

Notes to the income statement

Income

26 Net earned premiums

Net earned premiums

(€ million)	Gross amount		Reinsurers' share		Net amount	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Non-life earned premiums	20,975	20,906	-1,157	-1,284	19,818	19,622
Premiums written	20,898	20,818	-1,136	-1,223	19,762	19,596
Change in the provision for unearned premiums	77	88	-21	-62	56	26
Life premiums	49,425	45,418	-737	-719	48,689	44,699
Other premiums written	0	0	0	1	0	1
Total	70,400	66,324	-1,894	-2,003	68,507	64,322

27 Fee and commissions income and income from financial service activities

Fee and commissions income from financial services activities

(€ million)	31/12/2015	31/12/2014
Fee and commission income from banking activity	155	151
Fee and commission income from asset management activity	676	564
Fee and commission income related to investment contracts	230	227
Fee and commission income related to pension funds management	18	17
Other fees and commission income	15	7
Total	1,094	967

28 Net income from financial asset at fair value through profit and loss

Net income from financial asset at fair value through profit or loss

(€ million)	Financial investments held for trading		Financial investments back to policies where the investment risk is borne by the policyholders and related to pension funds		Financial investments designated at fair value through profit or loss		Total financial investments at fair value through profit or loss	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Interest income	47	0	297	327	428	462	772	788
Realized gains	216	14	663	374	178	223	1,057	611
Realized losses	-220	-248	-518	-224	-173	-333	-911	-806
Unrealized gains	1,741	6	6,840	4,940	1,063	2,031	9,644	6,978
Unrealized losses	-2,723	-609	-5,007	-2,124	-891	-1,329	-8,621	-4,061
Total	-939	-837	2,275	3,293	605	1,054	1,941	3,510

The net income from financial assets at fair value through profit or loss mainly referred to the life segment (€ 1,903 million). This item is not material for non-life segment (€

40 million) as well as for the holding and other businesses segment (€ -3 million).

29 Income and expenses from subsidiaries, associated companies and joint venture

Income and expenses from subsidiaries, associated companies and joint ventures

(€ million)	31/12/2015	31/12/2014
Dividends and other income	118	92
Realized gains	12	81
Reversal of impairment	0	19
Total	130	191

30 Income from other financial instruments and land and buildings (investment properties)

Income from subsidiaries, associated companies and joint ventures

(€ million)	31/12/2015	31/12/2014
Interest income	10,075	9,919
Interest income from held to maturity investments	105	129
Interest income from loans and receivables	1,926	2,095
Interest income from available for sale financial assets	8,007	7,638
Interest income from other receivables	8	8
Interest income from cash and cash equivalents	30	49
Other income	2,065	2,117
Income from land and buildings (investment properties)	909	934
Other income from available for sale financial assets	1,156	1,183
Realized gains	3,873	3,761
Realized gains on land and buildings (investment properties)	364	113
Realized gains on held to maturity investments	6	0
Realized gains on loans and receivables	184	231
Realized gains on available for sale financial assets	3,319	3,383
Realized gains on other receivable	0	0
Realized gains on financial liabilities at amortised cost	0	35
Reversal of impairment	206	194
Reversal of impairment of land and buildings (investment properties)	73	42
Reversal of impairment of held to maturity investments	0	0
Reversal of impairment of loans and receivables	30	16
Reversal of impairment of available for sale financial assets	8	50
Reversal of impairment of other receivables	94	86
Total	16,219	15,991

31 Other income

Other income

(€ million)	31/12/2015	31/12/2014
Gains on foreign currencies	2,297	1,535
Income from tangible assets	197	220
Reversal of other provisions	200	266
Leasing fees	0	0
Income from service and assistance activities and recovery of charges	604	461
Income from non-current assets or disposal group classified as held for sale	1	0
Other technical income	575	520
Other income	196	299
Total	4,070	3,301

Expenses

32 Net insurance benefits and claims

Net insurance benefits and claims

(€ million)	Gross amount		Reinsurers' share		Net amount	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Non-life net insurance benefits and claims	13,604	13,696	-524	-586	13,081	13,110
Claims paid	13,316	13,579	-639	-919	12,677	12,661
Change in the provisions for outstanding claims	240	50	112	337	352	387
Change in claims paid to be recovered	6	50	-3	-1	3	49
Change in other insurance provisions	42	16	7	-3	48	13
Life net insurance benefits and claims	56,600	54,583	-590	-690	56,010	53,893
Claims payments	36,082	34,596	-554	-641	35,528	33,954
Change in the provisions for outstanding claims	184	803	-45	24	139	827
Change in the mathematical provisions	12,552	10,851	29	-75	12,581	10,777
Change in the provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	5,564	5,965	4	1	5,568	5,966
Change in other insurance provisions	2,218	2,367	-25	1	2,193	2,368
Total	70,204	68,280	-1,113	-1,276	69,091	67,003

33 Fee and commissions expenses and expenses from financial service activities

Fee and commissions expenses and expenses from financial service activities

(€ million)	31/12/2015	31/12/2014
Fee and commission expenses from banking activity	323	270
Fee and commission expenses from asset management activity	157	97
Fee and commission expenses related to investment contracts	94	92
Fee and commission expenses related to pension funds management	12	11
Total	586	470

34 Expenses from subsidiaries, associated companies and joint ventures

Expenses from subsidiaries, associated companies and joint ventures

(€ million)	31/12/2015	31/12/2014
Realized losses	2	29
Impairment losses	14	39
Total	16	68

35 Expenses from other financial instruments and land and buildings (investment properties)

Expenses from other financial instruments and land and buildings (investment properties)

(€ million)	31/12/2015	31/12/2014
Interest expense	1,103	1,298
Interest expense on subordinated liabilities	563	550
Interest expense on loans, bonds and other payables	397	514
Interest expense on deposits received from reinsurers	9	33
Other interest expense	135	201
Other expenses	390	421
Depreciation of land and buildings (investment properties)	171	177
Expenses from land and buildings (investment properties)	219	245
Realized losses	686	435
Realized losses on land and buildings (investment properties)	11	10
Realized losses on held to maturity investments	0	0
Realized losses on loans and receivables	35	37
Realized losses on available for sale financial assets	637	304
Realized losses on other receivables	3	5
Realized losses on financial liabilities at amortized cost	0	79
Impairment losses	1,035	1,307
Impairment of land and buildings (investment properties)	62	165
Impairment on held to maturity investments	3	0
Impairment of loans and receivables	308	191
Impairment of available for sale financial assets	622	898
Impairment of other receivables	41	52
Total	3,215	3,461

36 Acquisition and administration costs

Acquisition and administration costs

(€ million)	Segmento danni		Segmento vita		Segmento di holding e altre attività	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Provvigioni e altre spese di acquisizione nette	4.229	4.157	3.950	3.727	0	0
Spese di gestione degli investimenti(*)	44	38	265	197	30	40
Altre spese di amministrazione	1.184	1.169	1.005	951	392	382
Totale	5.457	5.364	5.220	4.876	422	422

(*) Before the elimination of intra-group transactions between segments.

The item “other administration costs” include expenses related to real estate activity which, overall, are reduced amounting to € 37 million (€ 40 million at 31 December 2014), focusing mainly in the holding and other businesses segment for an amount of € 32 million .

In the Non-life segment, non-insurance administration expenses, equal to € 9 million, decline in respect to the previous year (€ 14 million at 31 December 2014); a pro-

portion of € 3 million of these expenses are related to real estate activities.

Within “other administrative costs” of the Life segment, the investment management expenses grew at € 76 million (€ 56 million at 31 December 2014), the non-insurance management expenses amounted to € 2 million and are mainly refer to real estate activities.

37 Other expenses

Other expenses

(€ million)	31/12/2015	31/12/2014
Amortization and impairment of intangible assets	329	323
Amortization of tangible assets	83	94
Expenses from tangible assets	193	214
Losses on foreign currencies	1,133	553
Restructuring charges, termination employee benefit expenses and allocation to other provisions	648	491
Other taxes	200	158
Expenses from service and assistance activities and charges incurred on behalf of third parties	440	323
Expenses from non-current assets or disposal group classified as held for sale	0	0
Other technical expenses	619	661
Holding costs	510	496
Other expenses	636	525
Total	4,792	3,838

38 Income taxes

This item shows the income taxes due by the Italian and the foreign consolidated companies by applying the in-

come tax rates and rules in force in each country.

The components of the income tax expense for 2015 and 2014 are as follow:

Income taxes

(€ million)	31/12/2015	31/12/2014
Income taxes	1,183	1,111
Deferred taxes	-71	-79
Total taxes of period	1,112	1,033
Income taxes on discontinued operations	5	1
Total income taxes	1,117	1,033

In Italy, with respect to the 2015 fiscal year, income taxes are calculated by using the ordinary corporate income tax rate of 27.5%. Furthermore, income taxes of Italian companies include the regional tax on productive activities (IRAP), which was computed – in respect of insurance companies – at the ordinary tax rate generally equal to 6.82%.

Income realised in Germany is subject to the corporate income tax - which is calculated on a rate of 15% plus a solidarity surcharge of 5.50% - and the trade tax (Gewerbesteuer). The trade tax rate varies depending on the municipality in which the company is situated. In 2015 the weighted average tax rate remained substantially unchanged at approximately 16.2%.

In France, income taxes are calculated by using an over-

all corporate income tax rate of 38%. In particular, this overall rate includes the basic rate expected in the tax on corporate income, equal to 33.33%, increased by an additional (contribuzione sociale) of 3.30% and a further additional temporary always calculated with reference the standard rate.

All other foreign subsidiaries apply their national tax rates, including: Austria (25%), Belgium (34%), Bulgaria (10%), China (25%), Czech Republic (19%), Netherlands (25%), Romania (16%), Spain (28%), Switzerland (22%) and United States (35%).

The following table shows a reconciliation from the theoretical income tax expense, by using the Italian corporate income tax rate of 27.5%, to the effective tax rate.

Reconciliation from theoretical income tax expenses to the effective tax rate

(€ million)	31/12/2015	31/12/2014
Expected income tax rate	27.5%	27.5%
Earning before taxes	3,407	2,953
Expected income tax expense	937	812
Effect of permanent differences and foreign tax rate differential	-142	-253
Effect of fiscal losses	0	48
IRAP, trade tax and other local income taxes	154	140
Substitute taxes	180	159
Foreign withholding taxes not recoverable	26	18
Income taxes for prior years	-38	-15
Other	-5	-4
Tax expenses	1,112	1,033
Effective tax rate	32.6%	35.0%

With respect to the 2015 fiscal year, the effective tax rate is equal to 32.6% with a decrease of 2.9% in comparison to the previous fiscal year. In particular, such a decrease is mainly related to the decrease of the regional tax on productive activities (IRAP), the absence of the extraordinary expense related to the substitute tax on the revaluation of the participation in the Bank of Italy.

Fiscal losses carried forward are recognised to the extent that future taxable income will be sufficient to offset the amount of the losses before their expiration.

Fiscal losses carried forward as of 31 December 2015 and 2014 are scheduled according to their expiry periods as follows.

Fiscal losses

(€ million)	31/12/2015	31/12/2014
2015	0	2
2016	0	10
2017	0	19
2018	2	6
2019	0	25
2020	25	0
2021	0	7
2022	0	0
2023 and over	0	0
Unlimited	864	1,081
Fiscal losses carried forward	891	1,150

With regards to fiscal losses, it is worth noting that Italian Law by Decree 98/2011 introduced that fiscal losses can be carried forward with no time limits (as opposed to the previous five year limitation). Losses from a given year may, however, only be used to offset up to 80% of the taxable income of any following fiscal year.

Deferred income taxes are calculated on the temporary differences between the carrying amounts of assets and liabilities reported in the financial statements and their tax base, by using the tax rates applicable at the expected time of realisation according to each country's current legislation. In particular, with regard to Italian companies, in 2015 fiscal year, the deferred taxes have been determined taking into account the reduction in the corporate income tax rate (IRES) at 24% from 2017, as provided by Law no. 208/2015. As a result, the balance of deferred taxes which is expected to be reversed from 2017 was adjusted accordingly. This regulatory change resulted in an overall gain of € 4.7 million.

The ultimate realisation of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible.

Furthermore, in making this assessment, management considers the scheduled reversal of deferred tax liabilities and tax planning strategies.

Assessments show that deferred tax assets will be recovered in the future through either (i) expected taxable income of each consolidated company or (ii) expected taxable income of other companies included in the same tax group (e.g. "Consolidato fiscale" in Italy, "Steuerliche Organschaft" in Germany and "Régime d'intégration fiscale" in France).

Deferred taxes as of 31 December 2015 and 2014 are related to the following assets and liabilities.

Net deferred tax assets

(€ million)	31/12/2015	31/12/2014
Intangible assets	128	157
Tangible assets	77	59
Land and buildings (investment properties)	648	715
Available for sale financial assets	6,020	6,723
Other investments	222	297
Deferred acquisition costs	17	21
Other assets	336	358
Fiscal losses carried forward	73	89
Allocation to other provisions and payables	593	675
Insurance provisions	533	465
Financial liabilities and other liabilities	1,380	985
Other	317	69
Total deferred tax assets	10,344	10,613
Netting	-7,692	-7,899
Total net deferred tax assets	2,652	2,715

Net deferred tax liabilities

(€ million)	31/12/2015	31/12/2014
Intangible assets	241	281
Tangible assets	111	113
Land and buildings (investment properties)	380	339
Available for sale financial assets	7,782	8,947
Other investments	417	402
Deferred acquisition costs	388	415
Other assets	48	52
Other provisions and payables	122	150
Insurance provisions	987	652
Financial liabilities and other liabilities	108	151
Other	141	104
Total deferred tax liabilities	10,726	11,605
Netting	-7,692	-7,899
Total net deferred tax liabilities	3,034	3,706