were also entered into for the sale and/or management of banking, financial and insurance products and services and for the provision of auxiliary banking services in general. The financial and commercial relations were the usual types of transaction carried out by a complex group. The financial effects of these transactions were governed by the market terms applied to major customers.

As regards the identification of transactions with related parties, for the three-year period 2013-2014-2015, the Board highlights that UGF has opted to join the national tax consolidation of the holding company Finsoe S.p.A., signing an agreement for the settlement of resulting economic relations.

Subscription by UGF of the Convertible Loan issued by UnipolSai and subsequent conversion.

On 24 April 2014 UnipolSai issued a Convertible Loan, represented by 2,018 bonds with a unit nominal value of €100,000, for a total of €201.8m, of which €67.5m subscribed by UGF.

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

Loan granted to the subsidiary Ambra Property.

On 24 January 2014 UGF signed an agreement with Ambra Property S.r.l., a 100% subsidiary, regarding the granting of an interest-bearing loan, with utilisation in one or more solutions, for an absolute maximum of no more than €20m. This loan, disbursed for a maximum €20m at 31 December 2014, must be used by Ambra Property S.r.l. solely for its own cash flow needs in connection with the valuation project for owned hotel properties located in Piazza Costituzione, Bologna. The due date for repayment of the loan is 31 July 2015. The interest rate is the 18M IRS rate plus a 4% spread.

Indemnity agreement on Unipol Banca S.p.A. receivables.

A Credit Indemnity agreement is in place with the subsidiary Unipol Banca S.p.A., signed in August 2011 and relating to a specified credit limit mainly of a mortgage nature. This scope, which was extended on 7 August 2014 with effect from 30 June 2014, was further extended on 11 February 2015 with effect from 31 December 2014. The total credit indemnities increased from €571,528k at 31 December 2013 to €907,660k at 31 December 2014. 76 positions were subject to guarantees at year end.

Against the commitments undertaken, in 2014 UGF collected commissions from Unipol Banca S.p.A. for

€18,538k and allocated €196,000k to the provision for risks and charges, thereby bringing the total provision to €492,746k, net of €3,416k already paid to Unipol Banca S.p.A. as indemnity on defined positions.

In relation to the entire scope of transactions with related parties, the Board of Statutory Auditors would like to inform you that it ascertained that said transactions were conducted in line with the objectives of rationalisation and cost-effectiveness. The Board of Statutory Auditors also verified that no atypical or unusual transactions were performed, which could raise doubts over the correctness or completeness of the information, conflict of interests, safeguarding of company assets and the protection of non-controlling shareholders. The Management Report and the Notes to the Financial Statements provide a breakdown by type and amount of assets, liabilities, costs and revenue relating to the aforementioned transactions with related parties entered into in 2014.

The Board also verified that no atypical and/or unusual transactions were performed between Group companies or with third parties.

- 9.** The Board constantly held meetings with representatives of the Independent auditors, pursuant to Art. 150, paragraph 3 of Legislative Decree 58/98 and - in relation to the Financial Statements for the year ended 31 December 2014 - no significant data or information came to light which needs to be highlighted in this Report. The report of the Independent Auditors, PricewaterhouseCoopers S.p.A., to the Financial Statements for the year ended 31 December 2014, did not contain any remarks or information requests.
- 10.** The Board of Statutory Auditors exchanged information with the Boards of Statutory Auditors of the subsidiaries, pursuant to Art. 151 of Legislative Decree 58/98, being informed about the checks that were carried out by the same while exercising their supervisory activities. No anomalous elements emerged that are worthy of mention in this Report.
- 11.** Based on the provision contained in Art. 19, paragraph 1 of Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors certifies to you that it has monitored:
 - the independent audit of the consolidated accounts;
 - the independence of the Independent Auditors, in particular as regards the provision of non-auditing services.
- 12.** During the year 2014 the Company assigned PricewaterhouseCoopers S.p.A. other tasks, in addition to the task of auditing the accounts for the years from 2012 to 2020, for total fees equalling €218k, €78k of which due to PricewaterhouseCoopers Advisory S.p.A., regarding:
 - PricewaterhouseCoopers S.p.A. for the task of carrying out the professional activities that are part of the programme of issue of bonds ("Euro Medium Term Note" - EMTN);
 - PricewaterhouseCoopers Advisory S.p.A. for the task of assistance in the project of adjustment to the FATCA ("Foreign Account Tax Compliance Act").
 In relation to the indications above and in consideration of the nature of the assignments, no evidence or situations emerged that are such to compromise the independence of the Independent Auditors.
- 13.** The Board of Statutory Auditors verified that the Company adopted all measures necessary to ensure compliance with obligations deriving from personal data protection legislation (Legislative Decree 196/2003 "Personal data protection code") so as to guarantee the protection and integrity of customer, employee and partner data and, in general, the data of all those with whom the Company comes into contact. The Company also prepared the "Single Data Security Document", considered important to illustrating corporate policy at Group level on security measures (IT, physical and organisational) to ensure data confidentiality, integrity and availability.
- 14.** In 2014 the Board of Statutory Auditors issued the following judgements:
 - on 27 February 2014 the Board of Statutory Auditors declared not to have any remark to make with regard to the issue of a loan expiring in March 2021;
 - on 20 March 2014 the Board of Statutory Auditors expressed a favourable judgement (i) on the appointment

of Mr. Paolo Cattabiani as Director of UGF and (ii) on the proposal on the 2014 Plan regarding the activities scheduled in 2014 by the Audit Department;

- on 15 May 2014 the Board of Statutory Auditors (i) having verified the compliance of the new Procedure for the performance of transactions with related parties with the provisions of Consob Regulation no. 17221 of 12 March 2010, expressed a positive judgement on the adoption of the same Procedure; the Board of Statutory Auditors also expressed a positive judgement (ii) on the appointment of Mr. Paolo Cattabiani as member of the Chairman's Committee and the determination of the fees due to him for this assignment and (iii) in compliance with the main control condition for insurance companies in accordance with the provisions of Art. 5, paragraph 3, of ISVAP Regulation no. 15 of 20 February 2008;
- on 2 October 2014 the Board of Statutory Auditors declared not to have any remark or observations to make as regards the amendment to the By-Laws, aimed at adjusting the same articles to the provisions of the First Part, Title I, Chapter 2, Section IV of Bank of Italy Circular no. 285 of 17 December 2013, consequently to the registration of the Unipol Banking Group in the Register of banking groups;
- on 13 November 2014 the Board of Statutory Auditors expressed a favourable judgement on the appointment of Mr. Carlo Zini as Director of the Company.

15. In 2014, the Independent Auditors, PricewaterhouseCoopers S.p.A., did not issue any judgments.

16. The Board of Statutory Auditors received a complaint from a shareholder in 2014 in accordance with Art. 2408 of the Civil Code.

On 24 April 2014 the shareholder Mr. Michele Di Bari (the holder of 1,500 ordinary shares and 201,246 UGF preference shares as of that date) filed a complaint (essentially reiterated on 30/5/2014) against both the Board of Statutory Auditors and the other bodies of UGF and UnipolSai, in addition to Consob, among others, for information purposes and to the extent of its responsibility.

The complaint, with regard to UGF and within the limits of the responsibilities of the Board of Statutory Auditors, focuses on the methods of calculation of the dividend for 2013, which are claimed not to take into account the prejudice suffered by Mr. Di Bari due to the grouping and share capital increase transactions performed by UGF in 2012.

In particular, the shareholder Mr. Di Bari claims that the dividend for 2013 (i) does not consider «*the different intrinsic unit asset value*» of the shares outstanding before UGF's share capital increase resolved on 19 March 2012 (the "Share Capital Increase") compared to the shares issued at the time of executing the Share Capital Increase; and (ii) would not consider the claimed prejudice caused by the Share Capital Increase resolution to the rights of those who were already preference shareholders of UGF before this date.

Moreover, the shareholder Mr. Di Bari also submitted the legitimacy of the reported events to the opinion of the judicial authority, serving, on 4 September 2013, a summons and starting proceedings against UGF before the Court of Bari. On 23 December 2013 UGF appeared before the court and stated the absolute groundlessness of the claimant's claims. The proceedings are still pending.

The Board of Statutory Auditors, already in the "Board of Statutory Auditors' Report of Unipol Gruppo Finanziario S.p.A. to the Shareholders' Meeting", verified the compliance with the law and the By-Laws of the proposed allocation of profit for the year ending 31 December 2013 and of distribution of the dividend put forward by the Board of Directors, also acknowledging the auditing activities carried out during the year by the same Board of Statutory Auditors. The Board of Directors correctly proposed at the Meeting of 30 April 2014 the distribution of a dividend for the year 2013 in compliance with the methods specified in Art. 19 of the By-Laws. The Board of Statutory Auditors expressed a favourable judgment on the mentioned distribution of the dividend.

The distribution of the dividend for the year 2013 in particular took place in a way that the preference shares: (x) were firstly allocated the priority privilege and (y) after the recognition of the dividend due to ordinary shares, an additional dividend of €0.0115 per share was paid.

After receiving the claim from the shareholder Mr. Di Bari, the Board of Statutory Auditors, despite having already expressed an opinion on the subject, diligently intervened to carry out the additional checks under its responsibility as regards the legitimacy of the calculation of the dividend for the year 2013.

The Board of Statutory Auditors confirms its previously expressed opinion, deeming the calculation of the dividend for the year 2013 to be correct. This was in light of several and converging discussions:

- (a) after the Share Capital Increase and the share grouping, all of UGF shares have the same and identical par value in accounting terms (meant as the ratio between the share capital and the number of total shares issued); there is also no doubt that the share grouping could not have altered in any way the rights of the shareholders, as this transaction is by nature neutral for all the shareholders;
- (b) after the Share Capital Increase transaction – resolved in the preeminent interest of the Company and aimed at pursuing the project of integration between Premafin, Fondiaria-Sai, Milano Assicurazioni and Unipol Assicurazioni, with the objective of creating a leading national operator in the insurance sector – the changes to the numerical amounts to determine the dividend due to the shares became necessary in light of the provisions of the seventh paragraph of Art. 19 of the By-Laws. This provision, which is exactly aimed at maintaining the rights recognised to the ordinary shares and preference shares unaltered consequently to the changes in the par value in accounting terms deriving from share capital transactions, gives no discretion to the administrative board as regards its implementation, with the Board, when the requirements are met, being obliged to carry out the adjustments provided for by the By-Laws;
- (c) without prejudice to the priority privilege, the decrease in value of the shares outstanding before the Share Capital Increase is of a merely physiological nature, as it is linked to the legitimate issue, at the time of the same increase, of the new shares at a price lower than the par value in accounting terms, and the dilutive effect of the shareholding derived, in point of fact, from the shareholders' decision (including the shareholder Mr. Di Bari) not to subscribe their stake: indeed, the Share Capital Increase mentioned above was only offered as an option to all the shareholders;
- (d) the Share Capital Increase was performed below the par value in accounting terms as had been the case in several other previous instances and in compliance with the principles deemed generally applicable in the practice of similar transactions (see Position paper no. 4 by Consob, April 2010, on "capital increases with a significant dilutive effect");
- (e) therefore, the company transactions of 2012 can in no way alter the procedure that must be followed to calculate and distribute UGF's dividend in compliance with the law and the By-Laws;
- (f) the mentioned procedure, in the case in question, was correctly applied in compliance with applicable legislation.

Having highlighted the considerations above, the Board of Statutory Auditors declares the claim presented pursuant to Art. 2408 of the Civil Code by the Shareholder Mr. Michele Di Bari unfounded.

17. The Board of Statutory Auditors did not receive any statements from third parties.

18. The Board of Statutory Auditors checked observance of the legal provisions as regards the process of preparing the Financial Statements and the contents of the Management Report, which we believe to be exhaustive. In that regard, we report to you that, on the basis of the provisions of Art. 14 of Legislative Decree 39 of 27 January 2010, the judgment of consistency of the Management Report with the Separate Financial Statements is the responsibility of the Independent Auditors.
In this respect, we inform you that the Report of the Independent Auditors issued on the Financial Statements for the year ended 31 December 2014 did not highlight any comments on the aspects outlined above.

19. The Board of Statutory Auditors gave its consent to the recognition - in Intangible Assets, under the Assets account of the Statement of Financial Position - of start-up and expansion costs and advertising costs with long-term benefit for €35,880,362 and €3,744, respectively.

20. The Board of Statutory Auditors informs you that the Company complies with the Corporate Governance Code issued by Borsa Italiana S.p.A. and drew up the "Annual report on corporate governance and ownership structures". The Board assessed - for matters within its competence - the content of said Report and has no observations to make.

In this respect the Board of Statutory Auditors must point out that the new wording of Art. 123-bis of Legislative Decree 58/98 (introduced by the provisions contained in Legislative Decree 173 of 3 November 2008) requires the Independent Auditors to express their judgment on the consistency of some information in the "Report on corporate governance and ownership structures" with the Financial Statements. This information, relating to corporate governance, ownership and the risk management and internal control system, may be included in the Management Report or be the subject of a separate report to be published at the same time. In this regard, UGF decided to record this information in the "Annual report on corporate governance and ownership structures", which was approved by the Board of Directors on 19 March 2015. The Board highlights that the Independent Auditors' Report contained no findings on the matter mentioned above.

21. The Board outlines that your company's Board of Directors assessed the independence of non-executive directors, in compliance with the provisions established in Art. 3 of the Corporate Governance Code for listed companies, and in accordance with Art. 147-ter, paragraph 4 of Legislative Decree 58/98. The Board of Directors - pursuant to Art. 144-novies of the Issuer's Regulation - checked, as regards members of the Board of Statutory Auditors, that the independence requirements set out in Art. 148, paragraph 3 of the Consolidated Law on Finance were met. As part of the tasks assigned to it, the Board of Statutory Auditors verified the correct application of the audit criteria and procedures adopted.

22. Obligation to draft the Consolidated financial statements and report of the control body.

The Board of Statutory Auditors found that UGF, investment and services holding company, the Parent of the Unipol Insurance Group is required to draft the Consolidated financial statements. The Board informs you that it verified fulfilment of the obligation to draft the consolidated financial statements, with approval at the meeting of the Board of Directors on 19 March 2015.

UGF's Consolidated Financial Statements were drawn up in accordance with Art. 154-ter of Legislative Decree 58/1998 (Consolidated Law on Finance) and of ISVAP Regulation 7 of 13 July 2007, as amended. They conform to the IFRS issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of EC Regulation 1606/2002 in force on the date the financial statements closed. The consolidated financial statements are made up of:

- statement of financial position;
- income statement and comprehensive income statement;
- statement of changes in shareholders' equity;
- statement of cash flows;
- notes to the financial statements;
- tables appended to the notes to the financial statements.

The layout conforms to the provisions of ISVAP Regulation no. 7 of 13 July 2007, Part III as amended, relating to the layout of the consolidated financial statements of insurance and reinsurance companies that must adopt IFRS. IVASS Measure no. 29 of 27 January 2015 amended ISVAP Regulation no. 7/2007 in order to implement the changes that went into effect starting from the 2014 financial statements regarding quantitative disclosure required by the new IFRS 12. In particular, the Statement of Changes in Shareholders' Equity has been amended to add a new column ("Changes in investments"), which illustrates the consequences of changes in investments in subsidiaries that do not involve loss of control (IFRS 12.18), and separate indication in the statement of Consolidation Scope of the registered office and the operating office. Furthermore, two new statements were introduced: one being the "Consolidation scope: interests in entities with material non-controlling interests", including information on subsidiaries with significant non-controlling interests (IFRS 12.12), the other being "Interests in unconsolidated structured entities" to add information of this nature (IFRS 12.27-29). Since the case does not apply to the group, this latter statement was not published.

As regards the consolidation scope, the Board of Statutory Auditors reports the following to you.

The Unipol Group's consolidated financial statements at 31 December 2014 have been drawn up by combining the figures of the Parent UGF and those for the 74 direct and indirect subsidiaries (IFRS 10).

At 31 December 2013, a total of 105 companies were consolidated in full. Subsidiaries deemed to be too small to be of relevance are excluded from the consolidated financial statements.

Changes in the consolidation scope:

- on 14 January 2014 the company Scontofin S.a. in Liquidation with offices in Luxembourg, held by Finadin S.p.A. (incorporated on 23 December 2014 into UnipolSai Finance S.p.A., formerly Smallpart S.p.A.) and Sailux S.a., 70% and 19% respectively, was deleted from the Business Register;

- following amendments to the governance agreement, the investment in Euromilano S.p.A. (in which UnipolSai holds a 14.86% investment in the share capital) no longer qualifies as an associate;
- on 14 April 2014, the subsidiary Arca Vita S.p.A. acquired 50% of the share capital of Isi Insurance S.p.A., bringing the interest held to 100% at a value of €2.5m. Then on 4 December 2014 Isi Insurance S.p.A. was merged into Arca Assicurazioni S.p.A. with accounting and tax effects backdated to 1 January 2014;
- on 23 April 2014 the Extraordinary Shareholders' Meeting of the subsidiary Unipol Banca S.p.A. voted to reduce share capital because of losses to €665m. On 25 June 2014, a share capital increase was carried out in favour of Unipol Banca S.p.A. of €100m subscribed by shareholders proportionate to their respective investments: UGF 67.75% and UnipolSai 32.25%. On 3 November 2014 the merger of Banca Sai S.p.A. (a 100% subsidiary of UnipolSai) into the investee Unipol Banca S.p.A. also became effective (accounting and tax effects backdated to 1 January 2014), as resolved by the respective Shareholders' Meetings on 3 October 2014. Based on the swap transaction agreed in the merger plan, UnipolSai received 132,428,578 new Unipol Banca S.p.A. shares (equal to a €132m increase in share capital in service of the merger), increasing the interest held from 32.25% to 42.25%. UGF's investment therefore decreased to 57.75%;
- the company Dominion Insurance Holdings Limited, with offices in London and a 100% subsidiary of Finsai International S.a., was cancelled from the Register of Companies on 14 October 2014;
- the merger by incorporation of Covent Garden BO S.r.l. and Comsider S.r.l. into Midi S.r.l. became effective on 1 December 2014, with accounting and tax effects backdated to 1 January 2014;
- the merger by incorporation of Erosai S.r.l., Finadin S.p.A. and Saifin Saifinanziaria S.p.A. into Smallpart S.p.A. took effect on 23 December 2014 (taking the name of UnipolSai Finance S.p.A. starting from 31/12/2014), with accounting and tax effects backdated to 1 January 2014;
- the merger by incorporation of the subsidiaries Bramante S.r.l., Campo Carlo Magno S.p.A., Cascine Trenno S.r.l., Immobiliare Litorella S.r.l., Immobiliare Milano Assicurazioni S.r.l., Iniziative Valorizzazioni Edili – IN.V.ED. – S.r.l., Insediamenti Avanzati nel Territorio I.A.T. – S.p.A., International Strategy S.r.l., Meridiano Aurora S.r.l., Meridiano Bellarmino S.r.l., Meridiano Bruzzano S.r.l., Mizar Srl, Ristrutturazioni Edili Moderne – R.EDIL.MO. – S.r.l., Sintesi Seconda S.r.l., Stimma S.r.l., Trenno Ovest S.r.l., Unifimm S.r.l. and UnipolSai Servizi Immobiliari S.p.A. into Immobiliare Fondiaria-Sai S.r.l. took effect on 31 December 2014 (and at the same time took the name of UnipolSai Real Estate S.r.l.). Accounting and tax effects of the transaction were backdated to 1 January 2014.

As regards the control body's obligation to issue the report on the Consolidated Financial Statements, we would like to report that, in accordance with Art. 14 of Legislative Decree no. 39 of 27 January 2010 and Art. 41 of Legislative Decree no. 127 of 9 April 1991, the Report on the Consolidated Financial Statements must be drafted by the Independent Auditors, including therein the judgment on the consistency of the Management Report with the Consolidated Financial Statements.

In light of the above, the Board of Statutory Auditors points out that the aforementioned tasks are the responsibility of the Independent Auditors PricewaterhouseCoopers S.p.A. The Board of Statutory Auditors - in performing its monitoring of the audit - verified the work plan of the Independent Auditors in relation to the Consolidated Financial Statements and exchanged information with the latter regarding the outcomes of the work performed; it did not register any anomalies worthy of mention in this Report. The Report issued by PricewaterhouseCoopers S.p.A. on the Consolidated Financial Statements for the year ended 31 December 2014 does not contain any remarks or information requests.

The supervisory activity of this Board of Statutory Auditors was carried out through 23 meetings and through participation in all 12 meetings of the Board of Directors.

During the course of the supervisory activity performed and based on the information obtained from the Independent Auditors, no omissions and/or censurable events and/or irregularities were recorded or, in any case, any significant events as such that needed to be reported to the control bodies, or mentioned in this report on the Financial Statements for the year ended 31 December 2014.

In light of the foregoing, the Board of Statutory Auditors deems that the Financial Statements for the year ended 31 December 2014, as presented to you by the Board of Directors, may be approved, and expresses a favourable judgment on the proposal presented by said Board of Directors regarding the allocation of profit for the year totalling €167,387,415.84, in compliance with Art. 19 of the By-Laws, in the following manners:

- to the Legal Reserve €16,738,741.58;
- to the Extraordinary reserve €24,318,671.75;

- the remaining profit, i.e. 75.47% of the total, as dividend, taking into consideration the redistribution of profit referring to treasury shares held, distributed as follows:
 - to the 273,479,517 preference shares, a unit dividend of €0.17 for a total of €46,491,517.89;
 - to the 437,464,084 ordinary shares, a unit dividend of €0.15 for a total of €65,619,612.60;
 - to the combined total of 710,943,601 preference and ordinary shares, an additional unit dividend of €0.02 for a total of €14,218,872.02;
- to approve, therefore, by allocating profit for the year as stated above, the distribution of a unit dividend of €0.17 for every ordinary share and a unit dividend of €0.19 for every preference share, and hence for a total of €126,330,002.51.

Bologna, 10 April 2015

Board of Statutory Auditors

Signed by Roberto CHIUSOLI



Independent Auditors' Report

07





**AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE
DECREE 39 of 27 JANUARY 2010**

To the Shareholders of
Unipol Gruppo Finanziario SpA

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

- 1 We have audited the financial statements of Unipol Gruppo Finanziario SpA for the year ended 31 December 2014. The directors of Unipol Gruppo Finanziario SpA are responsible for the preparation of these financial statements in accordance with the laws governing the criteria for their preparation. Our responsibility is to express an opinion on these financial statements based on our audit.
 - 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB (the Italian Commission for listed Companies and the Stock Exchange). In accordance with those standards and criteria, the audit has been planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether they are fairly presented, when considered as a whole. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the accounting principles used and the reasonableness of estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.
- For the opinion on the financial statements of the prior period, which data are presented for comparative purposes as required by law, reference is made to our report dated 7 April 2014.
- 3 In our opinion, the financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2014 are in accordance with the laws governing the criteria for their preparation; accordingly, they have been prepared clearly and they give a true and fair view of the financial position and of the results of operations of Unipol Gruppo Finanziario SpA.
 - 4 The directors of Unipol Gruppo Finanziario SpA are responsible for the preparation of the management report and of the report on corporate governance and ownership structures available in Unipol Gruppo Finanziario SpA web-site section "*Corporate Governance*", in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the management report and of the information required by paragraph 1, sub-paraphs c), d), f), l), m) and by paragraph 2, sub-paragraph b) of Article 123-bis of the Legislative Decree 58 of 1998, contained in the report on corporate governance and ownership structures, with the financial statements, as required by law.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0512132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wührer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Farma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10125 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Graziosi 73 Tel. 0461237004 - **Treviso** 31100 Viale Felisenti 90 Tel. 04226966911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001

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For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the management report and the information required by paragraph 1, sub-paraphraphs c), d), f), l), m) and by paragraph 2, sub-paragraph b) of Article 123-bis of Legislative Decree 58 of 1998, contained in the report on corporate governance and ownership structures are consistent with the financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2014.

Milan, 10 April 2015

PricewaterhouseCoopers SpA

Signed by

Angelo Giudici
(Partner)

This report has been translated into the English language from the original, which was issued in Italian and in accordance with Italian law, solely for the convenience of international readers.

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Share capital
€3,365,292,408.03 fully paid-up
Bologna Register of Companies
Tax and VAT No. 00284160371
R.E.A. No. 160304

Parent of the Unipol Insurance Group
Entered in the Register of Insurance Groups – No. 046

Parent of the Unipol Banking Group
Entered in the Register of Banking Groups

www.unipol.it



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