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2011

Unipol Gruppo Finanziario
Annual Report

The words on the cover of these Financial Statements are part of the Unipol Group institutional communication campaign launched in 2011 with a related website [**www.hofiducianelfuturo.it**](http://www.hofiducianelfuturo.it) where people could post comments in order to express their faith in the future.

The most interesting messages then became part of the campaign.

Unipol Gruppo Finanziario S.p.A.

Registered and Head Offices at Via Stalingrado 45, Bologna – Share capital €2,699,066,917.47 fully paid-up – Tax Code and Bologna Company Registration No. 00284160371 – R.E.A. No. 160304

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

2011 Annual Report

Bologna, 15 March 2012

Translation from the Italian original which remains the definitive version

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Company bodies

	Honorary Chairman	Enea Mazzoli
Board of Directors	Chairman	Pierluigi Stefanini
	Vice Chairman	Piero Collina
	Chief Executive Officer and General Manager	Carlo Cimbri
	Members of the Board	
	Francesco Berardini Sergio Betti Rocco Carannante Pier Luigi Celli Sergio Costalli Ernesto Dalle Rive Jacques Forest Vanes Galanti Roger Iseli Claudio Levorato Ivan Malavasi	Massimo Masotti Enrico Migliavacca Pier Luigi Morara Milo Pacchioni Marco Pedroni Giuseppe Politi Adriano Turrini Francesco Vella Marco Giuseppe Venturi Luca Zaccherini Mario Zucchelli
	Secretary to the Board of Directors	Roberto Giay
Board of Statutory Auditors	Chairman	Roberto Chiusoli
	Standing Auditors	Giorgio Picone Domenico Livio Trombone
	Alternate Auditors	Carlo Cassamagnaghi Cristiano Cerchiai
Manager in charge of financial reporting		Maurizio Castellina
Independent auditors		KPMG SpA

Introduction

Macroeconomic background

During 2011 the public debt problems of the economically weakest countries in the Eurozone led to a crisis that shook the single European currency to its very foundations. Underestimation of the risk connected to the extent of our public borrowing and forecasting errors led Italy into the eye of the storm last Summer. The difference between the interest paid on our ten-year securities and those of Germany gradually widened until it was well over 500 basis points despite the measures to help Italian securities taken by the European Central Bank (ECB) on the secondary market. The outlook for the global economy also began to decline in the summer. Despite the various tax and monetary stimuli adopted in recent years, the United States economy did not manage to grow sufficiently to stabilise its public finances and put the country back on the road to full employment and is expected to have grown by a modest 1.7% in 2011.

The emerging countries also began to feel the consequences of the deterioration of the western economies, showing the first major signs of a slowdown.

Several Eurozone countries entered a new recession following that of 2009 and ISTAT's preliminary estimate of Italian gross domestic product (GDP) in the fourth quarter of 2011 revealed a decrease of 0.7% compared with the previous quarter.

These trends were reflected in the jobs market. In December 2011, the unemployment rate in the Eurozone rose to 10.4% (compared with 10% a year previously). Against this difficult background it is not surprising that consumption in general was down: Eurostat announced that retail sales in the Eurozone in November 2011 were down 2.5% compared with twelve months earlier (-1.8% in Italy) because of the proliferation of restrictive fiscal policies aimed at limiting the increase in the weight of public debt on the various economies.

On 21 December 2011, the European Central Bank stepped in with a *Longer-Term Refinancing Operation*, providing the European banks with a cash injection of €489bn over three years at a rate of 1%. This intervention covered a sizeable portion of the banks' funding requirements and, by lenders purchasing government bonds, indirectly released the tensions in the European public borrowing market. This provision is intended to ease the emergency until fiscal policies and economic growth have had time to restore the full financial credibility of the governments involved in the crises.

It should be pointed out that in the autumn, recognising the gravity of the situation, the ECB, under the guidance of Mario Draghi, swiftly reduced the principal base rate by 50 basis points. Thus the base rate of European monetary policy was back to 1%, a value more in keeping with the weak economic climate in which Europe finds itself.

The Italian economic situation showed obvious signs of unease. All elements of domestic demand – household consumption, public spending and investment – were down and did not seem able to support an appreciable upturn in the national economy. The best prospects were the prerogative of businesses that could link their work to the growth in the markets of the emerging countries.

At the end of 2011 employment had fallen by approximately 96,000 compared with twelve months earlier. 2.5 million people were looking for work, 19.2% more than in December 2010.

The various measures launched in 2011, the last of which was undertaken by the new government under President Mario Monti, brought public finances back under control: in three years the cumulative effect of these measures is expected to be well above €100bn. ISTAT's figures for the first nine months of 2011 reveal a public deficit of more than €50bn, though the primary balance is already positive to the tune of more than €3bn. At the end of 2011, the incidence of Italian public borrowing on GDP should be around 121%. After the tax squeeze the government gave priority to measures to support economic growth.

As for foreign trade, the Central Statistical Office has calculated that in the first eleven months of 2011 Italian exports rose 11.9% compared with the previous year whilst imports were up 10.6%. The result was a slight improvement in the trade deficit in November, which was -€25.8bn compared with -€27bn in the same period of 2010.

Financial markets

The worsening of the sovereign debt crisis in the countries on the edge of the Eurozone and the gradual deterioration of the global economy formed the background to a generally negative performance in international financial markets.

Greece's increasing difficulty in meeting the targets set by the European Union, the ECB and the International Monetary Fund as a condition for providing tranches under the plan they had drawn up in 2010, and the EU's decision to draw up a scheme for the private sector to help to reduce the debt burden (PSI) as a result of Greece's inability to tackle its debts, were largely responsible for the deterioration in the sovereign debt crisis in the Eurozone.

The prospect that PSI could also be applied to other countries in the Eurozone in the event of their public finances deteriorating was in fact largely responsible for the increase in the premium for risk paid to investors for underwriting the sovereign debt of these countries, which resulted in the widening of the yield differentials of these securities compared with similar securities issued by Germany.

Country	31 December 2010		30 June 2011		31 December 2011	
	10-year rate	Spread c/w Germany	10-year rate	Spread c/w Germany	10-year rate	Spread c/w Germany
Germany	2.96	-	3.03	-	1.83	
France	3.36	0.40	3.41	0.38	3.15	1.32
Italy	4.82	1.86	4.88	1.85	7.11	5.28
Belgium	3.97	1.01	4.10	1.07	4.09	2.26
Greece	12.47	9.51	16.34	13.31	34.96	33.13
Ireland	9.06	6.10	11.70	8.67	8.46	6.63
Portugal	6.60	3.64	10.90	7.87	13.36	11.53
Spain	5.45	2.49	5.45	2.42	5.09	3.26

Italy was particularly affected by this trend because of both the high incidence of public borrowing on GDP and the inability to grow at the same rate of the economies of continental Europe. The latter critical factor affected the Italian economy all the more following the slowdown in the global economic cycle in the second half of the year.

Performances in European stock markets in 2011 were very negative despite the recovery in the final quarter: the Eurostoxx50 index, representing Eurozone securities with the highest level of capitalisation, fell 17.1% during the year (+6.3% in the fourth quarter). The Italian Stock Exchange bore a lot of responsibility for this result, since it lost 24.3% in 2011 (+1.8% in the fourth quarter). The Tokyo Nikkei index and the Morgan Stanley Emerging Market index also recognised conspicuous losses of 17.3% and 14.9% respectively (-2.8% and +4.50%, respectively, in the fourth quarter).

The stock market that showed the greatest resistance to the general negative economic situation in the last financial year was that of the US: the S&P 500 index, representing US securities with the highest level of capitalisation, ended 2011 with a balance that was largely unchanged thanks to the recovery in the final quarter of the year (+11.2%), which made up for the overall negative performance in the first three quarters.

The performance of the stock markets had a negative effect on prices of corporate bonds, which resulted in the widening of the yield differentials, compared with assets with no risk, that companies had to pay on their bonds in order to place them with institutional investors. The iTraxx index, representing the average spread at which financial sector companies with a high credit rating issue bonds, in fact, rose more than 101 basis points last year, from 177.15 to 278.5 (277.8 in the fourth quarter).

Individual savings

Attempts to balance public finances led to a substantial reduction in new savings by individuals. This phenomenon was the consequence of the drop in disposable income as a result of both the rise in unemployment and higher taxes. The rise in household indebtedness during 2011 was also affected by the slowdown in the property market, low levels of consumption and tensions in the credit markets.

The profound turbulence affecting Italy also had an impact on the behaviour of savers. A climate of general bewilderment led to types of behaviour that were more than simply different propensities for risk. The higher yields offered by national government bonds attracted a lot of investors and induced others to try forms of investment that were not subject to the 'Italy risk'. Funds under administration suffered from this situation: investment funds business recognised negative net income of more than €26bn by the end of November; managed funds had a similar result; new Life insurance business recognised a fall of 27.8%, largely owing to the banks' difficulty in gaining access to the interbank markets, which induced them to concentrate on developing direct customer deposits (especially by promoting high-interest deposit accounts). Against this background it was not surprising that the emphasis on cash increased conspicuously to exceed 31% of all financial assets held by individuals.

It should be noted that the total financial wealth of individuals will have fallen again in 2011 because of the reduction in the prices of assets (shares, bonds, government bonds) listed on the financial markets.

Insurance business

The insurance business was affected by the general economic climate in which Italian businesses were operating.

In the MV Third-Party Liability class insurers' efforts to put the accounts of this type of business back in technical balance were producing initial results. By September 2011, premiums were up 5.6% on the same period of the previous year. In addition, one of the various repercussions, the negative economic situation that Italy was experiencing, was a reduction in the mileage of vehicles, which was reflected in the fall in the claims frequency to 6.6% in the first three quarters of 2011 (from 7.4% during the same period of 2010). However, during the same period there was a 2.5% rise in the average cost of claims.

The Land Vehicles class performed completely differently. The difficulties that were a feature of the motor-vehicle market (with vehicle registrations down 10.5% in 2011) affected premium income for this type of business (-2.1% by September).

Other non-MV Non-Life classes also suffered, with total growth not exceeding 0.6% during the first nine months of the year. There had been a drop in premiums in this type of business by September, with the health classes (Accident and Health) down 0.9%, the property sector steady (+1.9%) and General TPL down (-1.1%).

The economic slowdown, which started in the summer, will have had a negative effect on growth in the corporate segment of non-MV Non-Life classes because of the reduction in insurable volumes and companies' need to keep costs down. The determining factor in individual business was the drop in individuals' disposable incomes, which certainly did not help to stimulate Italians' already low propensity to take out insurance.

There was a lull in Life premium performance in 2011 after the record performance achieved in 2010 (more than €90bn in premiums). Various factors combined to reduce performance in this class: in the first half of the year it was expectations of a rise in interest rates that made Life products less attractive. Then, at the same time as the debt crisis spread to Italy, the banks, which were in difficulty as regards funding, focused on direct-deposit instruments as selling points to customers rather than unit trusts and Life policies. In the light of the importance of this channel (more than 70% of premiums being obtained through bank branches and post offices), this led to a significant drop in that type of business. According to ANIA's figures total new individual policies were down almost 28% in 2011, reflecting the drop of 27.4% in the first class of business. Work carried out by bank branches fell by almost 29%, whilst that done by financial advisers was 36% down. Traditional channels did less badly (agents -15.3%).

Banking and assets under management

The interbank market throughout Europe gradually dried up during 2011, as indicated by the increase, to unprecedented levels, in the deposits made by the commercial banks with the ECB. At the same time operating conditions in the Italian banking sector worsened at the same rate as the Italian public debt crisis. The fall in value of the Treasury securities in the portfolio of the Italian banks eventually translated into an erosion of their equity. This was especially true for the five largest national banking groups which, under the

European agreements entered into in November 2011, must value their whole securities portfolio at the market value. Hence the need to have recourse to costly capital increases or to limit the increase in assets. The ECB stepped in to help the banking system on 21 December with a Longer-Term Refinancing Operation, which enabled lenders in the Eurozone to be granted an unlimited amount of liquidity at a rate of 1% for three years. At the same time the types of collateral accepted by the ECB in exchange for providing liquidity were also extended. Applications from European banks amounted to €489bn, €136bn of which from Italian banks.

Banca d'Italia figures indicated modest growth in banking aggregates: income from Italian residents was up 3.1% at the end of 2011 compared with the previous year whilst lending was up 3.6%. The most dynamic element of the liabilities was bond income, up 12.4% over the previous twelve months. Deposits did not grow much (+2.5%) and repo operations were well down (-39%). It must be pointed out that another indication of the difficulties in which Italian banks were operating was that income from abroad fell 10.5%. Loans to individuals rose more than those to non-financial companies (+4.3% compared with +3.1%).

Gross bad and doubtful debts exceeded €107bn at the end of 2011, an increase of 37.6% compared with twelve months earlier, whilst bad and doubtful debts net of adjustments (more than €60bn) accounted for 3.2% of lending to customers (2.4% in December 2010). The incidence of net bad and doubtful debts on capital and reserves reached 15.9%, compared with 13.3% in 2010. In the final months of the year loans granted to businesses in the Centre-North of Italy and individual consumers deteriorated even further. The quality of loans was subject to significant risk of deterioration because of the fall in paid employment and the increase in the interest rates applied by the banks.

The rates required on loans were pushed up by the simultaneous increase in the cost of bank deposits and by the need to adjust the terms to take account of clients' creditworthiness. Spreads on new financing operations were growing both for non-financial companies and for loans to individuals for house purchase, whilst differentials on consumer credit were stable.

From the point of view of profitability the banks' gross operating income should remain largely unchanged compared with 2010, and operating costs should be much the same as in the previous year. Hence the operating income should also remain at 2010 levels.

Pension fund market

There was a drop in the number of members of Occupational Funds in December 2011 (-0.8%) compared with the same date in 2010. The number of members of Open-Ended Funds was slightly up (+3.8%) whilst the 'new' Personal Pension Plans (introduced by Legislative Decree 252/2005 and registered with COVIP) performed much better, with a growth of 25.8%. There was a rise of 5.7% in the total number of members of the various supplementary pension schemes.

At the end of 2011 Net Assets Allocated to Benefits were up by an average of 6.5% compared with twelve months earlier. This was the result of 12.9% growth in Occupational Funds, 10.6% in Open-Ended Funds and 32% in Personal Pension Plans, and of assets in pre-existing Pension Funds and in Personal Pension Plans in existence before Legislative Decree 252/2005 was passed remaining largely unchanged.

The overhaul of the public pension system launched by the Monti government under the aegis of the new Welfare Minister, Elsa Fornero, which was approved by Parliament at the end of 2011, and the simultaneous modest overall growth in the supplementary pension market vindicated the conviction of operators (managers, unions and employers' associations) that the system needed a good shake-up.

In 2011 the yield on pension funds was affected by the difficult situation in the financial markets caused by the problems with Eurozone government bonds and in particular Italian public debt securities. The average yield of Occupational Funds was approximately 0.1%, whilst the performance of Open-Ended Funds remained negative (-2.4%). Such performances should be evaluated in the light of the difficult context in which insurers were operating. However, they assume a totally different meaning if compared with the 3.5% at which the employees' leaving entitlement was revalued.

Principal new legislation

In terms of tax, the following principle new legislation is applicable:

Law 10 of 26 February 2011, which converted Legislative Decree 225 of 29 December 2010 (the 'Milleproroghe Decree' – the annual decree extending the life of various government measures). In particular:

- the exception may be applied to the criteria for valuing short-term securities (i.e. not impairing securities recognised under working capital if the impairment loss is deemed to be short term);
- the deferred tax assets may be transformed into tax credits provided certain specific conditions apply;
- the tax regimes of Open-Ended Investment Companies and traditional Italian and Luxembourg Unit Trusts were amended in such a way as to align them with those for foreign investment trusts.

Legislative Decree 68 of 6 May 2011 (Decree on Regional and Provincial Federalism): Article 17 contains new procedures to enable the Provinces to deal with MV Third-Party Liability insurance tax. As from 2012, this tax will be payable to the Provinces. The base rate of the tax is 12.5% but the Provinces may charge up to 3.5 percentage points more or less. Many Provinces voted to do so as from 2011.

Legislative Decree 98 of 6 July 2011 (Urgent provisions for financial stabilisation), amended and converted by Law 111 of 15 July 2011. Particular mention should be made of the following:

- the increase in the rate of IRAP of 0.75 percentage points for banks and finance companies (including holding companies) and 2 percentage points for insurance companies, respectively. The higher rate applies from the 2011 tax period;
- there is no time limit on how long tax losses generated in 2011 may be carried forward and they may account for up to 80% of taxable income;
- by paying 16% substitute tax it is possible to align the carrying amounts attributable to goodwill, brand names and other intangible assets of majority shareholdings recognised in the consolidated financial statements.

Legislative Decree 138 of 13 August 2011 (covering Further urgent measures for financial stabilisation and growth), amended and converted by Law 148 of 14 September 2011. Particular mention should be made of the following:

- the standard rate of VAT rose from 20% to 21% for operations carried out as from 17 September 2011;
- new provisions relating to the rate and taxation of equity income and other types of income were introduced as from 1 January 2012. The most important measure was the change in the rates of withholdings at source for most types of income: the 12.5% and 27% rates were changed to 20%. However, the 20% rate applies to only a proportion of the interest, premiums and other income from bonds, including government bonds and bonds issued by White-List States and equivalent securities, in order to keep the previous rate of 12.50% unchanged. Yields on the forms of supplementary pension referred to in Legislative Decree 252/05 were excluded from this reform.

Legislative Decree 201 of 6 December 2011 (covering Urgent provisions for the expansion, fairness and consolidation of public finances), amended and converted by Law 214 of 22 December 2011. Particular mention should be made of the following:

- a deduction from income subject to IRES (corporation tax) of the 'notional yield' of 'new own capital' known as ACE (Aiuto alla Crescita Economica – Support for economic growth) was introduced with effect from the tax period ending 31 December 2011, in order to encourage businesses to use their own capital;
- with effect from the tax period ending 31 December 2012 the amount of IRAP based on employee and similar costs subject to IRAP will be deductible for the purposes of IRES, whilst the lump sum deduction of 10% of IRAP referred to in Article 6 of Legislative Decree 185/08 will apply only if the taxable base includes interest payable and similar charges;

- the tax realignment/recognition of the increased carrying amounts of majority shareholdings introduced by Legislative Decree 98/2011 was also extended to operations carried out during the tax period ending 31 December 2011;
- with effect from 1 January 2012 there was an increase in stamp duty on statements sent to customers by banks, post office current account statements and bank and post office savings account statements. In addition the stamp duty due on communications to customers relating to products and financial instruments that do not require a deposit to be made, excluding pension funds and health funds (no longer due at a flat rate), was changed as follows: for each copy relating to the total market value or, failing that, relating to the nominal or repayment value, 0.1 per cent per year for 2012 and 0.15 per cent with effect from 2013.

Legislative Decree 216 of 29 December 2011, covering **Extension of terms laid down in the 'Milleproroghe Decree'**, amended and converted by Law 14 of 24 February 2012. This decree revokes Article 15 paras 14 et seq. of Legislative Decree 185 of 2008 with effect from 1 January 2012 and contains important provisions for the insurance sector. As a result of these changes a specific guideline was introduced, which provides for the following:

- as from 2012 and until the provisions implementing Directive 2009/138/EC come into effect, insurance companies may value debt securities issued or guaranteed by States in the European Union not intended to remain part of their equity in the long term on the basis of the subscription value shown in the most recent approved financial statements or, if available, in the most recent approved interim report rather than at the value that can be deduced from market trend, with the exception of impairment losses;
- businesses that make use of this facility must allocate the difference between the values recognised by applying those provisions and the market values at the end of the year, net of the appropriate tax charge, to non-available retained earnings (or tie up available retained earnings or future earnings);
- in order to ensure that a sufficient level of solvency is maintained, as from 2012 and until the provisions implementing Directive 2009/138/EC come into effect businesses may take account of the value of debt securities issued or guaranteed by EU States intended to remain part of their equity in the long term recognised in the individual financial statements of Italian insurance companies. The new provisions will form part of an ISVAP ruling.

Legislative Decree 1 of 24 January 2012, the **'Deregulation Decree'** contains various provisions affecting the insurance sector covering claims for damages arising out of road traffic accidents, combating MV TPL insurance fraud and marketing insurance products.

Management Report

Performance of securities

Information on the performance of securities

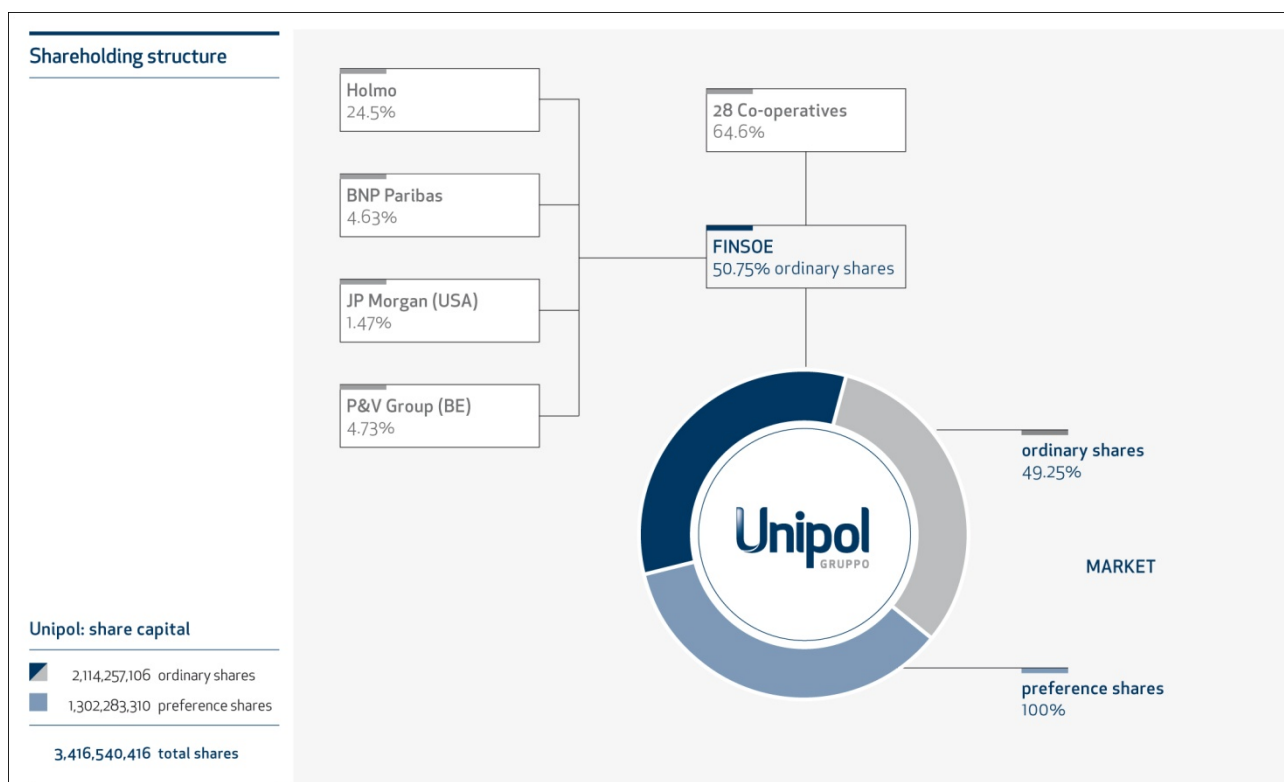
At the end of December 2011, Unipol ordinary shares were priced at €0.250, a fall of 45.92% over the year compared with a fall of 24.29% in the general FTSE Italia all-share index, 25.20% in the FTSEMIB index and 21.51% in the FTSE Insurance all-share index. Unipol preference shares fell 51.91% over the year.

Capitalisation

At the end of December total capitalisation amounted to €751m (€1,444m at 31/12/2010), of which €528m related to ordinary shares and €223m related to preference shares.

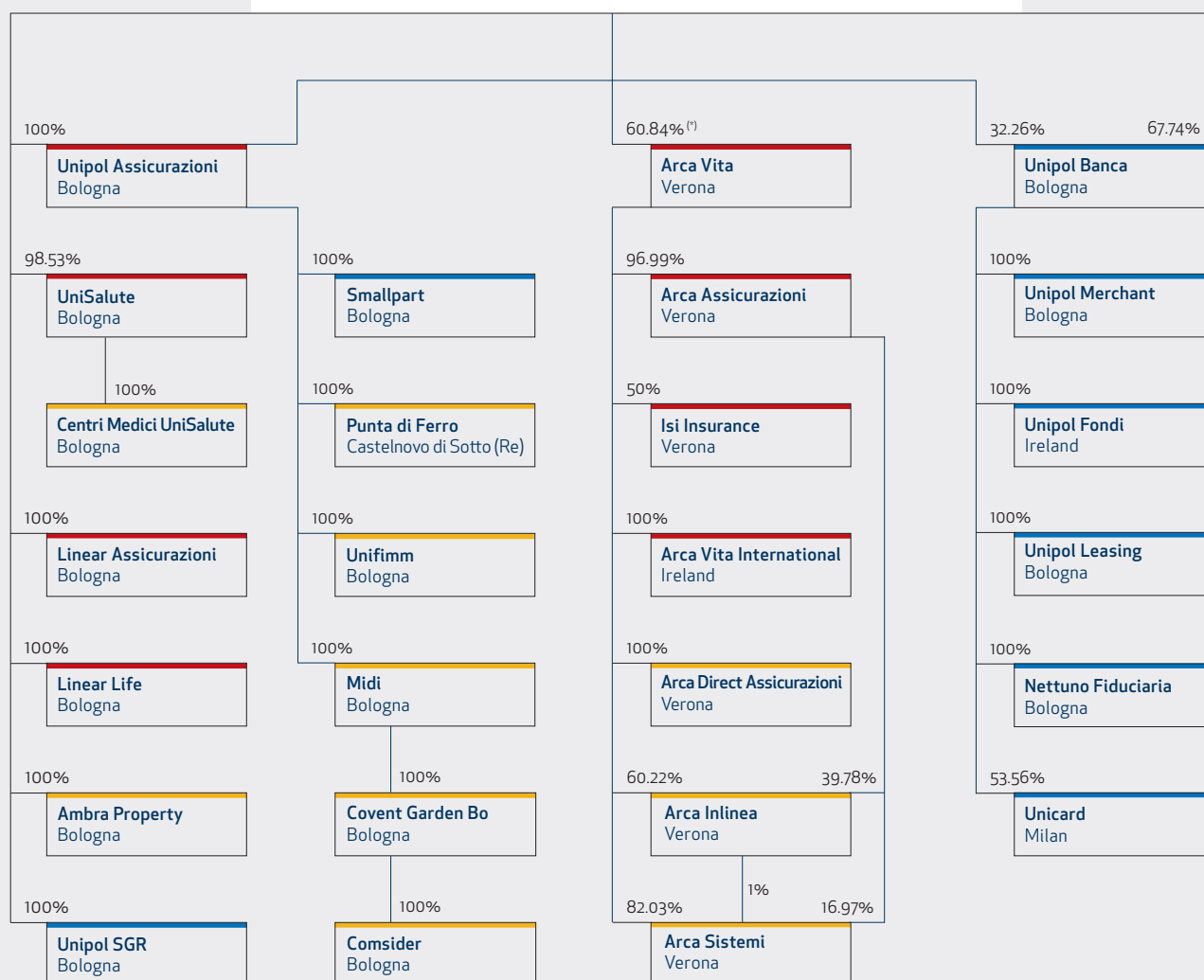
Shareholding structure

Under Article 2359 para. 1, 1) of the Italian Civil Code the company is controlled by Finsoe S.p.A.
The shareholding structure at 31 December 2011 is shown in the graphic below:



Group structure

31 December 2011



(*) Including treasury shares in the portfolio held by Arca Vita Spa, the percentage is 61.58%

UGF Private Equity SGR in liquidation, a 100% subsidiary of Unipol Banca, was cancelled from the Register of Companies on 3/2/2012

Holding

Insurance companies

Property and others

Financial services and banks

Business performance

Dear Shareholders,

during the 2011 financial year your Company continued to carry out its role of holding and service company for the Unipol insurance and banking Group in full. On 5 October 2011, Isvap, the body that supervises insurance companies, entered the Unipol Insurance Group in the Register of Insurance Groups (referred to in Article 85 of Legislative Decree 209/2005 and Isvap Ruling 15/2008). Unipol Gruppo Finanziario thus took on the role of Insurance Parent.

The following were the salient features of the year just ended:

- merger with Navale Assicurazioni S.p.A.: the contribution of Navale Assicurazioni's insurance business to Unipol Assicurazioni and the merger of Navale Assicurazioni into Unipol took effect for legal, accounting and tax purposes on 1 January;
- sale of investment in BNL Vita: on 7 April 2011, BNP Paribas exercised its option right to acquire the 25,500,000 shares held by Unipol in Bnl Vita, corresponding to 51% of the share capital, and designated the subsidiary Cardif Assicurazioni as purchaser.
On 29 September 2011, once BNP Paribas and Cardif Assicurazioni had obtained the permits required by law, the investment was sold for a total, as laid down in the contract, of €325.2m. This sale enabled Unipol to make a capital gain of €55m net of tax (€1m).
- Unipol Banca/Unipol Merchant debt reimbursement agreement: on 3 August 2011, under the transactions to strengthen the equity of the subsidiary Unipol Banca, Unipol signed agreements with Unipol Banca and Unipol Merchant, with effect from 30 June 2011, relating to a certain type of lending, mainly mortgage loans. 52 items were involved (Unipol Banca 49 and Unipol Merchant 3) amounting to €546.6m (Unipol Banca €528.2m and Unipol Merchant €18.4m – carrying amount at 30/6/2011). Under these agreements Unipol undertook to pay Unipol Banca and Unipol Merchant the principal and interest on these loans if they had not received them after taking all possible actions provided for by law to recover the debt, including applying to the courts, up to a maximum, including capital and interest, equal to their carrying amount at 30 June 2011. The agreements will remain in force for a maximum of ten years after the last date on which the loans are repayable. In return Unipol Banca and Unipol Merchant will pay Unipol S.p.A. an annual sum of 1% of its commitment at the time (€2.1m in 2011). As the operation concentrates on items with a lien on property it benefits from the expertise of the Group's property department, thus ensuring that the loan portfolio and in particular the underlying liens on property are managed effectively. Two transactions for the sale of mortgaged property complexes to Unipol Banca were concluded during December 2011, with a consequent €56m reduction in total exposures, €29m of it relating to a mortgage on an industrial complex transferred to a property fund that took on the debt with effect from 1 January 2012 and €27m to land loans already classified as bad and doubtful debts and backed by a mortgage on the Villa Cicogna complex, part of which is of historical value, in San Lazzaro di Savena (BO), recognised by the subsidiary Ambra Property. In this case Unipol's commitment consisted of more than merely a duty to make a reimbursement but took the form of helping to assess the value of the property assets used as security for the loan. Unipol is carrying out other negotiations and appraisals on other property complexes and it is expected that similar transactions for large amounts will be completed during 2012.
Following a thorough investigation into whether the receivables were recoverable and the liens on property were appropriate €53m was set aside in 2011 to cover these risks.

- realignment of goodwill in accordance with Law Decree 98/2011: in accordance with the provisions of Article 23, paras 12 to 15, of Law Decree 98/2011 (converted by Law 111/2011), on 30 November 2011 Unipol realigned the premium on its controlling interests by the amount of the goodwill recognised in the consolidated financial statements at 31 December 2010 and paid €231.6m in substitute tax, i.e. 16% of the €1,447m of realigned taxable goodwill. In return a €398m saving on future taxation is expected. The amount paid was recognised under Deferred tax assets and will be recognised through profit or loss in ten equal instalments as from 2013 (the tax period following the one current on 31/12/2012), the year from which it will be possible to deduct the increase in the realigned amounts for tax purposes, which is expected to have a positive net effect through profit or loss of €16.6m per year for 10 years.
- the Group rebranded itself on 1 July 2011, the aim being to focus on the traditional name 'Unipol'. The decision was supported by the fact that this brand is known throughout Italy and is valued and trusted by the market, thus making it a strategic asset for the Group. The abbreviation UGF, which had formed part of the name of several companies in the Group, was replaced with 'Unipol'. UGF Assicurazioni changed its name to Unipol Assicurazioni S.p.A. and the companies in the Banking Group (now Gruppo Unipol Banca) UGF Banca, UGF Merchant and UGF Leasing took the names of Unipol Banca S.p.A., Unipol Merchant S.p.A. and Unipol Leasing S.p.A., respectively.
All the brand names of the companies in the Group were also changed and are now identified by the same immediately recognisable design, which promotes a coordinated and distinctive corporate identity.

KPMG SpA's appointment as independent auditors made in 2006 expired on 31 December 2011 once the report on the legally required audit of the financial statements had been drawn up and legally cannot be renewed. On 28 April 2011, after having examined the motion submitted by the Board of Statutory Auditors, the Shareholders' Meeting voted to appoint PricewaterhouseCoopers S.p.A. as auditors for the Company's annual financial statements, including checking that the company's books have been properly kept and carrying out the checks associated with the signing of the tax returns, and for the Group's consolidated financial statements and consolidated interim report as at and for the years ending 31 December 2012 to 31 December 2020.

Below we describe the performance of the various types of business in which the Group operates.

2011 was characterised by good performance in insurance business, with Non-Life business already exceeding the technical marginality targets for 2012 laid down in the Business Plan. Despite the markets continuing to be not particularly favourable to economic growth, results were positive in Life business too, with a satisfactory result in terms of premiums, and in banking, where the focus was on the core areas of retail and SMEs.

To be specific, as a result of underwriting policies remaining very selective and the rationalisation of the network of agencies Non-Life business achieved premiums of €4,333m in 2011 (+2.1% compared with 31/12/2010), €2,623m in MV classes and €1,710m in non-MV classes. Without the contribution of the Arca Group, which was consolidated on 1 July 2010, premiums would have been €4,181m (+1.1% compared with 31/12/2010). Arca Assicurazioni had already stopped using the sales network of multi-firm agencies altogether in order to concentrate on its mission within the Group of increasing its more strategic and productive income from banking channels. In MV business, which was up 2.7% on 2010, Linear, which specialises in selling MV insurance direct (telephone/internet), did particularly well, with premiums of €201m, +17.8% over the previous year. In non-MV business, where premiums were up 1.2%, UniSalute's contribution to premiums of €211m was noteworthy, +19.4% compared with 2010. UniSalute specialises in Health and continued to develop its special business model successfully.

As for the loss ratio, the improvement in business margins that started in 2010 continued in 2011 as a result

of the measures contained in the 2010-2012 Business Plan being put into effect. The significant improvement in technical business in 2011 was also helped by a fall in claims frequency in the MV TPL class and by the improvement in the loss ratio in non-MV classes, where the ongoing work to rationalise the portfolio was accompanied by a favourable trend in losses caused by bad weather and natural disasters. Against this background, at the end of 2011 the Group recognised a loss ratio for direct business of 73.2%, an improvement of 6.8 points compared with 80% in 2010.

The expense ratio for direct business was 22.3% compared with 22.1% at 31 December 2010, slightly up owing to a greater incidence of variable commissions linked to the improvement in technical business, whilst the incidence of operating costs on premiums was the same as the previous year thanks to measures to keep them down, which offset inflation, the increase in VAT and the rise in staffing costs.

Therefore, at the end of 2011 the Unipol Group recognised a combined ratio for direct business of 95.5%, more than six points lower than the 102.1% recognised in December 2010. This was an excellent result and even better than the 97.5% target laid down in the Business Plan for 2012 and made it possible to obtain an operating profit for normal business operations of €386m compared with the target of €325m laid down for 2012 in the Business Plan.

Turning to Life business, BNL Vita, which was sold on 29 September 2011, was consolidated for financial purposes until the third quarter of 2011, under IAS 27, contributing €2,112m to the Unipol Group's consolidated income in 2011 but making an insignificant contribution to the consolidated loss for the year.

Under the Unipol Group's new structure, i.e. excluding BNL Vita's contribution, Life business achieved direct premiums of €2,476m, up 9.6% on 2010, benefiting from the contribution of Arca Vita and Arca Vita International, which were not consolidated in the first six months of 2010. The two companies' direct premiums totalled €646m, in line with expectations based on the contractual agreements entered into when the controlling interest in Arca Vita was acquired. Unipol Assicurazioni's Life premiums amounted to €1,829m, slightly down on the €1,907m achieved in 2010 (-4.1%) but decidedly better than in the Eurozone as a whole, where, in a generally unfavourable climate, there was a huge fall in total Life premiums (-19% in the first nine months of 2011). As a result of the above, under the new Group structure, which excludes BNL Vita, new business in terms of pro quota APE was €248m at 31 December 2011 (€67m of it contributed by the companies in the Arca Group) compared with €229m in 2010.

In banking business the continuing unfavourable macroeconomic situation meant that the maximum care had to be taken when managing liquidity and granting and managing loans. Guidelines were mainly aimed at balancing equity, refocusing on retail and small businesses, which represent Unipol Banca's core business, and applying pricing policies that guarantee profitability. All this led to a 3.1% increase in direct customer deposits compared with 2010 and a 3% drop in total lending to customers as a result of the decrease in the corporate segment, whilst core business was up once again.

In view of the structural change in the national and international economic situation and consequently of the Bank's prospects for generating value, the impairment test on the €419m of goodwill recognised in Unipol Banca's separate financial statements as a result of past acquisitions of bank branches revealed the need for an impairment loss of €300m, which had a negative effect on the income statement, net of tax, of approximately €201m. The impairment loss did not affect the regulatory capital, though the deduction of goodwill did. However, the tax effect was positive. Partly thanks to a share capital increase of €100m carried out in December 2011 the Bank achieved a consolidated Tier I capital of more than 8% at the end of 2011.

Starting in the second half of the year management of financial assets was affected by the worsening of the sovereign debt crisis in several Eurozone countries and in particular by the fact that Italy became caught up in it. The repercussions were a rise in rates of return on debt securities and a steep drop in rates on international share markets. This led to an inevitable impairment loss on the assets in the Unipol Group portfolio, affecting the compulsory reserve for financial assets classified as available for sale and those recognised through profit or loss in the case of securities recognised at fair value. Despite the effects of the crisis in the financial markets, under the new Group structure asset management achieved a gross profit margin of approximately 3.2% during the period in question.

Unipol Gruppo Finanziario's financial statements as at and for the year ended 31 December 2011, which we are submitting for your examination and approval, ended with a net loss of €358.3m (a loss of €63.7m in 2010) mainly because of the €239.8m impairment loss on the investment in Unipol Banca S.p.A. but also because of €60.5m of capital losses on the sale of current financial assets and €68.7m of accruals to provisions for risks and charges.

The value of the investment in the subsidiary Unipol Banca was broadly in line, pro rata, with the company's equity at 31 December 2011, which was affected by a loss for the year of €199.9m, goodwill on bank branches having also suffered a €300m impairment loss (€200.8m net of taxation). In view of the structural change in the national and international economic situation and consequently in the Bank's prospects for generating value, and the rise in interest rates on the national debt, which led to the benchmarks for discounting future financial flows being raised, the impairment test revealed the need to recognise the above-mentioned adjustment by reducing total goodwill recognised in the financial statements from the original €419.2m at the end of 2010 to the current €119.2m at 31 December 2011.

Salient aspects of business operations

The figures that best illustrate business performance are as follows:

- A. The Unipol Group's revenue from its core business as a holding and service company amounted to €12.6m (€17.5m in 2010). The decrease in this item was once again attributable to the Group reorganisation work carried out during 2010 and in full swing in 2011.
- B. Other revenue and income amounted to €19.4m and were related to costs recovered for staff seconded to Group companies (€15.7m in 2010).
- C. Production cost amounted to €158m and included all the operating costs arising from the core holding company business carried out in 2011 (€80.7m in 2010). €68.7m of the increase was due to accruals to provisions for risks, €53m of it relating to the Unipol Banca/Unipol Merchant debt reimbursement agreements.
- D. Income from investments amounted to €7.5m and included dividends from investments in shares (€19m in 2010). The decrease was due to the subsidiaries not paying dividends (€12.4m in 2010).
- E. Net ordinary financial expense totalled -€78m (-€14.7m in 2010) as a result of the capital losses on the sales of shares, bonds and government bonds carried out during 2011.
- F. Adjustments to financial assets totalled -€285.1m, -€239.8m relating to the impairment loss on the investment in the subsidiary Unipol Banca mentioned above and -€45.3m to the adjustment to market values of the company's share and bond portfolio (-€36.8m in 2010).
- G. The results of ordinary business were a loss of €482m (-€80m in 2010).
- H. The result of non-recurring business was €59.1m (-€6.5m in 2010), mainly because of the €55.9m capital gain on the sale of the investment in BNL Vita on 29 September 2011.
- I. The pre-tax loss was -€422.5m (-€86.5m in 2010).
- J. Income taxes had a positive impact of €64.2m on the income statement (€22.8m in 2010).

The Company's equity at 31 December 2011, including the net loss for the year, amounted to €4,337.9m (€4,696.1m at 31/12/2010). The decrease of €358.2m was due exclusively to the loss for the year of €358.3m.

Merger

The contribution of Navale Assicurazioni S.p.A.'s insurance business to Unipol Assicurazioni S.p.A. and the merger of Navale into Unipol took effect for legal, accounting and tax purposes on 1 January 2011.

The equity items incorporated by Unipol under the merger were as follows:

- €4.7m of financial fixed assets entirely made up of the 100% investment in Linear Life S.p.A. (formerly Navale Vita S.p.A.);
- €32.5m of receivables from parents under the consolidated tax scheme;
- €1.6m of other receivables and other assets, mainly tax receivables;
- €0.7m of sundry payables, mainly tax liabilities;
- €38.1m of merged equity.

Apart from the derecognition of the €271.7m investment in Navale Assicurazioni, the merger led to the

€277.4m increase in the investment of Unipol Assicurazioni (to which Navale's insurance business was contributed) and a €43.7m payable to Unipol Assicurazioni, which was paid on 30 June 2011.

Under the merger Unipol increased its share capital by €0.2m, or 217,419 shares, for the purpose of the exchange.

The effects of the merger mentioned above are reported in the Notes to the Financial Statements as comments on the changes in the items in the balance sheet compared with the previous year.

Unipol's share capital was therefore €2,699,066,930.11 at 31 December 2011 and was represented by 3,416,540,416 shares with no nominal value, 2,114,257,106 of which were Unipol ordinary shares and 1,302,283,310 Unipol preference shares, and 634,236,765 Unipol 2010-2013 Ordinary Share Warrants and 390,660,132 Unipol 2010-2013 Preference Share Warrants were outstanding.

Investment management

Financial operations

Investment management during 2011 was carried out in line with the guidelines expressed in the Company's Investment Policy.

When the portfolio risk was being considered preference was given to government securities, mainly Italian. There was significant activity on the primary market, mainly in the first few months of the year, with new issues of covered bonds and securities in the financial sector.

The second half of the year saw the sovereign debt crisis in the Eurozone intensifying and the consequent deterioration in the credit and share markets, accompanied by much higher volatility. Against this background of marked uncertainty work slowed down considerably in the second half of the year and focused almost exclusively on unfreezing some of the bond and share portfolio in order to maintain an appropriate level of liquidity (€306.8m at 31/12/2011, which, in addition to the liquid funds, included €200m of term deposits exceeding 15 days).

It should be emphasised that operations that led to a lot of liquidity being absorbed were carried out in the last few weeks of the year:

- realignment of the goodwill recognised in the 2010 consolidated financial statements, taking advantage of the opportunity to do so introduced by Law Decree 98/2011, involved expenditure of €231.6m;
- €295.2m of share capital increases and payments for future share capital increases of subsidiaries.

As a result of these initiatives the duration of the portfolio fell to 1.40, from 2.05 in the previous year.

The share-portfolio investment policy followed prudent criteria for selecting securities characterised by expectations of good results, strong cash flow and therefore the ability to maintain generous dividends in the long run. Total exposure to equity instruments was selectively reduced in view of the general deterioration in the markets in the second half of 2011.

The share component, net of investments and funds, had a fair value of €35.7m at the end of the year.

Tangible and intangible fixed assets

The level of tangible and intangible fixed assets, net of amortisation and depreciation, fell from €27m to €24.3m during 2011, a decrease compared with the previous year of €2.7m, mainly owing to amortisation and depreciation for the year.

The breakdown of tangible and intangible fixed assets and the variations over the previous year are set out in the table below.

TANGIBLE AND INTANGIBLE FIXED ASSETS				
<i>(amounts in €m)</i>				
	31/12/2011	31/12/2010	<i>Variations</i>	
			<i>amount</i>	<i>%</i>
Tangible fixed assets				
- Plant and machinery	0.1	0.0	0.1	284.2
- Other assets	1.6	1.0	0.6	58.1
Total	1.7	1.1	0.7	61.3
Intangible fixed assets				
- Start-up and capital costs	6.6	8.4	(1.9)	(22.1)
- Research, development and advertising costs	8.7	12.1	(3.4)	(28.2)
- Concessions, licences, trademarks and similar rights	6.9	0.0	6.9	
- Assets under development and payments on account	0.4	4.6	(4.2)	(91.7)
- Other	-	0.8	(0.8)	(100.0)
Total	22.5	25.9	(3.4)	(13.0)
TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS	24.3	27.0	(2.7)	(10.0)

The new information system purchased for the Solvency II project, which had been recorded under assets under development at 31 December 2010, had become operative and was therefore recognised under "Other".

Details of fixed assets are shown in appendices 5 and 6 to the Notes to the Financial Statements.

Financial fixed assets

Financial fixed assets rose from €4,620.2m to €4,685.9m during 2011, an increase of €65.6m compared with the previous year. The variation was due to:

- an increase in the investment in Unipol Assicurazioni S.p.A. totalling €427.6m. This increase was partly due to the contribution of Navale Assicurazioni S.p.A.'s insurance business to Unipol Assicurazioni S.p.A. (€277.6m) and partly to a payment for future capital increases made on 30 December 2011 (€150m);
- cancellation of the investment in Navale Assicurazioni S.p.A. because of the merger on 1 January 2011 (€271.7m);
- acquisition of the €4.7m investment in Linear Life S.p.A. (formerly Navale Vita S.p.A.) because of the merger with Navale Assicurazioni S.p.A.;
- subscription and pro rata payment of €67.7m for the €100m share capital increase resolved by Unipol Banca S.p.A. on 15 December 2011;
- €77.5m increase in payments for future capital increases to other subsidiaries;
- €239.8m impairment loss on the investment in the subsidiary Unipol Banca, the value of which was realigned, pro rata, to the equity at 31 December 2011.

The breakdown of financial fixed assets and the variations over the previous year are set out in the table below.

FINANCIAL FIXED ASSETS				
<i>(amounts in €m)</i>				
	31/12/2011	31/12/2010	Variations amount	%
Financial fixed assets				
- Investments				
- Subsidiaries	4,588.3	4,522.2	66.0	1.5
Total	4,588.3	4,522.2	66.0	1.5
- Receivables				
- Other companies	97.6	98.0	(0.4)	(0.4)
Total	97.6	98.0	(0.4)	(0.4)
TOTAL FINANCIAL FIXED ASSETS	4,685.9	4,620.2	65.6	1.4

Details of investments are shown in a table in the Notes to the Financial Statements (appendix 7).

The breakdown of investments by type of business and the changes compared with the previous year were as follows (in €m):

	2011	Variations compared with 2010
Insurance	3,905.1	210.6
Banking and financial services	634.3	(172.1)
Other investments	48.9	27.5
	4,588.3	66.0

Investments varied as follows during the year:

Acquisition/subscription of shares or quotas

Unipol obtained the entire share capital of Linear Life S.p.A. on 1 January 2011 as a result of the merger with Navale Assicurazioni S.p.A.

Unipol Banca S.p.A.'s Shareholders in their Meeting held on 9 November 2011 resolved to increase the share capital by €100m. Unipol S.p.A. subscribed and paid up €67.7m for its part on 15 December 2011. Unipol Banca S.p.A.'s share capital thus rose to €1,004.5m.

Payments for future capital increases to subsidiaries

- €27.5m paid to Ambra Property S.p.A. in two instalments on 29 November and 30 December 2011;
- €38.5m paid to Arca Vita S.p.A. on 30 December 2011;
- €5m paid to Linear S.p.A. on 30 December 2011;
- €1.5m paid to Linear Life S.p.A. in two instalments on 30 September and 30 December 2011;
- €150m paid to Unipol Assicurazioni S.p.A. on 30 December 2011;
- €5m paid to UniSalute S.p.A. on 30 December 2011.

Divestments

There were no divestments during the year.

Own shares and shares of the parent

There were no own shares in the portfolio at 31 December 2011. In accordance with Article 2359-*bis* of the Italian Civil Code the Shareholders' Meeting held on 28 April 2011 voted to top up the reserve for purchase of own shares by €100m and to authorise the Board of Directors to use the reserve to purchase shares accordingly.

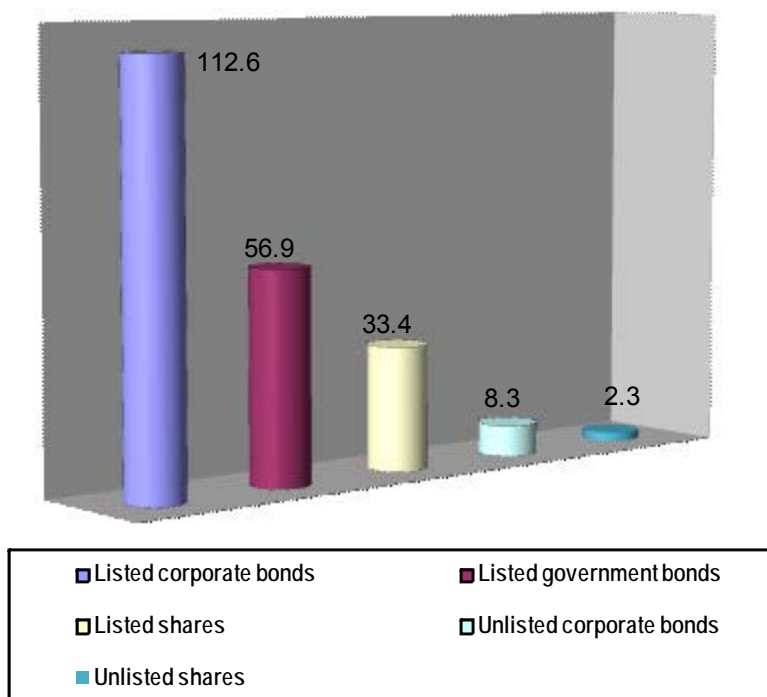
In accordance with Article 2359-*bis* of the Italian Civil Code the Shareholders' Meeting held on 28 April 2011 voted to top up the reserve for purchase of shares in the holding company Finsoe by €45m and to authorise the Board of Directors to use the reserve to purchase shares. The company held no shares in the holding company Finsoe at 31 December 2011.

No own shares nor shares of the parent were bought or sold during the year.

Current financial assets

This item amounted to €213.6m, a decrease of €651.8m compared with the previous year, €269.4m of it from the sale of the investment in the subsidiary BNL Vita S.p.A. on 29 September 2011 and €381.9m from the sale of bonds for the purpose of rebalancing liquidity.

This item did not include any investment in subsidiaries at 31 December 2011. The breakdown of Other investments and Other securities is shown in the chart below (in €m):



Liquid funds

Bank deposits and cash in hand at 31 December 2011 amounted to €106.8m, a decrease of €219.6m compared with the balance at 31 December 2010.

Indebtedness

Bond loans issued by Unipol amounted to €925m at 31 December 2011 (the same as in 2010) and were

made up of:

- an unlisted senior bond loan with a nominal amount of €175m issued in July 2009 for a three-year term (maturing in July 2012), with a fixed interest rate of 5.25%. This loan was deemed to be current since it matures in 2012;
- a senior bond loan with a nominal amount of €750m issued in December 2009, listed on the Luxembourg Stock Exchange, for a seven-year term (maturing in January 2017), with a fixed interest rate of 5%.

This item also included €267.8m of loans to the subsidiary Unipol Assicurazioni (€268.8m in 2010), repayable, in whole or in part, at sight at the request of Unipol Assicurazioni, remunerated at the three-month Euribor rate plus 100 basis points.

Financial indebtedness (described in appendix 11 to the Notes to the Financial Statements) rose from -€39.1m to -€910.1m because of the reduction in liquid funds and securities held for trading. The €269.4m investment in BNL Vita had also been recognised under current financial assets at 31 December 2010.

Risk management (Article 2428 of the Italian Civil Code)

The financial risk was managed by periodically monitoring the principal indicators of exposure to the interest rate risk, the share risk, the credit risk and the liquidity risk.

The interest rate risk was managed by adjusting the assets to the liabilities and managing them jointly.

The duration of the investment portfolio, which is an indicator of exposure to the interest rate risk, was 1.4 years at 31 December 2011.

As regards the credit risk, 95.9% of the securities portfolio was concentrated in the investment grade segment (BBB or higher according to Standard & Poor's).

To be specific, 33.9% of the debt securities were rated single A, 61.4% triple B.

As for the share risk, excluding investments, the indicator of sensitivity to the Eurozone share market (Beta coefficient) was 0.95.

The liquidity risk was limited because almost the entire portfolio (95.3% in the case of bonds and 94% in the case of shares) consisted of listed securities.

Human Resources

At 31 December 2011 the Company had 288 employees.

The number of full-time equivalent (FTE) employees was 284.

Number of employees	31/12/2011			31/12/2010		
	<i>Ave</i>	<i>Final</i>	<i>FTE</i>	<i>Ave</i>	<i>Final</i>	<i>FTE</i>
Full-time	294	286	282	343	280	276
Temporary	1	2		1		
TOTAL	295	288	282	344	280	276

Renewal of Unipol Labour Agreement for the Insurance sector

On 10 November 2011, the Board of Directors approved the draft of the new Unipol Labour Agreement for employees of Unipol and the insurance companies in the Group, with the sole exception of the employees of the companies in the Arca Group, whose terms of employment will be gradually harmonised.

It was approved in a referendum held at the Group's various offices on 7, 8 and 9 November 2011. 3,869 people voted (84.15% of the 4,598 entitled to vote), with 3,122 votes in favour (80.69% of those who voted).

The new Unipol Labour Agreement, which came into effect on 8 October 2011 and will expire on 31 December 2013, is undoubtedly important and innovative in the sector. Specifically, Unipol became the first large Group in the insurance sector to harmonise and standardise contractual terms, both financial and legal, for

all employees whatever their company, origin or place of work, improving on all the previous contractual terms applied by the various companies in the Group, one of the aims being to help to increase the sense of belonging by focusing on the Group rather than the differences between the individual companies.

The main points of the new agreement were:

- the same working hours in all offices as from 1 January 2013, with the various types of leave of absence being rationalised and standardised (no longer varying according to office or company but the same for everyone and linked to actual needs). All the call centres in the Group continued with their current working hours, including Saturday;
- productivity bonus scheme according to position and not years of service (Unipol being the only Group in the sector to ignore years of service when calculating this benefit);
- health cover provided by the Group company UniSalute, thus offering a broad range of approved health facilities which, thanks to direct payment and economies of scale, will enable the average costs of the services to be kept down and monitored more effectively. The traditional system whereby charges are reimbursed will continue to operate alongside the approved network, though with several differences (different limits, excesses on some benefits etc.);
- loans to employees, which will be granted and managed by Unipol Banca, also to be channelled towards Group companies.

Training

Training was organised and coordinated by the Parent for all the Companies in the Group and had covered a total of 28,506 participant days (211,190 participant hours) by 31 December 2011, 14,598 in insurance and 13,908 in banking business.

Below is a summary of the main projects already carried out or in progress and indications of how many employees were involved.

Insurance Business

During 2011 'Technical Training of Staff' consisted of 9,573 participant days in the classroom and 2,546 participant days of distance learning. 2,479 participant days of 'Managerial Training' were provided in 2011. Amongst the topics covered were market abuse, combating money laundering, Solvency II, the Group Organisational and Management Model, foreign languages and raising awareness of the Code of Ethics and Group values ('The only way is Ethics').

Banking

Unipol Banca's 'Technical Training of Staff' in 2011 consisted of 8,739 participant days of classroom-based technical and managerial/relational training and 5,169 participant days of distance learning provided by the 'Unipol Web-Based Academy' and the Company's Intranet.

Amongst the topics covered were managing credit risk, combating money laundering and international terrorism, market abuse, operational risks and self-assessment risk.

Information systems

In this section we describe the main activities carried out within the Unipol Group.

Insurance Business

The Unipol Group's IT Department worked along two main guidelines of the 2010-2012 Business Plan:

- 1) support to enable Group Business Lines to implement the initiatives laid down in the Business Plan;
- 2) support for updating Group IT systems and using new technology.

Some of the main IT work carried out during 2011 to support the initiatives laid down in the Plan for the various business lines is described below:

- the principal Non-Life activities focused on developing new joint products for both the Unipol and the Aurora networks and on rationalising procedures for issuing policies. The new MV product "KM Sicuri" (Safe Miles), which uses a black box installed in vehicles and offers customers a new tariff per kilometre (pay as you go), continued to be offered to more customers;
- work continued on developing the Group's new Life system, and plans were made to improve it and to transfer the old Unipol and Aurora individual and group policy portfolios;
- in Claims work continued on maintaining and developing the current IT system by developing new software to improve the monitoring, effectiveness and efficiency of claims settlement procedures and on making the upgrades required by changes in legislation: introduction of a civil mediation procedure, a new procedure for claims provisions, a new web-based procedure for Legal Representatives, an automated procedure for managing summonses, a stronger fraud prevention system, work on the Claims database, work on the CARD system. The New Group Claims System was also launched during the first quarter of 2011;
- in Marketing business the new Group Customer Relationship Management system, already operating in the network of company agencies (Assicoop) since 2010, was extended to 200 additional private agencies. New hardware was introduced to enable the system to be gradually extended to the remaining private agencies and functional improvements to the software were made.

The new IT system to enable Solvency II to be applied was also being developed.

Mention should be made of the following work carried out by the Group's special-purpose companies:

- Centri Medici UniSalute acquired new IT hardware, enabling it to open its first polyclinic in Bologna in November;
- Linear improved the automatic system for issuing quotations and making payments, introduced new web-based services for intermediaries' websites and made the changes required by new legislation.

When IT services were updated account was taken not only of technological and operational requirements but also of social and environmental responsibility by means of various measures to reduce the environmental impact and operating costs, including minimising the consumption of electricity for operating and cooling equipment, staff travel between offices and the need to dispose of equipment. To be specific, in collaboration with the voluntary organisation BiTeB (Banco Informatico Tecnologico e Biomedico) the Group introduced an initiative for making donations of IT equipment that was being replaced, which turned the scrapping cost (irreversible deletion of data and special waste disposal) into an opportunity to care for the environment and support various non-profit-making organisations (charities, hospitals, schools etc.).

Banking Business

In accordance with Banca d'Italia regulations the annual business-continuity checks were carried out in collaboration with the outsourcer Cedacri.

The following tests were carried out in 2011:

- Annual Business Continuity test – Non-availability of Staff: test that simulated a situation in which some of the staff in the Finance Department were absent and back-up measures had to be taken in order to guarantee business continuity;
- Annual Disaster Recovery test – Non-availability of the IT system: to check that the IT systems would resume operations (Disaster Recovery), in collaboration with the outsourcer Cedacri.

The work of scanning guarantees was completed in November (approximately 80,000 documents). In this way these documents may be easily consulted by all Head Office units and recovery of the originals is required only when a judge deems that copies are not acceptable. This measure not only provides practical

benefits but reduces operational risks.

A new user interface for the 'lending procedure' has been in operation throughout the network since May: the new web-based front-end work uses wizards, which are easy to become familiar with and to use.

Internet

www.unipol.it is Unipol Gruppo Finanziario S.p.A.'s site, which enables users to access the sites of the various Companies in the Group as well as to obtain information on Unipol.

Research and development

Unipol Gruppo Finanziario did not carry out any research and development activities during 2011.

Data protection (Legislative Decree 196/2003)

In accordance with the provisions of Legislative Decree 196/2003 – the Data Protection Act - Unipol Gruppo Finanziario updated its Data Protection Document within the statutory time limit.

This document covers the security measures provided for in appendix B to the Data Protection Act and contains the following information:

- list of operations involving personal information;
- distribution of duties and responsibilities of the various departments responsible for processing personal information;
- analysis of risks affecting information held;
- existing measures and measures to be adopted in order to guarantee that information is complete and available and that areas and premises are protected;
- criteria and procedures for recovering information after it has been destroyed or damaged;
- organising training in processing personal information;
- outsourcing the processing of personal information.

Report on corporate governance and ownership in accordance with Article 123-bis of Legislative Decree 58 of 24 February 1998

The information required by Article 123-*bis* of Legislative Decree 58 of 24 February 1998 and amended by Article 5 of Legislative Decree 173 of 3 November 2008, is contained in the annual report on corporate governance, which has been approved by the Board of Directors and published, together with the management report, in accordance with Article 89-*bis* of the Regulation adopted by Consob in its Resolution 11971 of 14 May 1999 and with Section IA.2.6. Guidelines on the Regulation Governing Markets Organised and Managed by the Borsa Italiana S.p.A..

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

Social and environmental responsibility

During 2011 the Group developed, put into practice and consolidated its commitment to sustainability, in accordance with its commitments under the 2010-2012 Sustainability Plan.

Social commitment is an integral part of the work carried out by the Group, which has always promoted good relations with the local and national communities in which it operates. The Group helps to support numerous

social, cultural, environmental and sporting initiatives, in the conviction that social commitment represents a real investment and therefore a duty for the world of business.

Organisational work was undertaken to strengthen the governance of sustainability:

- the Board of Directors' Committee for Corporate Social Responsibility (CSR) became the Sustainability Committee;
- the responsibility for managing CSR was taken on by the CEO;
- an Energy Manager was appointed to strengthen the work of monitoring and reducing energy consumption;
- an Efficiency Manager was appointed to improve overall environmental performance throughout the procurement chain;
- a person in each Department was appointed responsible for sustainability;
- an internal Group ruling was issued on the sustainability accountability system.

These many and various measures enabled the Unipol Group to consolidate its commitment to make sustainability part of normal business as the fifth driver of the Business Plan.

The instruments for managing accountability within the Group became fully operational during the year:

- the first Sustainability Budget was drawn up for 2011, for internal use only, adopted by the Board of Directors and sent to the Group's senior executives;
- the Sustainability Plan was monitored quarterly using a system made up of 160 indicators and involving more than 50 contacts in all the companies in the Group; a half-yearly departmental monitoring report was produced, discussed with senior executives and submitted to the Board of Directors;
- the Sustainability Report was improved on the 2010 report;
- a start was made on adopting SAP Sustainability in order to have a data collection system that was more structured, thorough, trustworthy, verifiable and traceable.

At the same time the Sustainability Department helped the Company's other departments to develop projects aimed at meeting the plan's targets. Projects for achieving the following were developed during 2011:

- improved diversity management within the Company and the implementation of policies to promote the integration of disabled people into normal life and work;
- additional welfare services;
- more sustainable Life products;
- a reduction in the environmental impact of the industrial processes of Unipol Group's suppliers, which helps to determine Unipol's overall impact on the environment.

This last project was launched in September as an interactive business-to-business project based on the "sustainability partners" community.

Several measures were also carried out in collaboration with the Personnel Department to promote employee participation in society at large, such as active involvement in Legambiente's "Let's clean up the World" initiative and organising "A day in the office with Mum and Dad".

The Group decided to concentrate its efforts on saving energy and paper. Much of the waste produced by the companies in the Group was recycled, mainly paper, which was the most relevant material used. In addition computer waste, toner cartridges and hazardous waste were collected separately and disposed of appropriately, in accordance with current legislation in the various parts of the country, by specialist firms. Transport management measures were introduced and travel policies aimed at reducing work-related journeys were adopted in order to reduce carbon dioxide emissions from transport used for the Group's business. Thus increasing use was made of video-conferencing, conference calls and e-learning training courses and the environmental impact was also limited by the use of public transport and car-pooling being promoted.

'The only way is Ethics' was run as a distance-learning course in order to promote the Company's corporate values and ethics to all employees and agents and to improve their knowledge of the Code of Ethics, with the additional aim of ensuring that it would be implemented in full.

In its role as Ethics Committee the Sustainability Committee also continued to examine the information received by the Head of Ethics.

Relations with Companies in the Group and transactions with related parties

Unipol Gruppo Finanziario S.p.A., a holding and service company, Parent of the Unipol Insurance Group (entered in the Register of Insurance Groups – no. 046) carries out management and coordination activities in accordance with Article 2497 et seq. of the Civil Code.

None of Unipol S.p.A.'s shareholders carried out management and coordination activities, in accordance with Article 2497 et seq. of the Italian Civil Code.

Finsoe S.p.A., which held a controlling interest of 50.75% in Unipol S.p.A.'s ordinary share capital at 31 December 2011 as defined in Article 2359, para. 1.1, of the Italian Civil Code, did not carry out any of Unipol S.p.A.'s management or coordination, technical or financial activities.

The project for the non-proportional partial demerger of Holmo S.p.A. concluded on 2 November 2011. It had been launched on 12 April 2011 and approved by the Extraordinary Shareholders' Meeting held on 5 July 2011 and resulted in a proportional reduction in Holmo S.p.A.'s investment in Finsoe S.p.A. from 76.50% to 24.54% of the entire share capital with voting rights. Since the demerger neither Holmo nor any other party has held an interest in Finsoe that could be described as controlling.

Most of the services supplied by the Parent Unipol that did not affect the competitiveness of the individual operating companies were in the following areas:

- Institutional Relations and relations with the Media and Corporate Identity;
- Management, development and administration of human resources, project management and organisational reporting;
- Corporate services;
- Compliance with legislation and combating money-laundering (legal services);
- Governance (internal controls, risk management and compliance with relevant legislation).

In its role as subsidiary Unipol Assicurazioni provided services to companies in the Group, including Unipol, relating to the following areas:

- Planning and monitoring;
- Legal affairs and data protection;
- IT services;
- Health and safety at work (Legislative Decree 81/08);
- Technical training and organisation;
- Administrative (bookkeeping, tax, administrative and financial statements services);
- Property, purchasing and auxiliary services;
- Development of Life products, analysis of Life provisions and settlements;
- Claims management and settlement;
- Complaints management;
- Marketing;
- Reinsurance;
- Finance.

Unipol Assicurazioni also carried out the following activities with the companies in the Group:

- normal reinsurance and coinsurance transactions;

- renting property;
- agency mandates.

UniSalute provided the following services for the other companies in the Group:

- settling health claims on behalf of Unipol Assicurazioni;
- providing medical care and assistance by telephone, making bookings, settling health benefit claims on behalf of Unipol Assicurazioni and Linear;
- tutoring services for the e-learning package on behalf of Unipol S.p.A., Unipol Assicurazioni, Linear and Linear Life.

Unipol Banca provided the following services to the companies in the banking group of which it is the Parent:

- Organisation;
- IT services (limited to the period January-March 2011);
- Management and financial statements;
- Staffing;
- Combating money-laundering;
- Legal services and relations with the Courts;
- Risk management;
- Compliance;
- Internal auditing;
- General affairs.

Both Unipol and the subsidiary Unipol Assicurazioni seconded staff to the Group companies.

Fees 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 the provision of the service to the Company must achieve;
- the strategic investments to be implemented in order to ensure the agreed level of service.

The following elements are specifically taken into consideration:

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

When services were provided by Unipol, the operating companies were charged a mark-up on the allocated cost.

Financial and commercial relations between the companies in the Banking Group and the other companies in the Group were the usual types of transaction carried out by a group comprising different companies and related to services, deposit accounts or corporate financing and lease agreements. Agreements were also entered into for the sale and/or management of banking and investment products and/or 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.

The above transactions are not atypical or unusual.

Unipol opted to join Finsoe S.p.A.'s national consolidated tax scheme for the three-year period 2010-2012 and signed an agreement governing the resulting financial relations.

As regards the information referred to in Consob Resolution 17221 of 12 March 2010, which came into force on 1 December 2010, no transactions with related parties 'of major relevance' took place during the year and neither did any transactions that, according to Article 2427, para. 2, of the Italian Civil Code, had any significant effect on Unipol S.p.A.'s financial position and results of operations.

As provided for in Article 4, para. 7, of this Regulation the Company adopted the 'Procedure for carrying out

transactions with related parties', which was approved by the Board of Directors on 11 November 2010 and published in the Corporate Governance Section of Unipol S.p.A's website (www.unipol.it). The Procedure lays down the rules, procedures and standards for ensuring that transactions with related parties carried out by Unipol S.p.A., directly or through subsidiaries, are transparent and that the correct procedure is followed.

The information required by IAS 24 and 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 Revenue Agency

Litigation was in progress relating to the investigation carried out in 2010 by the Lombardy Major Taxpayers Office for the 2006 tax year into the tax affairs of the former Aurora Assicurazioni, which was merged into Unipol in 2007. During the investigation it was extended to cover some cost items for 2005.

In 2010, the Company had received a tax demand for the 2005 tax year against which it had appealed to the Provincial Tax Commission in Milan. During 2011, a judgement favourable to the taxpayer was passed by Section 42 of the Provincial Tax Commission in Milan.

At the end of December 2011, the Lombardy Major Taxpayers Office issued a tax demand for 2006, against which the Company promptly appealed. In view of how matters were progressing, the amount already set aside for the provision for risks was reviewed with the help of tax advisers and deemed to be appropriate.

A tax demand was received in December 2011 as a result of the investigation begun in February 2010 by the Emilia Romagna Major Taxpayers Office relating to 2007. A specific amount had been set aside as a provision for risks and the required interest was added. Steps were taken in February 2012 to bring this litigation to a conclusion by paying the sums demanded, with penalties reduced to a sixth.

The tax demands relating to two property sales carried out in 2005 received by the company in December 2010, which disputed the level of capital gain and made allegations that were refuted, were challenged by appealing within the timescale prescribed by law. Moreover when the 2010 report was drawn up it was already considered that the allegations made by the Emilia Romagna Office were unfounded and therefore no amounts were provided for.

Several tax demands relating to VAT on the coinsurance contracts entered into with other companies throughout 2006 were finally received in late 2011 and appeals were made to the offices concerned. In view of the fact that most of the decisions of the courts were favourable and the Company had already obtained favourable decisions at the court of first instance, no accruals to provisions were made.

Performance of companies controlled directly

Unipol Assicurazioni S.p.A.

Registered office: Bologna

Share capital: €259,056K

Carrying amount: €3,463,989K

Percentage owned: 100% direct

The company is authorised to carry out Non-Life and Life insurance and reinsurance and capitalisation business and may also set up and manage open-ended pension funds.

The contribution to Unipol Assicurazioni of the insurance business of the former Navale Assicurazioni S.p.A. (which was then merged into Unipol S.p.A.) took effect for legal and accounting purposes on 1 January 2011.

Unipol Assicurazioni ended 2011 with a loss of €339.2m after having absorbed €730.7m of net impairment losses on securities.

The major features of business performance during 2011 are shown below:

- 0.5% decrease in Non-Life premiums (direct premiums); in Life business premiums down 4.1%; total direct premiums (direct business) down 1.7%. Premiums by the end of 2011 had reached €5,626.2m, €5,597.9m of which was from direct business, broken down as follows (in €m):

Premiums	Non-Life	Life	Total	% var. (*)
Direct business	3,769.1	1,828.8	5,597.9	(1.7)
Indirect business	26.7	1.6	28.3	(0.5)
	3,795.8	1,830.4	5,626.2	(1.7)
Ceded premiums	120.7	10.9	131.6	(1.7)
Retained premiums	3,675.1	1,819.5	5,494.6	(1.7)
% breakdown	66.9	33.1	100.0	

(*) the variation relates to pro-forma figures which also include Navale Assicurazioni premiums

The net retention of premiums written was 97.7%, in line with the previous year (97.8%).

- The loss ratio for direct business was 72.9% compared with 77.7% at 31 December 2010.
- The results of the technical account, which also included operating expenses and returns on the relevant investments, was an overall loss of €187.7m (loss of €54.5m in 2010), made up of a loss of €274.8m in Life business and a profit of €87.2m in Non-Life business.
- Operating expenses (which included acquisition and purchase commissions and other acquisition and administrative expenses) totalled €972.5m (+0.7%), an incidence on premiums (Non-Life and Life) of 17.3% (16.5% in 2010). Net of commissions from reinsurers operating expenses were €940.4m (+0.2%).
- Technical provisions for Life and Non-Life business totalled €19,601m by the end of 2011 (+0.1%), or €19,251.4m net of the reinsurers' share (+0.4%). The ratio of technical provisions to gross premiums was 177.2% in Non-Life business (176.4% in 2010) and 703.5% in Life business (661.2% in 2010).
- Applying the facility allowed under Isvap Ruling 28/2009 had a positive effect of €497.1m on investment charges (€187.8m of it in Non-Life business and €309.3m in Life business), for which a non-available equity reserve of €326.5m will be set up.

The company's equity, including the net loss for the year, amounted to €1,158.5m.

Unipol Assicurazioni S.p.A. owned the entire share capital of the property companies Midi S.r.l. and Unifimm S.r.l., which owned the Via Stalingrado and Via Larga sites in Bologna, respectively. Both property companies continued in 2011 to manage the various construction sites on the land they owned.

In particular Midi S.r.l. completed work on the offices to which almost all Unipol's Head Office departments

were transferred. Work on the catering facilities was also completed and they were officially opened to the public at the end of January 2012, whilst work on the auditorium continued and is expected to be completed during the first half of 2012.

Unifimm S.r.l. continued work on building a tower, which is to be let and is expected to be completed in the first half of 2012, and on a building to be used for entertaining and an area for small shops and services, which were expected to be completed at the end of 2012. These properties will be awarded the prestigious international LEED gold certification for environmental sustainability (Leadership in Energy and Environmental Design).

The most significant aspects of the two companies' financial statements at 31 December 2011 are listed below.

Midi S.r.l. Unisoggettiva (quota capital €112m):

- Tangible fixed assets €120.2m (€104.9m in 2010), with Land and buildings accounting for €111.7m (€43.1m in 2010) and assets under development and payments on account €8.5m (€61.7m in 2010);
- Production revenues €4.3m (€2.5m in 2010);
- Production cost €4.2m (€2.3m in 2010), €2m of it depreciation (€1.1m in 2010);
- Net operating profit €0.1m, the same as in 2010;
- Gross operating profit €1.1m in 2011 (€1m in 2010).

Unifimm S.r.l. Unisoggettiva (quota capital €157.3m):

- Tangible fixed assets €148.6m (€98.9m in 2010), with Land and buildings accounting for €0.4m (same as in 2010) and assets under development and payments on account €148.1m (€98.5m in 2010);
- Production revenue 0 (€32K in 2010);
- Production cost €0.6m (same as in 2010);
- Operating loss €0.5m (€0.6m in 2010);
- Gross operating profit €0.3m in 2011 (€0.4m in 2010).

On 13 December 2011, Unipol Assicurazioni paid €123.7m for the acquisition of Punta di Ferro S.r.l., owner of a new shopping arcade in Forlì consisting of 97 commercial premises, all already let at an annual rent expected to be approximately €6.7m in 2012, with expectations of an annual rent of €7.5m once fully operational (in 2013).

Compagnia Assicuratrice Linear S.p.A.

Registered office: Bologna

Share capital: €19,300K

Carrying amount: €50,507K

Percentage owned: 100% direct

The company is authorised to carry out Non-Life insurance business and mostly sells MV products directly using alternative channels such as the telephone and the internet.

The company recognised a net loss for the year of €2.9m compared with a net profit of €5.6m in 2010.

The major features of business performance during 2011 are shown below:

- Premiums from direct business are 17.8% higher than in the previous year. Premiums totalled €200.9m in 2011 (€170.6m in 2010). The net retention of premiums was 99.9%, almost unchanged since 2010 at almost 99.9%.
- The loss ratio for direct business was 78.2% compared with 79.2% at 31 December 2010.
- The results of the technical account, which also included operating expenses and returns on the relevant investments was €9.9m (€5.8m in 2010).
- Operating expenses (which included acquisition and purchase commissions and other acquisition and administrative expenses) amounted to a total of €30.1m (€28.1m in 2010) and accounted for 15% of premiums (16.5% in 2010).

- Gross technical provisions set aside totalled €267.5m at the end of 2011 (€237.7m at 31/12/2010), €265.8m net of amounts borne by reinsurers (€237.6m at 31/12/2010). The ratio of technical provisions to gross premiums was 133.1% (139.3% in 2010).
- Applying the facility allowed under Isvap Ruling 28/2009 had a positive effect of €8.4m on financial expense, for which a non-available equity reserve of €5.5m will be set up.

The company's equity, including the net loss for the year, amounted to €46.5m.

UniSalute S.p.A.

Registered office: Bologna

Share capital: €17,500K

Carrying amount: €36,613K

Percentage owned: 98.53% direct

The company is authorised to carry out Non-Life insurance business and specialises in Health insurance.

The company recognised a net profit of €11.6m compared with €9.2m in 2010.

The major features of business performance during 2011 are shown below:

- Premiums from direct business are 19.4% higher than in the previous year. Premiums totalled €216.8m in 2011 (€182m in 2010). The net retention of premiums was 99.9%, unchanged since the previous year.
- The loss ratio for direct business was 76.9%, down compared with the previous year (78.3% at 31/12/2010).
- The results of the technical account, which also included operating expenses and returns on the relevant investments was €21.8m (€15.7m in 2010).
- Operating expenses (which included acquisition and purchase commissions and other acquisition and administrative expenses) amounted to a total of €26.7m (€24.3m at 31/12/2010) and accounted for premiums of 12.2% (13.4% in 2010).
- Gross technical provisions set aside totalled €166.3m at the end of 2011 (€135.5m at 31/12/2010), €165.2m net of amounts borne by reinsurers (€135.1m at 31/12/2010). The ratio of technical provisions to gross premiums was 76% (74.5% in 2010).
- Applying the facility allowed under Isvap Ruling 28/2009 had a positive effect through profit or loss of €10.1m on investment charges, for which a non-available equity reserve of €6.6m will be set up.

The company's equity, including the net profit for the year, amounted to €51.6m.

UniSalute S.p.A. owns 100% of **Centri Medici UniSalute S.r.l.**, which opened its first polyclinic in Bologna on 26 November 2011, to be followed over the next few years by other medical centres in the major cities, including Rome and Milan. The centre provides a sample collection service for laboratory testing, dentistry, physiotherapy, rehabilitation, ultrasonography and out-patients' facilities for examinations by specialists, ensuring that quality services at reasonable prices are accessible to everyone, not only UniSalute policyholders. The medical teams that work at the centre include specialists from the main hospital and university departments in Bologna, Modena and Ferrara, selected for their expertise and proven experience. These medical professionals provide their services privately and some of the cost may be claimed back, the amount depending on the type of treatment. The company is not registered with the national health service and therefore operates exclusively in the private market.

Linear Life S.p.A. (formerly Navale Vita S.p.A.)

Registered office: Bologna

Share capital: €5,180K

Carrying amount: €6,175K

Percentage owned: 100% direct

The company is authorised to carry out Life insurance business. On 1 January 2011, as part of the strategic repositioning project undertaken in order to take advantage of synergies with Linear, which already sold Non-Life policies online, it became the company in the Group specialising in selling Life policies directly online.

The company recognised a net loss for the year of €1.2m compared with a net loss of €0.5m in 2010.

The major features of business performance during the year ended 31 December 2011 are shown below:

- Gross premiums 29.1% down on the previous year. Gross premiums totalled €1.2m in 2011 (€1.7m in 2010). The net retention of premiums written was 99.5%, almost the same as in the previous year (99%).
- The results of the technical account, which also included operating expenses and returns on the relevant investments, was -€1.6m (-€0.5m in 2010).
- Operating expenses (which included acquisition and purchase commissions and other acquisition and administrative expenses) amounted to a total of €1.1m (€0.5m at 31/12/2010) and accounted for premiums of 91.6% (29.4% in 2010).
- Gross technical provisions set aside totalled €9.2m at the end of 2011 (€8.6m at 31/12/2010). The ratio of technical provisions to gross premiums recognised was 767.5% (512.4% in 2010).

The company's equity, including the net loss for the year, amounted to €4.6m.

Arca Vita S.p.A.

Registered office: Verona

Share capital: €144,000K

Carrying amount: €347,808K

Percentage owned: 60.84% direct

The company is authorised to carry out Life insurance business.

The company recognised a net loss for the year of €6.6m compared with a net loss of -€3.4m in 2010.

The major features of business performance during the year ended 31 December 2011 are shown below:

- 23.7% drop in gross premiums recognised compared with the previous year, partly due to the general trend the Life market, which fell compared with 2010, but it will be remembered that the Arca Group companies had achieved an exceptional level of Life premiums in 2010 (+86%). Gross premiums recognised totalled €549.7m in 2011 (€720.8m in 2010). The net retention of premiums written was 98.5%, slightly down on the previous year (99%).
- The results of the technical account, which also included operating expenses and returns on the relevant investments, was -€13.5m (-€5.5m in 2010).
- Operating expenses (which included acquisition and purchase commissions and other acquisition and administrative expenses) totalled €18.1m (€16.8m at 31/12/2010) and had an incidence on recognised premiums of 3.3% (2.3% in 2010).
- Gross technical provisions totalled €2,734m at the end of 2011 (€2,711m at 31/12/2010), €2,722m net of amounts borne by reinsurers (€2,700m at 31/12/2010). The ratio of technical provisions to gross premiums recognised was 497.3% (376.1% in 2010).
- Applying the facility allowed under Isvap Ruling 28/2009 had a positive effect through profit or loss of €72.8m on investment charges, for which a non-available equity reserve of €47.9m will be set up.

The company's equity, including the net loss for the year, amounted to €262.3m.

Arca Vita S.p.A. owned 96.99% of **Arca Assicurazioni S.p.A.**, which was authorised to operate in Non-Life insurance and reinsurance. Arca Assicurazioni recognised a net profit for the year of €1.7m in 2011

compared with a loss of €13.2m in 2010. The major features of business performance during 2011 are shown below:

- 33.34% drop in direct gross premiums recognised compared with the previous year, mainly ascribable to the divestment of the agent portfolio. Gross premiums recognised were €147.3m in 2011 (€220.9m in 2010). The net retention of premiums written was 85.43%, slightly down on the previous year (88.8%).
- The loss ratio for direct business was 78.1% compared with 80.7% at 31 December 2010. If account is also taken of the effect of the provision for unexpired risks this ratio dropped from 81.3% in 2010 to 75.7% in 2011.
- The results of the technical account, which also included operating expenses and returns on the relevant investments, was €3.6m (-€17m in 2010).
- Operating expenses (which included acquisition and purchase commissions and other acquisition and administrative expenses) totalled €31.4m (€45.1m at 31/12/2010) and had an incidence on recognised premiums of 21.3% (20.4% in 2010). Net of work ceded administrative expenses amounted to €22m.
- Gross technical provisions totalled €336.2m at the end of 2011 (€359.5m at 31/12/2010), €302.6m net of amounts borne by reinsurers (€321m at 31/12/2010). The ratio of technical provisions to gross premiums recognised was 228.3% (162.8% in 2010).
- Applying the facility allowed under Isvap Ruling 28/2009 had a positive effect of €13.1m on investment charges, for which a non-available equity reserve of €8.6m will be set up.

The company's equity, including the operating results, amounted to €65m.

Unipol Banca S.p.A.

Registered office: Bologna

Share capital: €1,004,500K

Carrying amount: €628,749K

Percentage owned: 100% - of which 67.74% directly and 32.26% indirectly

The company recognised a net loss for the year of €199.9m compared with a net profit of €6.5m for 2010 because of €300m of impairment losses on goodwill relating to bank branches (€200.8m net of taxation).

The major features of business performance during 2011 are shown below:

- Customer deposits amounted to €9.6bn, an increase of 3.1% compared with 2010 (€9.3bn) whilst lending to customers amounted to €9.4bn, 3.2% down on the previous year (€9.7bn).
- Net non-performing loans amounted to €617.8m (€251.9m in 2010), an incidence of 6.5% on lending to customers (2.6% in 2010).
- Indirect customer deposits amounted to €18.7bn (€23.5bn in 2010), €1.8bn of it assets under management and €16.9bn funds under custody.
- Gross operating income amounted €315m (-2.7% compared with 2010).
- At €241.9m operating costs were in line with those in 2010 (-3.5% compared with 2010).
- Impairment losses on receivables and other financial assets amounted to €49.6m (€51.8m in 2010).

The company's equity, including the loss for the year, amounted to €925m.

€419m of goodwill recognised in the Unipol Banca financial statements arising from three business combinations, the object of which was to acquire bank branches, was impairment-tested at 31 December 2011.

In view of the structural change in the national and international economic situation and consequently in the Bank's prospects for generating value, and the rise in interest rates on the national debt, which led to a rise in the benchmarks for discounting future financial flows, impairment testing revealed an impairment loss of €300m, which had a negative effect on the income statement, net of tax, of approximately €201m.

Unipol SGR S.p.A.

Registered office: Bologna

Share capital: €5,000K

Carrying amount: €5,550K

Percentage owned: 100% direct

The company managed the assets of Unipol Funds, a composite fund registered in Ireland, on behalf of Unipol Fondi Limited (Dublin), a company wholly owned by Unipol Banca.

As last year the company more or less broke even.

The major features of business performance during 2011 are shown below:

- Net commissions were 25% down on the previous year. Commission income recognised amounted to €0.4m in 2011.
- Administrative expenses were €0.5m (5% down on 2010) and were 79% of gross operating income (82% in 31/12/2010).
- The pre-tax operating result rose from break-even point at 31 December 2010 to a net profit of approximately €0.1m.
- Financial assets held for trading amounted to €5.0m (substantially unchanged since 31/12/2010).

The company's equity, including net profit for the year, amounted to €6m.

Ambra Property S.r.l.

Registered office: Bologna

Share capital: €100K

Carrying amount: €48,895K

Percentage owned: 100% direct

The company ran the UNAWAY Bologna Fiera Hotel at Piazza della Costituzione 1, Bologna.

The company recognised a net loss for the year of €0.3m compared with a net profit of €0.1m in 2010.

The major features of business performance during 2011 are shown below:

- Production revenues €3.4m compared with €3.9m in 2010.
- Production cost €3.6m compared with €3.7m in 2010.
- €34.9m of tangible fixed assets (€4.9m at 31/12/2010) for the property in which the UNAWAY Bologna Fiera Hotel is situated and the property complex to be used for entertaining in San Lazzaro di Savena (Bologna), which the company acquired in December 2011. The complex consists of a 160-room hotel, a conference centre, a 17th century villa to be used for meetings/banquets/receptions and 15 farm buildings, which are to be converted.

The company's equity, including the net loss for the year, amounted to €32.5m.

Subsequent events and business outlook

Proposed merger with the Premafin/Fondiarai Sai Group

After checks and further work had been carried out following an initial letter of intent drawn up on 13 January 2012, on 29 January 2012 Unipol Gruppo Finanziario and Premafin Finanziaria Holding di Partecipazioni S.p.A. ('Premafin') signed an agreement concerning a project to merge the two insurance groups by merging Unipol Assicurazioni S.p.A., Milano Assicurazioni S.p.A. and Premafin into Fondiaria SAI S.p.A. ('Fondiaria Sai').

The aim of the project is to rescue Premafin and Fondiaria Sai, whose solvency fell to below the statutory minimum at the end of 2011, as communicated to the market, by strengthening the equity of the two companies and at the same time, thanks to the operational synergies that would result from the merger, create a leading national insurance operator able to compete effectively with the main national and European competitors and create value for all the shareholders of the companies involved in the project.

Under the proposed merger Premafin would enable Unipol Gruppo Finanziario to pay a maximum of €400m to increase Premafin's share capital in order to provide it with the financial resources needed to enable it and its subsidiary Finadin S.p.A. to take part, for the appropriate amounts, in the €1,100m Fondiaria Sai share capital increase resolved on 29 January 2012 by the Company's Board of Directors, to be approved by the next Extraordinary Shareholders' Meeting on 16 or 19 March 2012 (first and second call).

The Premafin's share capital Increase, which will involve Unipol Gruppo Finanziario acquiring control of Premafin and the resulting dilution of the shares held by the current shareholders, will, together with the merger referred to above, constitute an essential element of the restructuring plan that Premafin will draw up, in accordance with and for the purposes of Article 67, para. 3, d) of the Bankruptcy Act, in order to restructure its debt exposure and rebalance its financial position.

Unipol Gruppo Finanziario's commitment to subscribing the Premafin's share capital increase is subject to several preconditions being fulfilled by 20 July 2012, including the required permits of the supervisory authorities and the authorisation of the Antitrust Authority being obtained and Consob confirming that Unipol Gruppo Finanziario's acquisition of control of Premafin will not put Unipol Gruppo Finanziario under an obligation to make a public offer for the shares of Premafin, Fondiaria Sai and Milano Assicurazioni. All the authorisation procedures have already begun and dialogue with the various Authorities involved continues.

Unipol Gruppo Finanziario's commitment is also subject to the fact that by subscribing the Premafin's share capital increase the Company will own more than two thirds of Premafin's share capital with voting rights.

These share capital increases will mean that the new group resulting from this merger will have the share capital and reserves needed to support its development projects and the business initiatives deemed to be required to put the core insurance business back into the position where it can create value.

In order to ensure that the Unipol Group has the equity needed for the proposed merger, on 9 February 2012 Unipol Gruppo Finanziario's Board of Directors voted to call an Extraordinary Shareholders' Meeting for 19 March 2012 in order to authorise the Board of Directors, under Article 2443 of the Italian Civil Code, to increase the share capital for payment by a maximum of €1,100m, including any premium, by issuing ordinary and preference shares, to be offered as an option in proportion to the number of shares currently held by shareholders. As mentioned above this share capital increase would provide Unipol Gruppo Finanziario with the resources needed to underwrite – if the necessary conditions are fulfilled – both Premafin's share capital increase and the share capital increase to be resolved by its subsidiary Unipol Assicurazioni, in order to provide the company resulting from the merger with sufficient equity to support its expansion plans whilst keeping regulatory capital in line with current legislation.

Motions will also be put to Unipol Gruppo Finanziario's Shareholders' Meeting proposing that the Company's ordinary and preference shares be grouped at a ratio of 1 new ordinary share per 100 ordinary shares owned and 1 new preference share per 100 preference shares owned and that Articles 5 and 19 of the By-Laws be amended to reflect the number of shares resulting from the grouping and the operations on Unipol Gruppo Finanziario's share capital.

On 3 February 2012, Unipol Gruppo Finanziario appointed Mediobanca to promote the underwriting syndicate for its share capital increase under the proposed merger of the Unipol and Fondiaria Sai insurance groups in line with market procedures, as Fondiaria did for its share capital increase. In this context, Unipol Gruppo Finanziario and Fondiaria Sai received funds from Barclay's Capital, Crédit Suisse, Deutsche Bank, Mediobanca, Morgan Stanley, Nomura, UBS Investment Bank and UniCredit Corporate & Investment Banking to enable them to act as Joint Global Coordinators and Joint Bookrunners in the consortium underwriting these share capital increases, in line with market procedures, once the Proposed Merger has been satisfactorily analysed.

Finsoe S.p.A., which has a controlling interest in Unipol Gruppo Finanziario's share capital with 50.75% voting rights at Ordinary Shareholders' Meetings, has already announced its intention to support the operation financially by underwriting its interest in the capital injection in full.

Performance of ordinary business after the end of the financial year

As regards the Group's performance in insurance business in the first two months after the end of the 2011 financial year, turnover in Non-Life business continued to be in line with the same period in the previous financial year. The loss ratio in this sector continues to be favourable despite the increase in claims for weather damage, which was mainly caused by the heavy snowfalls in several parts of Italy in February.

In Life business the effects of the economic crisis have led to a reduction in turnover to a level commensurate with the market as a whole but the Group is fighting back by introducing new marketing initiatives to support the sales network.

In banking business the work of rebalancing equity begun in 2011 has been intensified. Bonds for a nominal amount of €600m guaranteed by the Ministry of the Economy and Finance were issued in January 2012 and at the same time repurchased, one of the aims being to obtain securities that might be eligible for future financing by the European Central Bank. It should also be noted that Unipol Merchant's lending business was transferred to Unipol Banca on 1 January 2012 in order to create a single centre for dealing with and monitoring lending.

As regards investment management, the financial markets made a significant recovery in early 2012, particularly in the case of Italian sovereign debt instruments, with positive effects on the Group's financial position and its solvency.

The Group continues to work hard to ensure the successful outcome of the proposed merger described above and has started to draw up a multiyear business plan that will take account of the new hoped-for corporate structure and set the targets for the next few years.

Resolutions to be put to the Ordinary Shareholders' Meeting

Dear Shareholders,

We hereby submit the following motions for your approval:

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

- having examined the Company's draft financial statements as at and for the year ended 31 December 2011;
- having read the management report of the Board of Directors;
- having read the report of the Board of Statutory Auditors and the report of the independent auditors, KPMG S.p.A.;

resolves

- (i) to approve Unipol Gruppo Finanziario S.p.A.'s financial statements as at and for the year ended 31 December 2011, which are accompanied by the management report and show a net loss for the year of €358,347,966.82;
- (ii) to cover this net loss for the year of €358,347,966.82 by drawing on the following available reserves:
 - the entire amount of the Extraordinary Reserve of €187,428,627.08;
 - €2,626,000 from the Share Exchange Reserve;
 - €168,293,339.74 from the Share Premium Reserve.”

Bologna, 15 March 2012

The Board of Directors

(signed on the original)

Company UNIPOL GRUPPO FINANZIARIO S.P.A.

Share capital subscribed € 2,699,066,930

Paid-up € 2,699,066,930

Registered Offices in BOLOGNA - Via Stalingrado 45

Bologna Company Registration No. 00284160371

FINANCIAL STATEMENTS

BALANCE SHEET and INCOME STATEMENT

2011

(amounts in €)

UNIPOL GRUPPO FINANZIARIO S.P.A.

Balance Sheet

ASSETS	31.12.2011	31.12.2010
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED	-	-
B) FIXED ASSETS		
I Intangible fixed assets		
1) Start-up and capital costs	6.556.254	8.415.886
2) Research, development and advertising costs	8.662.953	12.061.451
4) Concessions, licences, trademarks and similar rights	6.916.110	1.486
6) Assets under development and payments on accounts	380.000	4.600.229
7) Other	-	790.111
Total	22.515.318	25.869.163
II Tangible fixed assets		
1) Land and buildings	-	28.405
2) Plant and machinery	135.904	35.374
4) Other assets	1.608.248	1.017.537
Total	1.744.152	1.081.317
III Financial fixed assets		
1) Investments in:		
a) subsidiaries	4.588.286.575	4.522.237.653
d) other companies	-	(0)
Total investments	4.588.286.575	4.522.237.652
2) Financial receivables:		
d) from others	97.575.824	98.008.733
- of which due within 12 months	468.343	867.832
Total financial receivables	97.575.824	98.008.733
3) Other securities	0	0
Total	4.685.862.399	4.620.246.386
TOTAL FIXED ASSETS	4.710.121.869	4.647.196.866

ASSETS	31.12.2011	31.12.2010
C) CURRENT ASSETS		
II Receivables		
1) trade receivables	998,932	997,932
2) from subsidiaries	212,542,963	21,289,429
3) from associates	360	-
4) from parents	169,785,401	93,801,515
- of which due after 12 months	169,785,401	
4 bis) tax receivables	7,485,039	6,199,917
- of which due after 12 months	7,485,039	1,326,678
4 ter) deferred tax assets	259,548,063	6,827,826
- of which due after 12 months	259,548,063	6,827,826
5) from others	2,257,331	5,353,787
- of which due after 12 months	1,057,587	913,620
Total	652,618,088	134,470,405
III Current financial assets		
1) Investments in subsidiaries	-	269,394,357
4) Other investments	35,661,139	36,156,796
6) Other securities	177,966,702	559,906,814
Total	213,627,841	865,457,966
IV Liquid funds		
1) Bank and postal accounts	106,803,423	326,446,605
- of which from subsidiaries	99,373,536	326,440,400
3) Cash-in-hand and cash equivalents	7,110	11,191
Total	106,810,533	326,457,795
TOTAL CURRENT ASSETS	973,056,463	1,326,386,167
D) PREPAYMENTS AND ACCRUED INCOME		
1) Accrued income	3,873,463	6,883,405
2) Prepayments	3,228,710	4,120,764
3) Discount on loans	3,653,984	4,379,612
TOTAL PREPAYMENTS AND ACCRUED INCOME	10,756,157	15,383,781
TOTAL ASSETS	5,693,934,488	5,988,966,813

UNIPOL GRUPPO FINANZIARIO S.P.A.

Balance Sheet

LIABILITIES

	31.12.2011	31.12.2010
A) EQUITY		
I Share capital	2,699,066,930	2,698,895,169
II Share premium reserve	1,144,834,025	1,144,834,025
III Revaluation reserves	20,700,874	20,700,874
IV Legal reserve	478,285,220	478,285,220
VII Other reserves	353,370,087	417,023,539
-Extraordinary reserve	187,428,627	251,133,873
-Reserve for own shares/Parents' shares	145,000,000	144,948,206
-Share exchange reserve	20,941,460	20,941,460
IX Profit (loss) for the year	(358,347,967)	(63,653,452)
TOTAL EQUITY	4,337,909,170	4,696,085,376
B) PROVISIONS FOR RISKS AND CHARGES		
2) Tax provisions, incl. deferred tax liabilities	-	168,574
3) Other provisions	83,812,435	16,619,742
TOTAL PROVISIONS FOR RISKS AND CHARGES	83,812,435	16,788,317
C) EMPLOYEES' LEAVING ENTITLEMENT	1,602,531	2,297,459
D) PAYABLES		
1) Bonds	925,000,000	925,000,000
- of which due after 12 months	750,000,000	925,000,000
3) Shareholder loan	6,568,968	9,751,852
5) Payables to other financial backers	473,592	-
7) Trade payables	8,783,284	12,767,723
9) Payables to subsidiaries	267,785,217	271,335,882
11) Payables to parents	22,455	-
12) Tax payables	1,894,531	1,385,615
13) Social security charges payable	1,327,018	1,191,423
14) Other payables	16,110,536	6,905,342
TOTAL PAYABLES	1,227,965,601	1,228,337,837

LIABILITIES	31.12.2011	31.12.2010
E) ACCRUED EXPENSES AND DEFERRED INCOME		
1) Accrued expenses	42,644,752	45,457,825
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	42,644,752	45,457,825
TOTAL LIABILITIES	5,693,934,488	5,988,966,813

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS	31.12.2011	31.12.2010
I GUARANTEES GIVEN		
1) Sureties to subsidiaries	12,982,529	-
to third parties	1,142,750	51,150
3) Other personal guarantees to subsidiaries	1,064,982,904	561,689,000
TOTAL GUARANTEES GIVEN	1,079,108,183	561,740,150
II OTHER MEMORANDUM ACCOUNTS		
1) Commitments	157,706,893	500,048,204
2) Third parties' assets	3,642,017	5,525,322
3) Securities with third parties	1,598,022,651	2,350,011,294
4) Other	47,689,341	2,584,753
TOTAL OTHER MEMORANDUM ACCOUNTS	1,807,060,903	2,858,169,574
TOTAL GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS	2,886,169,085	3,419,909,724

UNIPOL GRUPPO FINANZIARIO S.P.A.
Income Statement

	31.12.2011	31.12.2010
A) PRODUCTION REVENUES		
1) Turnover from sales and services	12,554,038	17,465,760
5) Other revenues and income:		
b) sundry income	19,424,074	15,730,340
Total other revenues and income	19,424,074	15,730,340
TOTAL PRODUCTION REVENUES	31,978,112	33,196,100
B) PRODUCTION COST		
6) Cost of raw materials, consumables, supplies and goods	176,583	-
7) Services	20,552,515	22,541,606
8) Use of third party assets	3,513,916	3,053,154
9) Personnel expenses:		
a) wages and salaries	34,062,264	27,670,946
b) social security contributions	9,374,623	7,507,338
c) employees' leaving entitlement	1,900,181	2,057,168
e) other costs	6,659,520	6,594,412
Total personnel expenses	51,996,588	43,829,864
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	8,566,205	5,294,348
b) depreciation of tangible fixed assets	162,372	101,803
Total amortisation, depreciation and write-downs	8,728,577	5,396,151
12) Provisions for risks	68,688,880	-
13) Other provisions	202,000	134,987
14) Other operating costs	4,189,236	5,709,841
TOTAL PRODUCTION COST	158,048,295	80,665,603
OPERATING LOSS (A-B)	(126,070,183)	(47,469,503)
C) FINANCIAL INCOME AND CHARGES		
15) Income from investments:		
a) in subsidiaries	-	12,370,057
c) in other companies	7,524,253	6,665,056
Total income from investments	7,524,253	19,035,113

Income Statement

	31.12.2011	31.12.2010
16) Other financial income:		
a) from receivables classified as fixed assets	8,713,661	8,718,931
4) from other companies	8,713,661	8,718,931
c) from securities classified as current assets	25,667,784	30,347,827
d) other income	20,786,206	5,966,556
1) from subsidiaries	3,742,241	3,577,879
4) from others	17,043,965	2,388,677
Total other financial income	55,167,651	45,033,314
17) Interest and other financial charges:		
a) subsidiaries	7,914,549	6,558,236
c) parents	3,675,000	6,699,084
d) other	121,200,749	46,191,150
Total interest and other financial charges	132,790,299	59,448,470
17-bis) Exchange rate gains/(losses)	(352,959)	(271,310)
TOTAL FINANCIAL INCOME (CHARGES)	(70,451,353)	4,348,647
D) ADJUSTMENTS TO FINANCIAL ASSETS		
18) Write-backs:		
a) investments	0	75,663
c) securities classified as current assets	1,289,508	9,064,601
Total write-backs	1,289,508	9,140,264
19) Write-downs:		
a) investments	239,874,349	2,375,947
c) securities classified as current assets	46,523,379	43,610,720
Total write-downs	286,397,727	45,986,666
TOTAL ADJUSTMENTS	(285,108,219)	(36,846,402)
E) EXTRAORDINARY INCOME AND EXPENSE		
20) Extraordinary income:		
a) Gains on sales of assets	55,892,013	22,685
b) Other income	4,684,369	3,970,268
Total extraordinary income	60,576,382	3,992,953
21) Extraordinary expense:		
b) Taxation from previous year	622,345	9,800,000
c) Other expense	856,308	714,302
Total extraordinary expense	1,478,653	10,514,302
TOTAL EXTRAORDINARY INCOME (EXPENSE)	59,097,729	(6,521,349)
PROFIT (LOSS) BEFORE TAXATION	(422,532,026)	(86,488,608)
22) Current and deferred income taxes		
a) current income tax	(43,696,780)	(27,444,471)
b) deferred tax expense	(168,576)	(1,904,271)
c) deferred tax income	(20,318,703)	6,513,586
Total income taxes	(64,184,059)	(22,835,156)
NET PROFIT (LOSS) FOR THE YEAR	(358,347,967)	(63,653,452)

The undersigned declare that the financial statements give a true and fair view of the accounting records.

The Company's legal representatives

The Chairman

Pierluigi Stefanini

(signed on the original)

The Statutory Auditors

Roberto Chiusoli

Giorgio Picone

Domenico Livio Trombone

(signed on the original)

Notes to the Financial Statements

Notes to the Financial Statements

Structure and content of the financial statements

Unipol Gruppo Finanziario S.p.A.'s 2011 separate financial statements are drawn up in accordance with the provisions of the Italian Civil Code and the national accounting standards approved by the Italian Accounting Standard Setter (OIC). In fact, being an insurance holding company under Article 1 para. 1aa) of Legislative Decree 209/2005 (Insurance Code), Unipol Gruppo Finanziario must draw up its consolidated financial statements in accordance with IFRS, but under Article 4 of Legislative Decree 38/2005 it cannot apply the same IFRS to the company's separate financial statements.

The financial statements consist of the balance sheet, the income statement and these notes. They are also accompanied by the Management Report.

As laid down in Article 2423, para. 5, of the Italian Civil Code, the figures on the balance sheet and the income statement are expressed to the nearest whole Euro, whilst unless otherwise indicated the figures recorded in the notes to the financial statements are expressed in €K as allowed by the provisions of Article 2423 of the Italian Civil Code.

The Company's financial statements were drawn up clearly and give a true and fair view of the company's financial position and results of operations for the year.

The valuation criteria were adopted on a going concern assumption, in accordance with the criteria of accruals basis of accounting, relevance and materiality of the accounting information.

There were no significant events after the end of the year that could affect the results of the financial statements.

As an addition to the information provided by the mandatory layouts mentioned above, the figures in the income statement are restated in the attached reclassification schedule and are accompanied by the statement of changes in equity and by the statement of cash flows.

The financial statements are compared to the corresponding figures of the previous year.

They have been audited by KPMG S.p.A., to which the Shareholders' Meeting has entrusted the engagement for 2006-2011.

Valuation criteria

The valuation criteria used to draw up the financial statements at 31 December 2011, of which the main ones are listed below, are the same as those used to draw up the financial statements for the previous year.

Intangible fixed assets

Intangible fixed assets are recorded at the original cost of acquisition or production, including additional charges, and are amortised on the basis of their residual income generating potential (3-5-10 years). Amortisation of assets under development is suspended and runs from the year in which they are first used. Start-up and capital costs are amortised over five years on a straight-line basis, as from the actual date of the operation for which they were incurred.

Other long-term expenses are amortised on the basis of their estimated useful life. Long-term advertising costs are capitalised with the consent of the Board of Statutory Auditors and amortised over three years. Intangible fixed assets that have no future use are written down in the income statement.

Tangible fixed assets

Tangible fixed assets are recorded at acquisition cost and adjusted to take account of accumulated depreciation. The carrying amount takes account of the proportion of the additional charges and direct and indirect costs that can be reasonably allocated to the asset.

Depreciation is based on the useful life of the asset:

- plant and equipment: from 3 to 7 years;
- movables recorded in public registers: 4 years;
- furniture and office machinery: from 3 to 8 years;
- DPC machinery: from 2 to 5 years;
- assets up to €516: fully depreciated within 1 year.

Financial fixed assets

These are mainly represented by controlling investments.

These investments are recorded in the financial statements at the cost of acquisition or subscription or at a value below cost in cases in which the companies have recorded impairment losses.

Bonds that the Company intends to hold long-term are valued at the average purchase or subscription cost, plus or minus the proportion of the negative or positive difference between repayment value and acquisition cost accrued during the year, with the relevant proportion of any issue spread being recorded separately. They may be written down only if impairment losses are ascertained. In the case of securities with an implicit rate (such as zero coupon bonds and similar) account is taken of the yield accrued for the period.

The original value is reinstated in whole or in part in subsequent years if the reasons for the impairment losses no longer apply.

Receivables

These are recorded at their estimated realisable value.

Current financial assets

Shares that do not constitute fixed assets and units in OEIC are recorded at the average acquisition cost or the market value, whichever is lower, which in the case of listed shares corresponds to the average price recorded in the final month of the year and in the case of unlisted shares is based on a prudent estimate of their estimated realisable value.

However, if the average price in the final month is not representative of the market value of listed securities, prudential averages deemed to be more representative are used.

Bonds used as short-term investments are adjusted to the average cost, plus or minus accrued issue spreads and the yield accrued on securities with an implicit rate, or the market value, whichever is lower. In the case of listed securities the market value is based on the average of prices recorded in December and, in the case of those that are not listed, at the estimated realisable value at 31 December, based on the current value of securities traded on regulated markets that have similar characteristics.

Impairment losses recorded in previous years are not maintained if the rationale for them no longer applies.

Derivatives

Derivatives are used exclusively for hedging purposes, to reduce the risk profile of the hedged assets and liabilities or to optimise their risk/return profile. Derivative contracts in place at the end of the year are valued in line with the hedged assets/liabilities.

The present value of derivative contracts is determined by the 'replacement cost' method, using the prices and rates prevailing at the end of the year where maturities are the same and comparing these with the contractual prices and rates.

The premiums received or paid for options on securities, shares, currencies or rates existing at the end of the period are recorded in item C.III.6) 'Other securities' and item D.14) 'Other payables', respectively.

When the option matures:

- if it is exercised, the premium is recorded as an adjustment to the purchase or selling price of the underlying asset;
- if it is not exercised, the premium is recorded in item C) 'Financial income and charges'.

Prepayments and accrued income, accrued expenses and deferred income

Prepayments and accrued income, as well as accrued expenses and deferred income, are calculated on an accruals and matching basis.

Provisions for risks and charges

The provisions for risks and charges are set aside to cover losses or liabilities that are definite or probable if at the end of the year it is not possible to ascertain with certainty their amount or the date they will be incurred. These provisions are valued with due regard to the general principles of prudence and accruals and the amounts set aside reflect the best estimate on the basis of the figures available.

Employees' leaving entitlement

Employees' leaving entitlement reflects liabilities to employees accrued at the end of the year, net of amounts allocated to supplementary pension schemes and to the INPS fund (the National Social Security Institute), in accordance with current legislation.

Payables

Payables are recorded at their nominal amount.

Guarantees, commitments and other memorandum accounts

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

Dividends

Dividends are recorded in the year in which they are received (on a cash basis), except dividends from subsidiaries, which are recorded on maturity.

Costs and revenues

Costs and revenues are recorded in accordance with the principles of prudence and accruals.

Income taxes

Taxes, based on current tax legislation, were recorded as costs for the year on an accrual basis. They represented:

- current tax assets and liabilities, income and expense for the year;
- deferred tax assets and liabilities arising in the year and to be used in future years;
- the current portion of deferred tax assets and liabilities arising in prior years.

As a consolidated Company and in accordance with Article 117 et seq. of Presidential Decree 917/1986 and the Ministerial Decree of 9 June 2004, the Company opted for the national consolidated tax system for the years 2010-2011-2012. The parent company for taxation purposes is Finsoe S.p.A. Unipol signed an agreement with Finsoe covering the economic and financial aspects of this option. Under the option the duty to pay IRES was transferred to the parent company, Finsoe S.p.A.

The charges/income linked to the transfer to the parent company of the results subject to IRES, calculated in accordance with legislation (account being taken of the relevant reliefs and tax credits) and with the terms of the agreement with the ultimate parent, are recorded under Current and deferred income taxes in the income statement.

IRAP for the year was established on the basis of estimates deemed to be appropriate in the light of the information available on the date the financial statements were drawn up and taking account of current tax legislation and was also recorded under Current and deferred income taxes.

Finally, deferred taxes were recorded under Current and deferred income taxes, under accounting standard 25 issued by the Italian Accounting Standard Setter, based on the temporary differences between the financial statements figures and those calculated for tax purposes (that have arisen or been deducted during the year), which affected the deferred taxes and the provision for taxation, respectively.

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

Deferred taxation is based on the rates applicable under current legislation and those that will apply in future years in which it is expected that some or all of the temporary differences that gave rise to them will be absorbed.

The information referred to in Article 2427, para. 1.14 of the Italian Civil Code, together with the table reconciling the theoretical and effective tax charge, is recorded under 'Income statement – Current and deferred income taxes'.

The corrective action taken in July (Article 23 paras 12 to 15 of Law Decree 98/2011, converted by Law 111/2011), which supplemented Article 15 of Law Decree 185/2008, introduced a further optional realignment scheme, establishing that companies that have acquired controlling investments as a result of extraordinary operations may obtain tax relief on the proportion of the increase in value of the investments recorded in the individual financial statements that is attributable to goodwill (and to the other intangible assets of the participating interest) as shown in the Parent's consolidated financial statements at 31 December 2010.

After joining this scheme Unipol Gruppo Finanziario realigned the increase in value of its controlling investments, including Unipol Assicurazioni, and to a lesser extent Arca Vita and other participating interests, and on 30 November 2011 paid a lump sum of substitute tax for IRES and IRAP at a 16% rate. The amount paid was entered under Deferred tax assets and will be recorded through profit or loss in ten equal instalments, in compliance with the regulations, as from 2013 (the tax period following the one current on 31/12/2012), the year from which it will be possible to deduct the increase in the realigned values for tax purposes.

Conversion of balances in foreign currencies

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

Under Article 2426, para. 8-*bis*, of the Italian Civil Code, tangible, intangible and financial fixed assets (represented by investments) that are in foreign currencies are recorded at the exchange rate prevailing at the time they were acquired whereas other items expressed in foreign currencies are recorded at year-end exchange rates. All the balances arising from translation are taken to the income statement.

When the net profit (loss) for the year is allocated, any unrealised exchange rate gains are allocated to a reserve that cannot be distributed until the net profit is actually realised.

Exchange rates used

The following exchange rates were applied for converting the main currencies into Euro:

Currencies	31/12/2011	31/12/2010
US dollar	1.2939	1.3362
Pound sterling	0.8353	0.8608
Swiss franc	1.2156	1.2504
Japanese yen	100.2000	108.6500
Danish krona	7.4342	7.4535
Czech koruna	25.7870	25.0610
Swedish krona	8.9120	8.9655

Waivers under Article 2423, para. 4, of the Italian Civil Code

There were no waivers under Article 2423, para. 4, of the Italian Civil Code.

Information on the Balance Sheet and the Income Statement

Balance Sheet – Assets

There follows a commentary on the balance sheet items and changes since the previous year, together with the information required by law.

B. Fixed assets

B) I – Intangible fixed assets

At 31 December 2011 intangible fixed assets amounted to €22,515K, a decrease of €3,354K compared with the previous year (-13%), and was mainly made up as follows:

- €6,556K of 'start-up and capital costs' (€8,416K at 31/12/2010);
- €8,663K of 'research, development and advertising costs' (€12,061K at 31/12/2010) for the advertising campaigns launched by the Company in 2009 and 2011;
- €6,916K of 'concessions, licences, trademarks and similar rights' (immaterial the amount at 31/12/2010), made up of software licence fees and ancillary personalisation costs. The increase in the item was mainly determined by the expenses incurred while implementing the IT package linked to the Solvency II project (€4,600K), included up to last year among 'Assets under development and payments on account';
- €380K of 'Assets under development and payments on account' (€4,600K at 31/12/2010), relating to expenses incurred over the year for the acquisition of software licences, which no longer have economic benefits for the company and are therefore not yet amortised.

These figures were entered under assets with the approval of the Board of Statutory Auditors, where necessary.

B) II – Tangible fixed assets

Tangible fixed assets amounted to €1,744K at 31 December 2011 (€1,081K at 31/12/2010) and consisted of €1,608K of equipment, hardware and works of art (€1,018K at 31/12/2010).

Changes in Tangible and Intangible Fixed Assets and in their accumulated depreciation/amortisation are shown in appendices 5 and 6 of these Notes.

B) III – Financial fixed assets

1) Investments

The total amount of investments at 31 December 2011 was €4,588,287K, compared with €4,522,238K at the end of the previous year, an increase of €66,049K (+1.5%).

Details are shown in the following table (amounts in €K):

Company	Type of business	Share/quota capital	% holding		Carrying amount
			direct	indirect	
Unipol Assicurazioni S.p.A.	Insurance and reinsurance	259,056	100.00		3,463,989
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	144,000	60.84		347,808
Unipol Banca S.p.A.	Credit institution	1,004,500	67.74	32.26	628,750
Unipol SGR S.p.A.	Financial brokerage	5,000	100.00		5,550
Ambra Property S.r.l.	Hotel business	100	100.00		48,895
OVERALL TOTAL					4,588,287

Changes in item B) III 1) 'Investments' are summarised in the following table (details of these transactions are shown in appendix 7 to these Notes:

<i>(in €K)</i>	
At 1/1/2011	4,522,238
Increases from merger	282,319
Other increases	295,244
Value adjustments	(239,835)
Decreases from merger	(271,679)
At 31/12/2011	4,588,287

The other increases included the subscription of the share capital increase of Unipol Banca (formerly UGF Banca) and the capital injections that the Company made to its subsidiaries for future share capital increases, as described below.

The value adjustments related to the impairment loss on the investment in the subsidiary Unipol Banca, the value of which was broadly aligned with that of the pro rata equity at 31 December 2011 recorded in the draft financial statements approved by Unipol Banca's Board of Directors on 14 March 2012.

The increases and decreases under the merger were attributable to the contribution of Navale Assicurazioni's insurance business to Unipol Assicurazioni and to the subsequent merger of Navale Assicurazioni into Unipol S.p.A., which took place on 1 January 2011.

This transaction involved:

- writing off the investment of €271,679K in Navale Assicurazioni;
- increasing the value of the investment in Unipol Assicurazioni by €277,644K;
- investing €4,675K in Linear Life (formerly Navale Vita).

'Other increases' include as follows:

- **Unipol Assicurazioni S.p.A.**
On 30 December 2011, €150,000K was paid for a future share capital increase.
- **Compagnia Assicuratrice Linear S.p.A.**
On 30 December 2011, €5,000K was paid for a future share capital increase.
- **Linear Life S.p.A. (formerly Navale Vita S.p.A.)**
On 30 September and 30 December 2011, amounts of €1,000K and €500K, respectively, i.e. a total of €1,500K, were paid for a future share capital increase.
- **UniSalute S.p.A.**
On 30 December 2011, €5,000K was paid for a future share capital increase.
- **Arca Vita S.p.A.**
On 30 December 2011, €38,500K was paid for a future share capital increase.

- **Unipol Banca S.p.A.**
On 15 December 2011, €67,744K was paid for a future share capital increase resolved by Unipol Banca on 9 November 2011.
- **Ambra Property S.r.l.**
On 29 November and 30 December 2011, amounts of €2,500K and €25,000K, respectively, i.e. a total of €27,500K, were paid for a future share capital increase.

The following table contains a list of the subsidiaries and shows their carrying amount and amount of equity calculated on the basis of the investee's equity based on the most recent financial statements approved by the Board of Directors.

If the carrying amount is higher than the corresponding fraction of equity, the difference is attributable to the company's financial and strategic value together with its likely profitability. With regard to this last element, each subsidiary drew up and approved its own five-year development plan.

The net results of these plans were therefore used as the basis for the DDM valuation method (Dividend Discount Model) for the Non-Life companies, DCF (Discounted Cash Flow) for the Life companies, except for Arca Vita, for which the Appraisal Value method was used, and discounted income flow in the case of the bank. These valuations indicated that the total value of each individual subsidiary, appropriately discounted using market parameters, exceeded the carrying amount in the table below, with the exception of the participating interest in Unipol Banca, subject to an impairment loss of €239,835K.

No indication is provided of the value of the investees determined in accordance with the equity method since the consolidated financial statements were drawn up in accordance with IFRS.

<i>(in €K)</i>	Carrying amount	% held	Equity at 31/12/2011	Corresponding equity
Unipol Assicurazioni S.p.A.	3,463,989	100.00	1,158,532	1,158,532
Arca Vita S.p.A.	347,808	60.84	262,287	159,575
Linear Life S.p.A.	6,175	100.00	4,582	4,582
Compagnia Assicuratrice Linear S.p.A.	50,507	100.00	46,506	46,506
Unisalute S.p.A.	36,613	98.53	51,564	50,806
Unipol Banca S.p.A.	628,750	67.74	924,977	626,579
Unipol SGR S.p.A.	5,550	100.00	5,886	5,886
Ambra Property S.r.l.	48,895	100.00	32,461	32,461
Total	4,588,287		2,486,795	2,084,928

All the insurance and banking subsidiaries met the solvency requirements of the relevant legislation.

For further information on the performance of the subsidiaries you are referred to the management report and the financial statements schedules of the individual investees appended to these financial statements.

2) Financial receivables

Financial receivables recorded as fixed assets amounted to €97,576K compared with €98,009K at 31 December 2010.

This item, which consisted entirely of 'Receivables from others', includes:

- €95,000K relating to a subordinated loan granted to P&V Assurances on 30 December 2008. The loan is for an indefinite period and has a rate of 9%, with interest paid twice a year.
The interest accrued during the year amounted to €8,669K;
- €1,996K of loans assisted by collateral;
- €321K of loans granted to employees and guaranteed by Life policies;
- €258K relating to a subordinated loan granted to Unintesa S.r.l. in liquidation.

The amounts due after 31 December 2012 total €97,107K, €96,375K of it after 31 December 2016.

C. Current assets

// Receivables

The balance on this item at 31 December 2011 was €652,618K, an increase of €518,148K compared with 31 December 2010. The breakdown and variations over the previous year are summarised in the table below:

(in €K)	31/12/2011	31/12/2010
1) Receivables from customers	999	998
2) Receivables from subsidiaries	212,543	21,289
4) Receivables from parents	169,785	93,802
4 bis) Tax receivables	7,485	6,200
4 ter) Deferred tax assets	259,548	6,828
5) Receivables from others	2,257	5,354
Total	652,618	134,470

'Receivables from parents', 'tax receivables' and 'deferred tax assets' were fully due after 12 months, while 'receivables from others' were due after 12 months for the amount of €1,058K. None of the receivables were due after 31 December 2016.

As well as the fees for the services that Unipol S.p.A. carried out for the Group companies, 'Receivables from subsidiaries', which amounted to €212,543K, included two term deposits opened on 5 December 2011 (expiring on 15/6/2012 and 2/7/2012) with the subsidiary Unipol Banca, totalling €200,000K.

Receivables from parents rose from €93,802K at 31 December 2010 to €169,785K at 31 December 2011 owing to the increase in the value of the tax losses transferred to Finsoe S.p.A.'s consolidated tax scheme, especially the amount allocated following the merger with Navale Assicurazioni, and were made up as follows:

- €113,371K for IRES tax losses (arising during the year and in the previous two years) transferred to Finsoe S.p.A.'s consolidated tax scheme, receivables that will become due when tax is due under the consolidated tax scheme;
- €53,992K of receivables for instalments paid and amounts withheld, transferred to Finsoe S.p.A.'s consolidated tax scheme;
- €2,310K for the IRES paid in excess through Finsoe S.p.A. for the period 2004 through to 2007, as a result of a flat 10% rate of IRAP being deductible from corporation tax under Article 6 of Law Decree 185 of 29 November 2008.

'Tax receivables' amounted to €7,485K and mainly consisted of:

- €1,092K of tax receivables for a 10% refund of IRAP;
- €5,027K (€4,299K at 31/12/2010) for IRAP for the previous year; the amount increased following the merger with Navale Assicurazioni S.p.A..

The balance of €259,548K on deferred tax assets at 31 December 2011 was €252,720K higher than at 31 December 2010, €231,584K of it for Deferred tax assets recorded following the exercising of the option referred to in Article 23 paras 12 to 15 of Law Decree 98/2011, converted by Law 111/2011, which allows the higher value of the goodwill, trademarks and other intangible assets of controlling investments as shown in the consolidated financial statements to be realigned. The Company paid a lump sum of substitute tax for IRES and IRAP at a 16% rate on 30 November. As a result of this payment €1,447,406K of amortisation of the realigned goodwill will be deducted over a minimum of 10 years starting in 2013 (the tax period following the one current on 31/12/2012), irrespective of whether it was recognised through profit or loss. The financial

benefit is expected to be €16,645K a year for 10 years.

There was also an increase as a result of the allocation to this item of the Receivables for deferred tax assets previously recorded in Navale Assicurazioni S.p.A.'s financial statements.

The variations in deferred tax assets during the year, which included the increase of 0.75 percentage points in the rate of IRAP because of the increase provided for by Article 23, paras 5 and 6, of Legislative Decree 98/2011, are summarised in the following table:

Deferred tax assets (in €K)	
At 1 January 2011	6,828
Increases during the year	255,921
Utilisation during the year	(3,201)
Final balance at 31/12/2011	259,548

The table containing the temporary differences that led to deferred tax assets being recorded (Article 2427, para. 1.14 of the Italian Civil Code) is in appendix 10 to the Notes to the Financial Statements.

The budgets of the companies belonging to the Group assume that net tax assets are recoverable under the consolidated tax scheme and recent legislation, which introduced more advantageous conditions in terms of both carrying tax losses forward to future years and transforming deferred tax assets based on the amount of tax loss arising out of amortisation of realigned goodwill into tax receivables.

'Receivables from others' recorded under Current Assets fell from €5,354K at 31 December 2010 to €2,257K at 31 December 2011. The decrease was due to the cancellation in February 2011 of the €3,030K fine imposed on the Company by Consob on 16 April 2009 in relation to events linked to the proposed acquisition of BNL.

This item mainly consisted of:

- €721K of receivables from the tax authorities of other countries;
- €600K of receivables from former directors for penalties under Article 193 and Article 195 of the Consolidated Finance Act;
- €424K of receivables from the Sicily Region for regional contributions related to a mortgage loan paid off in previous years;
- €199K of receivables for utility bonds;
- €78K of miscellaneous receivables from employees and former employees.

This item is recorded net of provisions for bad debts.

III Current financial assets

This item amounted to €213,628K at 31 December 2011, and can be broken down as follows:

<i>(in €K)</i>	31/12/2011	31/12/2010
Investments in subsidiaries	0	269,394
Other investments	35,661	36,157
Other securities	177,967	559,907
Total	213,628	865,458

Investments in subsidiaries were derecognised as a result of the sale of the investment in BNL Vita S.p.A. on 29 September 2011.

'Other securities' consisted of €112,563K of listed bonds, €8,267K of unlisted bonds and €56,948K of government bonds. (Details of investments and securities recorded as current assets are set out in appendix 9.)

IV Liquid funds

Liquid funds, which amounted to €106,811K at 31 December 2011 (€326,458K at 31/12/2010), consisted almost entirely of €106,803K of bank and postal deposits, €99,374K of them deposited with the subsidiary Unipol Banca (€326,447K at 31/12/2010, €326,440K of it deposited with the subsidiary Unipol Banca).

D. Prepayments and accrued income

'Prepayments and accrued income' amounted to €10,756K at 31 December 2011 (€15,384K at 31/12/2010) and is broken down as follows:

<i>(in €K)</i>	31/12/2011	31/12/2010
Accrued income	3,873	6,883
Prepayments	3,229	4,121
Discounts on loans	3,654	4,380
Total	10,756	15,384

Accrued income was almost entirely made up of interest on securities (€3,621K).

€2,998K of prepayments was issue expenses for the two bond loans that the Company had issued during 2009.

Discounts on loans related to the senior bond loan with a nominal amount of €750,000K issued by the Company during 2009 at a price of €99,314.

Balance Sheet – Liabilities

A. Equity

Variations recorded during the year compared with the previous year are set out in the attached statement of changes in equity (appendix 2).

Also appended is the table showing the usage and availability of the equity reserves, as required by Article 2427, para. 1, item 7 *bis* of the Italian Civil Code (appendix 3).

The share capital and equity reserves totalled €4,696,257K at 31 December 2011 (€4,759,739K at 31/12/2010). The decrease of €63,482K compared with the previous year was largely due to the make up of the loss for 2010.

As a result of the completion of the merger of Navale Assicurazioni into Unipol S.p.A. on 1 January 2011 the share capital rose from €2,698,895K at 31 December 2010 to €2,699,067K (+€171K), was fully paid up and is made up of 3,416,540,416 shares, subdivided as follows:

- 2,114,257,106 ordinary shares;
- 1,302,283,310 preference shares.

Details of the equity reserves, which at 31 December 2011 amounted to €1,997,190K, are set out in the following table, along with the amounts for the previous year:

(in €K)		31/12/2011	31/12/2010
A.II	Share premium reserve	1,144,834	1,144,834
A.III	Revaluation reserve under Law 413/1991	14,762	14,762
	Provision for revaluation of land and buildings	5,939	5,939
A.IV	Legal reserve	478,285	478,285
A.VII	Extraordinary reserve	187,429	251,134
	Reserve for the acquisition of own shares	100,000	99,948
	Reserve for the acquisition of shares in the Parent	45,000	45,000
	Share exchange reserve	20,941	20,941
		1,997,190	2,060,844

B. Provisions for risks and charges

Details of movements during the course of the year in 'provisions for risks and charges', which amounted to €83,812K at 31 December 2011 and which are entirely included under 'Other', are set out in the following table:

(in €K)	31/12/2010	Increases	Decreases		31/12/2011
		Accruals	Utilisation	Other	
Provision for miscellaneous risks and charges	2,814	68,184	(263)	(162)	70,573
Early retirement provision	4,006	202	(1,050)	(340)	2,818
Tax provision including deferred tax liabilities	169		(169)		-
Tax provision - previous years	9,800	622			10,422
	16,788	69,008	(1,481)	(503)	83,812

Accruals to the 'Provision for miscellaneous risks and charges' related to:

- €2,573K for various legal disputes;
- guarantees on receivables of the subsidiary Unipol Banca for which €53,000K were accrued following analysis of the risks taken on, the recoverability of the receivables and the suitability of the collateral;
- €15,000K of costs for various transactions.

'Tax provision - previous years' included amounts set aside for tax assessments by the Revenue Agency, carried out in 2010 by the Emilia Romagna Regional Office on 2007 tax year in the case of Unipol S.p.A. and by the Lombardy Regional Office on 2005 and 2006 in the case of the former Aurora Assicurazioni, which was merged into Unipol S.p.A. on 1 September 2007 after the contribution of its insurance business. The increase of €622K related to the adjustment to the interest on Unipol S.p.A.'s tax assessment, paid on 13 February 2012 (€3,422K).

As regards the 'Antonveneta' procedure, during the first half of 2011 the trial judge came to a decision that confirmed the Public Prosecutor's demands, in particular the administrative fine of €900K and the confiscation under Article 19 of Legislative Decree 231/2001 of €39,600K of 'gains'.

Unipol's legal advisers are of the opinion that the decision of the Milan Court contradicts the principles of law drawn up under the best jurisprudence and confirmed by current case law, including on the full bench of the Court of Cassation.

The arguments used by the Company's legal advisers, who have obviously already appealed, affirm with reasonable certainty that the capital gain subject to confiscation cannot properly be considered to be a 'gain' in the instance disputed by the Public Prosecutor and therefore the decision of the Milan Court may be considered to be the result of erroneous interpretation and application of the rules governing confiscation under Article 19 of Legislative Decree 231/2001.

There are therefore well-founded reasons, in both fact and in law, for appealing against the decision.

C. Employees' leaving entitlement

The €1,603K in the Employees' leaving entitlement at 31 December 2011 was €695K down on the previous year, mainly owing to transfers to the Pension Fund.

Details of the movements that took place during the year are shown in the following table (in €K):

At 1/1/2011	2,297
Increases in the year	
Amounts accrued in the year	1,741
Other increases	181
Decreases in the year	
Advances paid in the year	(176)
Transfer to pension fund	(1,375)
Transfer to INPS Treasury	(31)
Payments in the year	(637)
Other decreases	(397)
Final balance at 31/12/2011	1,603

€397K of Other decreases related to the transfer of employees to Group companies.

D. Payables

The balance on this item at 31 December 2011 was €1,227,966K, mainly in line with that at 31 December 2010 (€1,228,338K).

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

<i>(in €K)</i>	<i>31/12/2011</i>	<i>31/12/2010</i>
Bonds	925,000	925,000
Shareholder loan	6,569	9,752
Payables to other financial backers	474	-
Trade payables	8,783	12,768
Payables to subsidiaries	267,785	271,336
Payables to parents	22	-
Tax payables	1,895	1,386
Social security charges payable	1,327	1,191
Other payables	16,111	6,905
Total	1,227,966	1,228,338

All the amounts are due within 12 months, except for those relating to the bond loan, payable in 2017, for €750,000K (included under 'Bonds').

'Bonds' amounted to €925,000K (unchanged compared with the previous year) and were entirely made up of the nominal amount of the two senior bond loans issued by the company during 2009. Below are the main features of existing loans:

- €175,000K – unlisted senior bond loan issued in July 2009 for a three-year term (maturing in July 2012), with a fixed interest rate of 5.25%. Interest for the year amounted to €9,188K;
- €750,000K – senior bond loan, which is listed on the Luxembourg Stock Exchange, is for seven years (maturing in January 2017) and pays fixed interest of 5%. No 'events of default', i.e. events that could have led to a default such that the Company would immediately have had to repay the outstanding amount due to creditors, were recorded for this bond loan during 2011. Interest payable for the year amounted to €37,500K.

The 'Shareholder loan' amounted to €6,569K at 31 December 2011 (€9,752K at 31/12/2010) and was made up of dividends payable to shareholders resolved in previous years and not yet paid.

'Trade payables' fell from €12,768K at 31 December 2010 to €8,783K at 31 December 2011.

The balance on 'Payables to subsidiaries' was €267,785K at 31 December 2011 (€271,336K at 31/12/2010), all of it relating to two loans raised as a result of the 2009 take over from the Company by the subsidiary Unipol Assicurazioni as the issuer of two subordinate bond loans. The loans, which Unipol S.p.A. must repay in whole or in part at the request of Unipol Assicurazioni at sight and in any case at least three days before the repayment date, were remunerated at the three-month Euribor rate plus 100 basis points. €6,348K of interest payable accrued during 2011.

The balance on 'Tax payables' was €1,895K at 31 December 2011, an increase of €509K compared with the previous year, the variation being mainly due to the €407K debit balance for the year on Group VAT.

The balance on 'Social security charges payable' was €1,327K at 31 December 2011 (€1,191K at 31/12/2010). This item related to amounts to due to pension and social security funds for employer and employee contributions for December outstanding at the end of the year.

The balance on 'Other payables' was €16,111K at 31 December 2011, an increase of €9,205K compared with the previous year. It was mainly made up of:

- €13,386K of accruals to the provision for remuneration incentives for staff (€4,235K at 31/12/2010);
- €1,673K of liabilities for accrued holidays not taken (€1,554K at 31/12/2010);
- €706K of accruals to provisions for the renewal of the National Labour Agreement (€670K at 31/12/2010, which had also included accruals to provisions for the renewal of the Unipol Labour Agreement, which was signed in November 2011).

E. Accrued expenses and deferred income

The balance of 'Accrued expenses and deferred income' at 31 December 2011 was €42,645K (€45,458K at 31/12/2010), almost all of it accrued interest expense on the two senior bond loans issued.

Guarantees, commitments and other memorandum accounts

Details of 'Guarantees, commitments and other memorandum accounts' at 31 December 2011 was €2,886,169K (€3,419,910K at 31/12/2010) and are set out in the following table:

(in €K)	31/12/2011	31/12/2010
Guarantees given		
Sureties given to subsidiaries	12,983	-
Sureties and endorsements given to third parties	1,143	51
Other personal guarantees given to subsidiaries	1,064,983	561,689
Total	1,079,108	561,740
Commitments		
Other commitments	157,707	500,048
Total	157,707	500,048
Third parties' assets		
Leased vehicles	1,147	1,015
Staff-owned shares	2,354	4,150
Other assets	141	360
Total	3,642	5,525
Securities with third parties	1,598,023	2,350,011
Other memorandum accounts		
Other personal guarantees received from third parties	-	-
Collateral received from third parties	770	887
Guarantees issued by third parties in favour of the company	1,666	1,666
Other memorandum accounts	45,254	32
Total	47,689	2,585
TOTAL GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS	2,886,169	3,419,910

'Other personal guarantees given to subsidiaries' included:

- guarantees given for the subsidiary Unipol Assicurazioni S.p.A. for the subordinate bond loans issued originally by Unipol S.p.A., which Unipol Assicurazioni replaced as issuer during 2009: UGF 7% maturing in 2021 (€300,000K) and UGF 5.66% maturing in 2023 (€261,689K);
- €503,294K of guarantees for the receivables of the subsidiary Unipol Banca.

'Other commitments' mainly consisted of €143,028K of commitments for purchases and sales of call options.

'Securities with third parties' included in particular €1,505,761K of securities deposited with Group companies.

'Other memorandum accounts' included €45,254K of bonds guaranteeing Company commitments.

Information on financial derivatives

Under the guidelines approved by the Company's Board of Directors on 12 May 2011, the only two objectives of operating in financial derivatives during the year were to reduce the investment risk (coverage) and to manage the portfolio efficiently, excluding purely speculative purposes.

These ends were achieved by using the derivatives specified in the resolution passed by the Board of Directors and applied to securities included in the portfolio at the time the contract concerned was entered into and throughout its entire term.

All the transactions were carried out with banking or similar establishments.

Derivatives at the end of the year, with 2 counterparties and with the underlying assets split from a minimum of €9.5m and a maximum of €110.2m, are shown in the tables below.

A. Derivative contracts involving forward capital swaps

The value attributed was the settlement price for the contracts in €K. In the case of transactions in other currencies the agreed forward exchange rate was used:

Description of the transaction	No. of transactions	Notional amount at 31/12/2011
Acquisition of call options	2	110,157
Sale of put options	1	32,871
Forward currency sale agreements	1	17,555
Forward currency purchase agreements	1	9,531
Total		170,114

€77,286K of the derivative agreements for acquiring call options related to an option on a basket of share indices and €32,871K to a call option agreement with 30,646,000 shares in the parent Finsoe S.p.A., i.e. 1.43% of its share capital, as underlying assets, which was linked to a contract for the sale of a put option with the same features and notional amount. These agreements were renewed, in advance, in November 2011 and will expire in July 2013.

Currency sale and purchase agreements related to transactions in Swiss francs.

B. Derivative contracts not involving forward capital swaps

Derivatives held by the Company at 31 December 2011 included six call options on bond futures. These options constituted two 'neutral' investment strategies, the potential risks and gains of which were limited. These strategies provided for the acquisition and sale of call options with the same expiry date and different strike prices.

The strategies were implemented on 500 Bund futures and 2,000 Schatz futures, respectively; each futures contract had a value of €100K. The table below shows the exposure of the nominal amounts in €K:

Description of the transaction	Nominal amount Calls purchased	Nominal amount Calls sold
Bund strategy	50,000	(50,000)
Schatz strategy	200,000	(200,000)
Total	250,000	(250,000)

As laid down in Article 2427-bis, para. 1, of the Italian Civil Code, the following table shows the fair value of each category of financial derivative (in €K):

Category of derivatives	Purchase/Sale	Fair value
Call option	Purchase	189
Future options	Purchase/sale	1,260
Forward currency agreement	Purchase/sale	(66)
Total		1,383

Net gains during 2011 from call options not exercised were €650K and from one call option exercised were €511K.

A total of €102K of net losses on options on bond futures was made in 2011.

Information on finance leases

As laid down in Italian law, leases, including finance leases, are recognised as rental agreements. However, the additional information required by Article 2427 para. 22 of the Italian Civil Code and by the OIC 12 Italian accounting standard is provided.

54 finance leases with the subsidiary Unipol Leasing (formerly UGF Leasing S.p.A.) for company cars allocated to managers were in force at 31 December 2011.

The following table summarises the differences that there would have been in the assets, the liabilities and the income statement if the leased assets had been recorded in accordance with IAS 17. Figures are shown in €K.

Assets	
Assets under finance lease at 31.12.2010	1,351
Accumulated depreciation of leased assets at 31.12.2010	(336)
Leased assets acquired in 2011	351
Depreciation in 2011	(219)
Total leased assets at 31.12.2011	1,147
Tax effect (deferred taxes)	1
Total assets	1,148
Liabilities	
Residual debt at 31.12.2010	(1,026)
Lease payables in 2011	(351)
Amount repaid during 2011	220
Residual debt at 31.12.2011	(1,157)
Effect on equity (including the effect on the operating results)	9
Total liabilities	(1,148)
2011 Income Statement	
Lease payments recorded monthly	(272)
Financial charges	52
Depreciation in 2011	219
Deferred taxes	1
Net effect through profit or loss in 2011	(1)

Income Statement

The income statement was drawn up in accordance with the provisions of Article 2425 of the Italian Civil Code; costs and revenues are recorded separately, with no items being offset.

A. Production revenues

Production revenues for 2011 amounted to €31,978K, compared with €33,196K in 2010.

A.1 Turnover from sales and services

'Turnover from sales and services' was €12,554K in 2011 (€17,466K in 2010), and consisted mainly of services relating to the core business of acting as a holding company for companies in the Group, as follows:

(in €K)	31/12/2011	31/12/2010
Parents	12	29
Subsidiaries	12,469	17,364
Arca Vita S.p.A.	51	-
Arca Assicurazioni S.p.A.	74	-
Unipol Assicurazioni S.p.A.	9,531	13,285
BNL Vita S.p.A.	-	15
Linear Assicurazioni S.p.A.	861	749
Navale Assicurazioni S.p.A.	-	930
Linear Life S.p.A.	90	46
Unisalute S.p.A.	937	817
Unipol SGR S.p.A.	19	21
Unipol Banca S.p.A.	828	1,418
Unipol Merchant S.p.A.	41	56
Other subsidiaries	37	27
Third parties	3	3
Other income	69	70
Total	12,554	17,466

The decrease in this item compared with the previous year was mainly due to the work of reorganising services within the Group continuing in 2011.

A.5 Other revenues and income

'Other revenues and income' was €19,424K in 2011 (€15,730K in 2010) and included:

- €14,598K of costs recovered for secondment of Unipol staff to Group companies;
- €2,114K of commission received for the Unipol Banca debt reimbursement agreement;
- €1,635K of remuneration recovered by the Company for the work Directors performed for other companies.

B. Production cost

Total production cost in 2011 amounted to €158,048K, compared with €80,666K in 2010.

B.7 Services

The item amounted to €20,553K in 2011 (€22,542K in 2010), and was made up as follows:

<i>(in €K)</i>	31/12/2011	31/12/2010
IT costs	86	92
Technical, legal and administrative consultancy services	6,992	6,804
Electricity, heating and cleaning	1,111	1,471
Corporate bodies	2,969	3,334
Services of seconded staff	291	302
Postal and telephone expenses	389	415
Sundry costs	518	579
Corporate fees and shareholders' meetings	124	558
Advertising	2,183	755
Maintenance, repairs and software updates	1,259	428
Porterage	-	24
Printed matter and publications	-	231
Audit fees and other attestation services	195	211
Conferences, meetings and social events	130	1,127
Services provided by subsidiaries	4,306	6,211
Total	20,553	22,542

The increase in advertising costs was mainly due to the increase in sponsorships, which by 31 December 2011 amounted to €1,207K.

The increase in the balance on 'maintenance, repairs and software updates' was due to the launch of the Solvency II project and specifically to the activation of the maintenance agreements for the software acquired for the purposes of the project.

There was a zero balance on 'Printed matter and publications' at 31 December 2011 following reclassification of these costs from item B7 (costs for services) to B6 (Cost of raw materials, consumables, supplies and goods).

B.8 Use of third party assets

The item amounted to €3,514K in 2011 (€3,053K in 2010), and was made up of rental and lease costs.

B.9 Personnel expenses

Personnel expenses amounted to €51,997K in 2011, compared with €43,830K in the previous year.

The number of employees rose from 280 at 31 December 2010 to 288 at 31 December 2011, as follows:

	31/12/2010	Hired	Resigned	31/12/2011
Administrative - permanent	280	58	(52)	286
Total permanent employees	280	58	(52)	286
Administrative - temporary	-	2	-	2
Total temporary employees	-	2	-	2
TOTAL	280	60	(52)	288

Decreases in the number of staff during the year included employees transferred to other companies in the Group during 2011.

The average number of permanent employees was as follows:

	2011	2010
Managers	68	75
White collars	227	269
Total	295	344

B.10 Amortisation, depreciation and write-downs

The balance of this item, which in 2011 was €8,729K (€5,396K in 2010), can be broken down as follows:

- amortisation of intangible fixed assets of €8,566K;
- depreciation of tangible fixed assets of €162K.

Details of variations in tangible and intangible fixed assets are set out in appendices 5 and 6.

B.12 Provisions for risks

€53,000K of the €68,689K of this item in 2011 related to provisions for risks linked to the Unipol Banca debt reimbursement agreement and the rest to amounts set aside for various legal disputes.

B.13 Other provisions

Other provisions totalled €202K in 2011, all of it for staff leaving incentives.

B.14 Other operating costs

This item amounted to €4,189K in 2011 (€5,710K in 2010) and referred mainly to:

- €2,884K for contributions to supervisory bodies and other associations;
- €494K for company expenses and shareholders' meetings costs;
- €727K for tax charges other than direct taxes.

C. Financial income and charges

C.15 Income from investments

This item amounted to €7,524K in 2011 (€19,035K in 2010) and consisted entirely of income from other companies.

C.16 Other financial income

The breakdown of this item, which amounted to €55,168K (€45,033K in 2010), is summarised in the following table:

<i>(in €K)</i>	31/12/2011	31/12/2010
A) From receivables classified as fixed assets		
4. From others	8,714	8,719
Total	8,714	8,719
C) From securities classified as current assets	25,668	30,348
D) Other income		
1. From subsidiaries	3,742	3,578
4. From others	17,044	2,389
Total	20,786	5,967
TOTAL	55,168	45,033

Almost all the other income from receivables classified as fixed assets was interest on the P&V Assurances 9% subordinated bond loan (€8,669K).

Most of the €25,668K of income from securities classified as current assets comprised €21,130K of interest on securities and €2,047K from sales of securities.

Most of the €20,786K of income other than that already mentioned consisted of:

- €3,742K of bank interest income from subsidiaries;
- €17,044K of income from derivative transactions, €15,651K of it from transactions in future options, the total financial impact of which was offset by €15,752K of charges, included in item C.17.d).

C.17 Interest and other financial charges – C.17.bis Exchange rate gains/(losses)

'Interest and other financial charges' showed a balance of €132,790K in 2011 (€59,448K in 2010), whilst 'Exchange rate gains (losses)' were -€353K (-€271K in 2010).

<i>(in €K)</i>	31/12/2011	31/12/2010
Interest and other financial charges		
a. Subsidiaries	(7,915)	(6,558)
c. Parents	(3,675)	(6,699)
d. Other	(121,201)	(46,191)
Total	(132,790)	(59,448)
Exchange rate gains (losses)	(353)	(271)
TOTAL	(133,143)	(59,720)

The €7,915K of 'Interest and financial charges from subsidiaries' (€6,558K in 2010) included interest, commissions and charges paid to banks and companies in the Group. The increase was mainly due to the interest on the loan from Unipol Assicurazioni.

Most of the €121,201K of 'Interest and other financial charges' consisted of:

- €43,013K of interest expense on bond loans;
- €16,328K of charges arising from derivatives transactions, €15,752K of it on transactions in future options, the total financial impact of which was offset by €15,651K of income, included in item C.16.d.4;
- €60,508K of capital losses resulting from trading in shares and bonds;
- €1,320K of charges arising from issuing bond loans.

Finally, as regards bonds and other fixed-yield securities, details of the amounts recorded in items C.16 and C.17 as issue and/or trading spreads are given below:

<i>(in €K)</i>	31/12/2011	31/12/2010
Positive issue spreads	1,216	825
Negative issue spreads	(1)	(62)
Value adjustments on zero coupons	1,067	16

D. Adjustments to financial assets

There was a negative balance of €285,108K on this item in 2011 (negative balance of €36,846K in 2010). The increase in the balance was mainly due to the €239,835K impairment loss on the investment in the subsidiary Unipol Banca. The remainder of this item was made up of:

- €1,290K of write-backs of bonds classified as current assets;

- €39K of impairment losses on other investments;
- €46,171K of impairment losses on securities classified as current assets;
- €352K of negative value adjustments on derivatives.

E. Extraordinary income and expense

This item showed a positive balance of €59,098K in 2011 (-€6,521K in 2010) and related to the following items:

(€K)	31/12/2011	31/12/2010
E.20) Income		
Gains on sale of assets	55,892	23
Other extraordinary income		
- Prior year items	4,684	3,970
Total	60,576	3,993
E.21) Expense		
Taxation relating to previous years	(622)	(9,800)
Other extraordinary expense		
- Group reorganisation project	-	(214)
- Prior year items	(816)	(496)
- Other extraordinary expense	(41)	(4)
Total	(1,479)	(10,514)
Net extraordinary income (expense)	59,098	(6,521)

Almost all the gains on the sale of assets arose from the sale of the investment in BNL Vita (€55,850K) on 29 September 2011.

The major prior-year item arose from the derecognition of €2,000K of liabilities for dividends approved in previous years by the former Aurora Assicurazioni (merged into Unipol S.p.A. in 2007) but not collected by the deadlines.

Extraordinary expense included €622K for the adjustment to the €2,800K interest on accruals to provisions for tax demands received from the Revenue Agency in 2010, Unipol S.p.A.'s demand for 2007 being carried out by the Emilia Romagna Regional Office.

Current and deferred income taxes

Taxation for the year was positive to the tune of €64,184K (€22,835K at 31/12/2010) and included €20,487K of deferred tax income/expense, as shown in the following table:

(€K)	IRES	IRAP	Total
Current taxation	43,697	-	43,697
Deferred taxation:			
- usage of deferred tax income	(3,198)	(3)	(3,201)
- usage of deferred tax expense	169	-	169
- amounts accrued for deferred tax income	23,519	-	23,519
- amounts accrued for deferred tax expense	-	-	-
Total	64,187	(3)	64,184

The table reconciling the theoretical rate of IRES and the effective rate is shown below. The IRAP

reconciliation table is omitted since it is not significant.

<i>(in €K)</i>	2011	2010	Variation
Pre-tax loss	(422,532)	(86,489)	(336,043)
Theoretical income tax (excluding IRAP)	116,196	23,784	92,412
Tax effect arising from permanent variations in taxable income			
Increases:	68,291	5,765	62,526
- PEX investments - impairment losses	65,955	-	
- Dividend washing	996	1,300	
- Interest expense	614	540	
- Other variations	726	3,925	
Decreases:	16,281	4,799	11,483
- PEX investments - non-taxable capital gains	14,591	-	
- Excluding dividends	1,040	3,727	
- Other variations	650	1,071	
IRAP	(2)	17	(19)
Substitute tax	-	-	-
Post-tax loss	(358,348)	(63,653)	(169,642)

The table containing the temporary differences that led deferred taxes being recorded (Article 2427, para. 1, 14, of the Italian Civil Code) is in appendix 10 to these Notes. The table does not show the €231,585K of substitute tax recorded under deferred tax assets.

Other information

Consolidated financial statements

Unipol Group's Consolidated Financial Statements have been drawn up in accordance with Article 154-*ter* of Legislative Decree 58/1998 (TUF) and Isvap Ruling 7 of 13 July 2007 and subsequent amendments, and 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 reporting date.

As the company is an insurance holding company under Article 1 para. 1 aa) of Legislative Decree 209/2005 (Insurance Code), the layout conforms to the provisions of Isvap Ruling 7 of 13 July 2007, Part III, and subsequent amendments, relating to the layout of the consolidated financial statements of insurance and reinsurance companies that must adopt IFRS.

Audit fees and fees for services other than auditing

In accordance with Article 149-*duodecies* of the Consob Issuer Regulation the following table shows (in €K) the fees that the companies in the Unipol Group paid to the independent auditors, or to the company to which the independent auditors belongs, for audit and other services, with each type or category shown separately.

Type of services	Service provider	Recipient	Fee (*)
Audit	KPMG SpA	Unipol S.p.A.	166
Attestation services	KPMG SpA	Unipol S.p.A.	3
Other services: review of pro forma financial statements	KPMG SpA	Unipol S.p.A.	53
Other services: consultancy	KPMG Advisory SpA	Unipol S.p.A.	22
Total Unipol S.p.A.			245
Legally-required audit	KPMG SpA	Subsidiaries	1,007
Attestation services	KPMG SpA	Subsidiaries	256
Total subsidiaries			1,263
Overall total			1,508

(*) These fees do not include recharged costs and any non-deductible VAT

Transactions with related parties

Unipol Banca/Unipol Merchant debt reimbursement agreement

On 3 August 2011, under the transactions to strengthen the equity of the subsidiary Unipol Banca, Unipol signed agreements with Unipol Banca and Unipol Merchant, with effect from 30 June 2011, relating to a certain type of lending, mainly mortgage loans. 52 items were involved (Unipol Banca 49 and Unipol Merchant 3) amounting to €547m (carrying amount at 30/6/2011), €528m relating to Unipol Banca and €18m to Unipol Merchant.

Under these agreements the parent Unipol undertook to pay Unipol Banca and Unipol Merchant the principal and interest on these loans if they had not received them after taking all possible action provided for by law to recover the debt, including applying to the courts, up to a maximum, including capital and interest, equal to their carrying amount at 30 June 2011. The agreements will remain in force for a maximum of ten years after the last date on which the loans are repayable.

In return Unipol Banca and Unipol Merchant will pay Unipol an annual sum of 1% of its commitment at the time (€2m in 2011).

The transaction was submitted for the opinions/validation of the relevant internal departments, in accordance with the relevant internal rules on transactions with related parties in accordance with Consob Ruling 17221/2010 (Procedure for Transactions with Related Parties, adopted by the Company on 16/12/2010).

The transaction was deemed to be 'exempt' from the procedural rules since it was carried out between Unipol Gruppo Finanziario and companies wholly owned by it and it had no significant interests in these companies in the sense of the Consob Regulation.

During December two transactions for the sale of mortgaged property complexes to Unipol Banca were concluded, with a consequent total reduction in exposures of €56m, €27m relating to land loans already classified as non-performing loans and backed by a mortgage on the Villa Cicogna complex, part of which is of historical value, in San Lazzaro di Savena (BO), recorded by Ambra Property (a company wholly owned by Unipol).

Loans from Unipol Assicurazioni

During 2011 Unipol S.p.A. repaid Unipol Assicurazioni €1m for the two loans raised during 2009 as a result of the subsidiary Unipol Assicurazioni taking over as issuer of the UGF 7% and UGF 5.66% subordinated bond loans. The balance on these loans at 31 December 2011 was €267,785K (€268,785K at 31/12/2010). €6,348K was paid in interest in 2011.

2009-2012 senior bond loan

At 31 December 2011 Finsoe held €70m of the senior bond loan issued by Unipol S.p.A. during 2009, which had a total nominal amount of €175m. Finsoe had been paid €3,675K in interest by 31 December 2011.

To supplement the information provided in the previous paragraphs of these Notes, the table below shows the amount and the type of the assets, liabilities, income and expense relating to transactions with related parties (in €K):

	Parents	Subsidiaries	Associates	Related companies	Total	Percentage		
Shares and quotas		4,588,287			4,588,287	80.6%	(1)	1238.8% (3)
Other receivables	169,785	212,543		0	382,329	6.7%	(1)	103.2% (3)
Bank deposits		99,374			99,374	1.7%	(1)	26.8% (3)
TOTAL ASSETS	169,785	4,900,203	-	0	5,069,989	89.0%	(1)	1368.9% (3)
Other loans and other financial payables	71,828				71,828	1.3%	(1)	19.4% (3)
Sundry payables		267,785			267,785	4.7%	(1)	72.3% (3)
TOTAL LIABILITIES	71,828	267,785	-	-	339,613	6.0%	(1)	91.7% (3)
Turnover from sales and services	12	12,469			12,481	3.0%	(2)	3.4% (3)
Turnover from land and buildings		4			4	0.0%	(2)	0.0% (3)
Dividends and other income from shares and quotas		-			-	-	(2)	- (3)
Other financial income		3,742			3,742	0.9%	(2)	1.0% (3)
Other revenues and income	27	15,498		164	15,689	3.7%	(2)	4.2% (3)
TOTAL INCOME	39	31,713	-	164	31,917	7.6%	(2)	8.6% (3)
Interest and financial charges	3,675	7,915			11,590	2.7%	(2)	3.1% (3)
Services	78	4,306			4,384	1.0%	(2)	1.2% (3)
Use of third party assets		2,921			2,921	0.7%	(2)	0.8% (3)
Sundry operating costs		22			22	0.0%	(2)	0.0% (3)
TOTAL EXPENSE	3,753	15,164	-	-	18,917	4.5%	(2)	5.1% (3)

(1) Percentage based on the total assets in the balance sheet

(2) Percentage based on the pre-tax profit(loss)

(3) Percentage based on all sources in the statement of cash flows

Remuneration paid to the members of the Board of Directors and Statutory Auditors, to the General Manager and to Key Managers.

Remuneration paid in 2011 to the Parent's Directors, Statutory Auditors and Key Managers for carrying out their duties in Unipol and in other consolidated companies amounted to €11,787K, details of which are as follows (in €K):

- Directors and General Manager	6,394
- Statutory auditors	467
- Key Managers	4,926 (*)

() almost exclusively income from employment*

The remuneration of the General Manager and the other Key Managers included an estimated €2m of benefits granted under the stock option plan (performance shares), which, subject to the targets provided for in the plan being met, provides for them to be allocated Unipol ordinary shares in 2014.

During 2011 the companies in the Group paid Unipol the sum of €628K as remuneration for the posts held in them by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers.

Non-recurring significant transactions during the year

Merger with Navale Assicurazioni S.p.A.

The contribution of Navale Assicurazioni's insurance business to Unipol Assicurazioni and the merger of Navale Assicurazioni into the parent Unipol took effect for legal, accounting and tax purposes on 1 January 2011.

Sale of investment in BNL Vita

On 7 April 2011, BNP Paribas exercised its option right to acquire the 25,500,000 shares held by Unipol in BNL Vita and designated the subsidiary Cardif Assicurazioni as purchaser. On 29 September 2011, once BNP Paribas and Cardif Assicurazioni had obtained the permits required by law, Unipol's 51% investment in BNL Vita Spa was sold for a total of €325.2m, as specified in the contract. This sale enabled Unipol to make a capital gain of €55m net of tax (€1m).

Unipol Banca/Unipol Merchant debt reimbursement agreement

The reimbursement agreement was mentioned in the paragraph above on transactions with related parties.

Realignment of goodwill under Law Decree 98/2011 (Article 23, paras 12 to 15)

On 30 November 2011, Unipol realigned the goodwill of its controlling investments recognised in the 2010 Consolidated Financial Statements, taking advantage of the opportunity to do so introduced by Law Decree 98/2011. The amount realigned was €1,447,406K. The operation cost €231,585K (16% IRES and IRAP substitute tax) compared with expected future tax savings of €398m, i.e. a positive net effect through profit or loss of €16,645K per year for 10 years.

Atypical and/or unusual transactions during the year

No atypical and/or unusual transactions were carried out during the year ended 31 December 2011.

Appendices to the Notes to the Financial Statements

1. Reclassified income statement (*Consob Recommendation 94001437*)
2. Statement of changes in equity over the last two years
(*Article 2427.4 of the Italian Civil Code*)
3. Statement of usage and availability of equity reserves at 31 December 2011
(*Article 2427.7bis of the Italian Civil Code*)
4. Statement of cash flows for 2011
5. Statement of changes in intangible fixed assets during the year
(*Article 2427.2 of the Italian Civil Code*)
6. Statement of changes in tangible fixed assets during the year
(*Article 2427.2 of the Italian Civil Code*)
7. Statement of changes in investments under financial fixed assets
8. Statement of investments exceeding 10% of the total at 31 December 2011 (*Articles 125 and 126 of Consob Ruling 11971 of 14/05/1999*)
9. List of shares and securities included in current assets at 31 December 2011 (*Consob Recommendation 94001437*)
10. Statement of temporary differences that led to deferred taxes being recorded
(*Article 2427.14 of the Italian Civil Code*)
11. Information on financial indebtedness at 31 December 2011 (*Consob Recommendation 6064293*)

RECLASSIFIED INCOME STATEMENT

(in €K)	31.12.2011	31.12.2010
1) Income from investments:		
subsidiaries	-	12,370
other companies	7,524	6,665
Total income from investments	7,524	19,035
2) Other financial income:		
a) from receivables classified as fixed assets	8,714	8,719
from other companies	8,714	8,719
c) from securities classified as current assets which are not equity investments	25,668	30,348
d) other income	20,786	5,967
from subsidiaries	3,742	3,578
from others	17,044	2,389
Total other financial income	55,168	45,033
3) Interest and other financial charges:		
subsidiaries	(7,915)	(6,558)
parents	(3,675)	(6,699)
other	(121,201)	(46,191)
Total interest and other financial charges	(132,790)	(59,448)
Exchange rate profit (loss)	(353)	(271)
TOTAL FINANCIAL INCOME (EXPENSE)	(70,451)	4,349
4) Write-backs:		
a) investments	0	76
c) securities classified as current assets which are not equity investments	1,290	9,065
Total write-backs	1,290	9,140
5) Write-downs:		
a) investments	(239,874)	(2,376)
c) securities classified as current assets which are not equity investments	(46,523)	(43,611)
Total write-downs	(286,398)	(45,987)
TOTAL ADJUSTMENTS	(285,108)	(36,846)
6) Other operating income	31,978	33,196
TOTAL OTHER OPERATING COSTS	31,978	33,196
6) Cost of raw materials, consumables, supplies and goods	(177)	-
7) Non-financial services	(20,553)	(22,542)
8) Use of third party assets	(3,514)	(3,053)
9) Personnel expenses	(51,997)	(43,830)
10) Amortisation, depreciation and write-downs	(8,729)	(5,396)
11) Provisions for risks	(68,689)	-
12) Other provisions	(202)	(135)
13) Other operating costs	(4,189)	(5,710)
TOTAL OTHER OPERATING COSTS	(158,048)	(80,666)
OPERATING PROFIT (LOSS)	(481,630)	(79,967)
14) Extraordinary income:		
a) Gains on sale of assets	55,892	23
b) Other income	4,684	3,970
Total extraordinary income	60,576	3,993
15) Extraordinary expense:		
b) Taxation from previous years	(622)	(9,800)
c) Other expense	(856)	(714)
Total extraordinary expense	(1,479)	(10,514)
EXTRAORDINARY INCOME (EXPENSE)	59,098	(6,521)
PRE-TAX PROFIT (LOSS)	(422,532)	(86,489)
16) Income taxes	64,184	22,835
17) NET PROFIT (LOSS) FOR THE YEAR	(358,348)	(63,653)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2010 AND 2011
(in €K)

	Equity reserves and retained earnings								TOTAL
	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Own shares and parent's shares	Reserve for own shares in portfolio	Extraordinary reserve	Other reserves	
BALANCES AT 31 DECEMBER 2009	2,391,426	1,051,879	20,701	478,285	144,956	44	222,660	20,941	4,459,712
Resolutions passed by the Shareholders' Meeting of 29/04/2010:									
Allocation of net profit for 2009									
-extraordinary reserve									-
-shareholder dividends							28,422		(28,422)
Increase in share capital	307,469	92,955							(100,397)
Reserve for own shares/Parents' shares in portfolio					(8)	(44)	52		400,424
Profit (loss) for 2010									-
									(63,653)
									(63,653)
BALANCES AT 31 DECEMBER 2010	2,698,895	1,144,834	20,701	478,285	144,948	-	251,134	20,941	4,696,086
Resolutions passed by the Shareholders' Meeting of 28/04/2011:									
Coverage of loss in 2010									
-extraordinary reserve							(63,653)		63,653
Capital increase to service the merger	172								172
Reserve for own shares/Parent's shares in portfolio					52		(52)		-
Profit (loss) for 2011									-
									(358,348)
									(358,348)
BALANCES AT 31 DECEMBER 2011	2,699,067	1,144,834	20,701	478,285	145,000	-	187,429	20,941	4,337,910

STATEMENT OF USAGE AND AVAILABILITY OF EQUITY RESERVES

(in €K)

Type/description	Amount	Possible use (*)	Available portion	Use in the past three years to cover losses for other reasons
Equity-related reserves				
Share premium reserve	1,144,834	A, B	1,144,834 (a)	
Legal reserve	365,499 (b)	B	-	
Extraordinary reserve	187,429 (b)	A, B	187,429	35,231 (1)
Reserve for the acquisition of own shares	100,000 (b)	A, B	100,000	
Reserve for the acquisition of shares in the parent	45,000 (b)	A, B	45,000	
Revaluation reserve under Law 413/1991	14,762	A, B, C	14,762 (c)	
Reserve for property revaluation	5,939	A, B, C	5,939 (c)	
Share exchange reserve (former revaluation under Law 413/91)	18,316	A, B, C	18,316 (c)	
Share exchange reserve	1,160 (b)	A, B	1,160	
Share exchange reserve	1,466	A, B, C	1,466 (c)	106 (2)
Reserve as per Regional Law 46 of 12/04/1967, Sicily	-			326 (2)
Negative goodwill	-			22 (2)
Conversion warrant reserve	-			314 (2)
Income-related reserves				
Legal reserve	112,787	B	-	28,422 (1)
Extraordinary reserve			-	2,106 (2)
Reserve under Article 2426 of the Italian Civil Code, 8 bis	-			
Total	1,997,191		1,518,906	
Non-distributable portion			76,747 (d)	
Distributable portion			1,442,158	

(*) A: for share capital increase

B: to cover losses

C: dividends

(a) to be distributed only when the legal reserve reaches the limit provided for by Article 2430 of the Italian Civil Code

(b) transfer from the share premium reserve

(c) taxable in the event of distribution within the company and to shareholders

(d) represents start-up and capital costs and advertising not yet amortised and the remaining accruals to the legal reserves up to one fifth of the share capital as provided for by Article 2430 of the Italian Civil Code

(1) Coverage of 2010 loss

(2) Coverage of 2008 loss

STATEMENT OF CASH FLOWS FOR 2011

(in €K)

	2011	2010
SOURCE OF FUNDS		
Cash flow from operating activities		
Net profit (loss) for the year	(358,348)	(63,653)
Depreciation/amortisation of tangible and intangible fixed assets	8,729	5,396
Adjustments to financial fixed assets	239,835	-
Adjustments to other financial assets	46,210	36,846
Increase (decrease) in net tax payables	77	(1,015)
Increase (decrease) in net deferred tax liabilities	(252,868)	1,073
Accruals to the provision for risks and charges	68,505	9,486
Increase (decrease) in employees' leaving entitlement	(695)	(1,676)
Decrease (increase) in prepayments and accrued income	4,394	2,515
Increase (decrease) in accrued expenses and deferred income	(2,813)	38,573
Other items	(1,848)	(2,028)
Total cash flow from operating activities	(248,822)	25,518
Other sources of funds		
Disposal of tangible and intangible fixed assets	32	26
Disposal and repayment of other financial fixed assets	433	857
Decrease in receivables classified under current assets	3,407	432,537
Decrease in financial assets classified under current assets	605,620	21,702
Increase in payables	9,701	-
Share capital increase	-	400,424
Liquidity obtained from the merger	1	-
Total other sources of funds	619,194	855,546
TOTAL SOURCES	370,372	881,065
APPLICATION OF FUNDS		
Increase in tangible and intangible fixed assets	6,221	20,586
Increase in investments classified under fixed assets	295,244	505,254
Increase in receivables classified under current assets	234,743	22,437
Increase in financial assets classified under current assets	-	381,958
Use of provision for risks and charges	1,313	1,996
Decrease in payables	52,499	56,735
Dividends paid	-	100,397
TOTAL APPLICATION OF FUNDS	590,019	1,089,362
Increase (decrease) in liquid funds	(219,647)	(208,298)
TOTAL	370,372	881,065
Liquid funds at the start of the year	326,458	534,755
Liquid funds at the end of the year	106,811	326,458

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS

(in €K)

	AT 1 JANUARY		MOVEMENTS DURING THE YEAR								AT 31 DECEMBER		
			HISTORIC COST		ACCUMULATED AMORTISATION								
			Increases	Decreases	Increases	Decreases	Other changes	Per annum	Sales	Other changes	Historical amortisation charge		Carrying amount at 31/12/2011
Historical cost	Amortisation charge	Carrying amount at 31/12/2010	Purchases	Sales	Transfers	Other changes							
Start-up and capital costs	9,218	(802)	8,416					(1,860)		9,218	(2,662)	6,556	
Research, development and advertising costs	17,153	(5,091)	12,061	2,371				(5,769)		19,524	(10,861)	8,663	
Concessions, licences, trademarks and similar rights	2	(0)	1	2,613	-	4,600	922	(937)	-	8,138	(1,221)	6,916	
Assets under development and payments on account	4,600		4,600	380	-	(4,600)				380		380	
Other	1,083	(292)	790	-	-	-	(1,083)	-	-	-	-	-	
TOTAL	32,055	(6,186)	25,869	5,364	-	0	(160)	(8,566)	-	8	37,259	(14,744)	22,515

STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS

(in €K)

		MOVEMENTS DURING THE YEAR						AT 31 DECEMBER		
		AT 1 JANUARY		HISTORICAL COST		ACCUMULATED DEPRECIATION		Historical cost	Accumulated depreciation	Carrying amount at 31/12/2011
		Historical cost	Accumulated depreciation	Carrying amount at 31/12/2010	Increases	Decreases	Increases	Decreases		
					Purchases	Sales	Per annum	Sales		
Land and buildings	28	-		28		(28)			-	-
Plant and machinery	41	(5)		35	110		(10)		151	(15)
Other assets	2,060	(1,042)		1,018	746	(235)	(152)	232	2,571	(963)
TOTAL	2,129	(1,048)		1,081	857	(264)	(162)	232	2,722	(978)
										1,744

STATEMENT OF CHANGES IN INVESTMENTS IN GROUP COMPANIES AND OTHER INVESTMENTS: SHARE AND QUOTAS
(in €K)

Company name	Carrying amount at 31/12/2010		Increases during financial year				Decreases during financial year				Carrying amount at 31/12/2011	
	No. shares/ quotas	Amount	For purchases		Other		For sales		Other		No. shares/ quotas	Amount
			No. shares/ quotas	Amount	No. shares/ quotas	Amount	No. shares/ quotas	Amount	No. shares/ quotas	Amount		
Unipol Assicurazioni S.p.A.	150,300,000	3,036,345				108,756,000		427,644			259,056,000	3,463,989
Arca Vita S.p.A.	9,000,000	309,308				5,601,669		38,500			14,601,669	347,808
Compagnia Assicuratrice Linear S.p.A.	19,300,000	45,507						5,000			19,300,000	50,507
Linear Life S.p.A.						3,430,535		6,175			3,430,535	6,175
Unipol SGR S.p.A.	5,000,000	5,550									5,000,000	5,550
Navale Assicurazioni S.p.A.	96,090,952	271,680							(96,090,952)	(271,680)	-	-
Unisalute S.p.A.	17,242,993	31,613						5,000			17,242,993	36,613
Unipol Banca S.p.A.	612,748,217	800,841				67,744		67,744		(239,835)	612,815,961	628,749
Ambra Property S.r.l.	1	21,395						27,500			1	48,895
Total subsidiaries	909,682,163	4,522,238	-	-	-	117,855,948		577,563	(96,090,952)	(511,515)	931,447,159	4,588,286
TOTAL B.III.1)	909,682,163	4,522,238	-	-	-	117,855,948		577,563	(96,090,952)	(511,515)	931,447,159	4,588,286

STATEMENT OF INVESTMENTS EXCEEDING 10%

AT 31 DECEMBER 2011

(in accordance with Articles 125 and 126 of Consob Resolution 11971 of 14/5/1999)

Company name	Registered office	Held			Total % held ⁽¹⁾
		Dir.	Ind.	Through	
Unipol Assicurazioni S.p.A.	Bologna	100.00%			100.00%
Compagnia Assicuratrice Linear S.p.A.	Bologna	100.00%			100.00%
Unipol SGR S.p.A.	Bologna	100.00%			100.00%
Ambra Property S.r.l.	Bologna	100.00%			100.00%
Linear Life S.p.A.	Bologna	100.00%			100.00%
Unisalute S.p.A.	Bologna	98.53%			98.53%
Unipol Banca S.p.A.	Bologna	67.74%	32.26%	Unipol Assicurazioni S.p.A.	100.00%
Arca Vita S.p.A.	Verona	60.84%	⁽²⁾		60.84%
Acacia 2000 S.r.l.	Milan		15.00%	Unipol Assicurazioni S.p.A.	15.00%
Agefin S.p.A.	Bologna		19.90%	Unipol Banca S.p.A.	19.90%
Arca Assicurazioni S.p.A.	Verona		96.99%	Arca Vita S.p.A.	96.99%
Arca Direct Assicurazioni S.r.l.	Verona		100.00%	Arca Vita S.p.A.	100.00%
Arca Inlinea S.c.a.r.l.	Verona		60.22%	Arca Vita S.p.A.	
			39.78%	Arca Assicurazioni S.p.A.	100.00%
Arca Sistemi S.c.a.r.l.	Verona		82.03%	Arca Vita S.p.A.	
			16.97%	Arca Assicurazioni S.p.A.	
			1.00%	Arca Inlinea S.c.a.r.l.	100.00%
Arca Vita International Ltd	Ireland		100.00%	Arca Vita S.p.A.	100.00%
Assicoop Bologna S.p.A.	Bologna		40.21%	Smallpart S.p.A.	40.21%
Assicoop Firenze S.p.A.	Florence		44.00%	Smallpart S.p.A.	44.00%
Assicoop Grosseto S.p.A.	Grosseto		50.00%	Smallpart S.p.A.	50.00%
Assicoop Imola S.p.A.	Imola (BO)		47.33%	Smallpart S.p.A.	47.33%
Assicoop Modena & Ferrara S.p.A.	Modena		43.75%	Smallpart S.p.A.	43.75%
Assicoop Siena S.p.A.	Siena		49.00%	Smallpart S.p.A.	49.00%
Atlantis Vida s.a.	Spain		12.50%	Unipol Assicurazioni S.p.A.	12.50%
Campuscertosa S.r.l.	Milan		26.16%	Unipol Banca S.p.A.	26.16%
Centri Medici Unisalute S.r.l.	Bologna		100.00%	Unisalute S.p.A.	100.00%
Consider S.r.l.	Bologna		100.00%	Covent Garden BO S.r.l.	100.00%
Covent Garden BO S.r.l.	Bologna		100.00%	Midi S.r.l.	100.00%
Euresa Holding s.a.	Luxembourg		25.00%	Unipol Assicurazioni S.p.A.	25.00%
Euromilano S.p.A.	Milan		20.00%	Unipol Assicurazioni S.p.A.	20.00%
F.im.par.co. S.p.A.	Carpi (MO)		27.32%	Unipol Merchant S.p.A.	27.32%
FI.BO. Finanziaria Bolognese S.p.A.	Bologna		17.24%	Smallpart S.p.A.	17.24%
Finabita S.p.A.	Rome		14.96%	Unipol Merchant S.p.A.	14.96%
Holcoa S.p.A.	Rome		20.00%	Unipol Merchant S.p.A.	20.00%
Hotel Villaggio Cdm S.p.A. in liquidation	Terrasini (PA)		49.00%	Unipol Assicurazioni S.p.A.	49.00%
ISI Insurance S.p.A.	Verona		50.00%	Arca Vita S.p.A.	50.00%
ISI Insurance Direct S.r.l.	Rome		100.00%	ISI Insurance S.p.A.	100.00%
Midi S.r.l.	Bologna		100.00%	Unipol Assicurazioni S.p.A.	100.00%
Nettuno Fiduciaria S.r.l.	Bologna		100.00%	Unipol Banca S.p.A.	100.00%
Omega 2004 S.p.A. in liquidation	Verona		90.00%	Arca Vita S.p.A.	90.00%
Pegaso Finanziaria S.p.A.	Bologna		45.00%	Smallpart S.p.A.	45.00%
Promorest S.r.l.	Castenaso (BO)		48.92%	Unipol Merchant S.p.A.	48.92%
Protos SOA S.p.A.	Rome		10.06%	Smallpart S.p.A.	10.06%
Punta di Ferro S.r.l.	Bologna		100.00%	Unipol Assicurazioni S.p.A.	100.00%
SCS Azioninnova S.p.A.	Bologna		40.00%	Unipol Merchant S.p.A.	40.00%
Smallpart S.p.A.	Bologna		100.00%	Unipol Assicurazioni S.p.A.	100.00%
Syneteristiki Insurance s.a.	Greece		16.89%	Unipol Assicurazioni S.p.A.	16.89%
Uci S.c.a.r.l.	Milan		13.58%	Unipol Assicurazioni S.p.A.	
			0.01%	Arca Assicurazioni S.p.A.	13.59%
UGF Private Equity SGR S.p.A. in liquidation	Bologna		100.00%	Unipol Banca S.p.A.	100.00%
Unagro S.p.A.	Ravenna		35.71%	Unipol Merchant S.p.A.	35.71%
Unicard S.p.A.	Milan		53.56%	Unipol Banca S.p.A.	53.56%
Unipol Leasing S.p.A.	Bologna		100.00%	Unipol Banca S.p.A.	100.00%
Unipol Merchant S.p.A.	Bologna		100.00%	Unipol Banca S.p.A.	100.00%
Unifimm S.r.l.	Bologna		100.00%	Unipol Assicurazioni S.p.A.	100.00%
Unipol Fondi Ltd	Ireland		100.00%	Unipol Banca S.p.A.	100.00%
Vivium S.A.	Belgium		13.88%	Unipol Assicurazioni S.p.A.	13.88%

(1) All investments listed are held as owners

(2) Arca Vita S.p.A. holds 1.20% of own shares

LIST OF SHARES AND SECURITIES INCLUDED IN CURRENT ASSETS AT 31/12/2011
(in €K)

ISIN code	Description	Number of shares/quotas at 31/12/2011	Carrying amount at 31/12/2011	Current amount at 31/12/2011	Write-downs	Type
FR0000131104	Bnp Paribas ord.	150,000	4,544	4,544	(10)	Listed foreign shares
DE0008032004	Commerzbank AG	1,050,000	1,371	1,386	-	Listed foreign shares
CH0012005267	Novartis AG	200,000	8,074	8,521	-	Listed foreign shares
FR0000120578	Sanofi Aventis	200,000	10,185	10,723	-	Listed foreign shares
ES0178430E18	Telefonica S.a New	200,000	2,676	2,684	-	Listed foreign shares
FR0000120271	Total ord.	100,000	3,605	3,819	-	Listed foreign shares
FR0000124141	Veolia Environnement	350,000	2,944	2,980	-	Listed foreign shares
	Total listed shares	2,250,000	33,400	34,657	(10)	
unipwcs9215	Banca di Rimini	1	0	0	-	Unlisted Italian shares
unipwcs13500	Equinox Two S.C.A. A shares	20	15	26	-	Unlisted foreign shares
unipwcs13501	Equinox Two S.C.A. R shares	1,689	2,246	2,246	(29)	Unlisted foreign shares
	Total unlisted shares	1,710	2,261	2,273	(29)	

ISIN code	Description	Nominal amount at 31/12/2011 (in euro)	Carrying amount at 31/12/2011	Current amount at 31/12/2011	Write-downs	Type
XS0291642154	AIG 4.875% 15/03/17-67	10,000,000	6,186	6,186	(1,618)	Other listed debt securities
XS0222841933	B POP MILANO 29/06/10-15 FRN	4,000,000	2,416	2,416	(1,333)	Other listed debt securities
XS0272309385	BANCA POP VR NO 15/11/21 CMS	85,000,000	45,254	45,254	(19,718)	Other listed debt securities
ES0213770011	BANCO PASTOR 11/06/14-49 FRN	1,800,000	994	994	(136)	Other listed debt securities
XS0555834984	BANCO POPOLARE 6% 05/11/2020	2,000,000	1,390	1,390	(473)	Other listed debt securities
FR0010941484	CNP ASSURANCES VAR 14/09/20-40	2,500,000	1,571	1,571	(791)	Other listed debt securities
XS0284728465	GOLDMAN S 30/01/17 FRN	5,000,000	4,037	4,037	(472)	Other listed debt securities
XS0300196879	INTESA SAN PAOLO FRN 18/05/17	4,000,000	2,923	2,923	(710)	Other listed debt securities
XS0459090931	LBG CAPITAL LLOYDS FLOAT 12/03/20	12,000,000	7,020	7,020	(1,500)	Other listed debt securities
XS0287044969	LEHMAN 4.625% 14/03/14-19	7,500,000	-	-	-	Other listed debt securities
XS0281902550	MERRILL L 30/01/17 FRN	10,000,000	7,906	7,906	(1,192)	Other listed debt securities
XS0267827169	MERRILL L 14/09/18 FRN	15,000,000	9,311	9,311	(2,148)	Other listed debt securities
XS0540544912	MPS 5.6% 09/09/2020	3,000,000	2,277	2,277	(665)	Other listed debt securities
XS0195231526	ROYAL BK OF SCOTLAND 03/07/14-49 FRN	10,600,000	7,737	7,737	-	Other listed debt securities
XS0552743048	SNS BANK 6.25% 26/10/2020	5,000,000	3,248	3,248	(1,103)	Other listed debt securities
XS0205875395	SOC LLOYDS 5.625% 17/11/14-24	5,000,000	4,686	4,686	(226)	Other listed debt securities
XS0527624059	UNICREDIT INTL BANK 9.375% 21/07/20-49	6,000,000	3,280	3,280	(2,479)	Other listed debt securities
XS0231436238	UNICREDITO 4.028% 27/10/15-49	5,000,000	2,326	2,326	(1,383)	Other listed debt securities
	Total listed debt securities	193,400,000	112,563	112,563	(35,947)	
XS0688279578	NOVUS CAPITAL LUX 6.95% 15/09/2017	9,000,000	8,267	8,267	(733)	Other unlisted debt securities
	Total unlisted debt securities	9,000,000	8,267	8,267	(733)	
GR0338002547	HELLENIC REP. 2.30% 25/07/2030 Infl/L	25,000,000	6,337	6,337	(362)	Listed government bonds
IE00B60Z6194	IRISH GOVT 5% 18/10/2020	5,000,000	3,959	3,959	-	Listed government bonds
IE00B4TV0D44	IRISH GOVT 5.4% 13/03/2025	30,000,000	23,257	23,257	-	Listed government bonds
PTOTE6OE0006	PORTUGAL OTMP 4.20% 15/10/16	25,000,000	16,073	16,073	(6,994)	Listed government bonds
PTOTE0OE0017	PORTUGAL OTMP 3.60% 15/10/14	10,000,000	7,322	7,322	(2,135)	Listed government bonds
	Total listed government bonds	95,000,000	56,948	56,948	(9,491)	
TOTAL SHARES AND SECURITIES INCLUDED IN CURRENT ASSETS		299,651,710	213,439	214,708	(46,210)	

STATEMENT OF TEMPORARY DIFFERENCES THAT LED TO DEFERRED TAXES BEING RECORDED

(in €K)

ASSETS	2010			INCREASES			DECREASES			2011		
	Taxable amount	Tax effect	Tax rate (*)	Taxable amount	Tax effect	Tax rate (%)	Taxable amount	Tax effect	Tax rate (%)	Taxable amount	Tax effect	Tax rate (**)
Unrealised losses on investments included in current assets	14,484	3,983	27.50%	421	116	27.50%	4,537	1,248	27.50%	10,369	2,851	27.50%
Excess depreciation/amortisation	7	2	27.50%	3,703	1,018	27.50%	-	-	27.50%	3,710	1,020	27.50%
Accruals for personnel expenses	7,062	1,942	27.50%	14,541	3,999	27.50%	4,956	1,363	27.50%	16,647	4,578	27.50%
Provision for bad debts	216	59	27.50%	-	-	27.50%	-	-	27.50%	216	59	27.50%
Provision for future charges	2,903	798	27.50%	69,598	19,140	27.50%	1,913	526	27.50%	70,589	19,412	27.50%
Entertainment expenses	39	11	27.50%	2	0	27.50%	41	11	27.50%	0	0	27.50%
Audit fees and expenses	108	30	27.50%	228	63	27.50%	183	50	27.50%	153	42	27.50%
Excess depreciation/amortisation	15	1	4.82%	-	-	4.82%	12	1	4.82%	4	0	5.57%
Entertainment expenses	39	2	4.82%	-	-	4.82%	39	2	4.82%	-	(0)	5.57%
TOTAL	24,873	6,828		88,494	24,336		11,680	3,201		101,687	27,963	
LIABILITIES	2010			INCREASES			DECREASES			2011		
	Taxable amount	Tax effect	Tax rate (*)	Taxable amount	Tax effect	Tax rate (%)	Taxable amount	Tax effect	Tax rate (%)	Taxable amount	Tax effect	Tax rate (**)
Dividends for the year	613	169	27.50%	-	-	27.50%	613	169	27.50%	(0)	(0)	27.50%
TOTAL	613	169		-	-		613	169		(0)	(0)	

(*) 27.5% IRES and 4.82% IRAP

(**) 27.5% IRES and 5.57% IRAP

INFORMATION ON FINANCIAL INDEBTEDNESS: SHORT, MEDIUM AND LONG TERM				
(in €K)				
	31/12/2011	31/12/2010		
A Cash	7	11		
B Other liquid funds	106,802	326,447		
- including subsidiaries	99,374	326,440		
- including others	7,429	6		
C Securities held for trading	217,249	872,325		
D Liquid assets (A) + (B) + (C)	324,058	1,198,783		
E Current financial receivables				
F Current banking payables				
G Current portion of non-current financial indebtedness	(215,939)	(44,124)		
H Other current financial payables	(268,259)	(268,785)		
I Current financial indebtedness (F) + (G) + (H)	(484,197)	(312,909)		
J Net current financial indebtedness (I) - (E) - (D)	(160,140)	885,873		
K Non-current banking payables				
L Bonds issued	(750,000)	(925,000)		
M Other non-current payables				
N Non-current financial indebtedness (K) + (L) + (M)	(750,000)	(925,000)		
O Net financial indebtedness (J) + (N)	(910,140)	(39,127)		

Main Subsidiaries' Financial Statements (Balance Sheet and Income Statement)

UNIPOL ASSICURAZIONI S.P.A.

Registered offices in Bologna - share capital € 259,056,000

At 31 December (amounts in €)

Direct shareholding 100%

BALANCE SHEET

ASSETS	2011	2010
Share capital proceeds to be received	-	-
Intangible fixed assets	241,303,117	254,902,682
Investments	17,124,044,761	16,603,648,184
I-Land and buildings	690,702,796	678,481,342
II-Investments in Group companies and other investees	1,623,059,696	1,612,410,458
III-Other financial investments	14,792,321,201	14,293,953,477
IV-Deposits with ceding companies	17,961,068	18,802,907
Investments for the benefit of Life policyholders who bear the risk thereof and arising from pension fund management provisions	2,548,051,490	2,366,889,875
Technical provisions - reinsurers' share	349,653,430	347,804,389
Receivables	1,477,286,441	1,441,759,568
I-Direct insurance	853,612,039	859,848,498
II-Reinsurance	50,184,581	19,477,468
III-Other receivables	573,489,821	562,433,602
Other assets	621,422,139	674,635,256
I-Tangible assets and inventory	23,937,450	20,339,157
II-Liquid funds	256,236,267	367,607,368
IV-Other assets	341,248,421	286,688,731
Prepayments and accrued income	242,756,715	223,311,160
TOTAL ASSETS	22,604,518,093	21,912,951,114
LIABILITIES AND EQUITY		
Equity	1,158,532,303	1,225,389,669
I-Subscribed share capital or equivalent fund	259,056,000	150,300,000
II-Share premium reserve	616,975,715	503,411,369
III-Revaluation reserves	97,000,000	97,000,000
IV-Legal reserve	6,870,821	6,870,821
VI-Reserves for own shares and those of the parent	-	-
VII-Other reserves	517,807,479	559,705,672
IX-Profit (loss) for the year	(339,177,712)	(91,898,193)
Subordinated liabilities	961,689,000	961,689,000
Non-Life technical provisions	6,724,323,207	6,286,374,034
Life technical provisions	10,328,663,977	10,264,178,266
Technical provisions where investment risk is borne by policyholders and pension fund management provisions	2,548,051,490	2,366,889,876
Provisions for risks and charges	82,340,262	55,818,035
Deposits from reinsurers	136,527,826	158,933,741
Payables and other liabilities	635,525,489	552,938,210
I-Direct insurance	43,896,430	32,320,478
II-Reinsurance	37,349,770	18,011,046
V- Payables assisted by collateral	2,541,968	
VI-Various loans and other financial payables	1,088,474	
VII-Employees' leaving entitlement	40,074,169	40,754,444
VIII-Other payables	183,055,084	163,879,359
IX-Other liabilities	327,519,594	297,972,883
Accrued expenses and deferred income	28,864,539	40,740,283
TOTAL LIABILITIES AND EQUITY	22,604,518,093	21,912,951,114
MEMORANDUM ACCOUNTS	27,901,348,953	26,858,515,243

INCOME STATEMENT

	2011	2010
TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS		
Gross written premiums	3,795,789,640	3,563,393,881
Outwards reinsurance premiums	(120,684,075)	(108,317,900)
Net change in the premium provision	9,825,313	10,071,083
Earned premiums, net of outwards reinsurance	3,684,930,878	3,465,147,064
Income on investments transferred from the non-technical account	-	55,831,543
Other technical income, net of outwards reinsurance	12,202,885	11,286,745
Charges relating to claims, net of outwards reinsurance	(2,736,751,915)	(2,724,683,310)
Change in other technical provisions, net of outwards reinsurance	133,423	703,421
Reversals and profit participation, net of outwards reinsurance	(4,214,011)	(1,968,695)
Operating expenses	(854,444,557)	(786,851,969)
Other technical charges, net of outwards reinsurance	(13,966,178)	(7,520,231)
Change in equalisation provisions	(715,341)	(764,272)
RESULT OF THE TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS	87,175,184	11,180,296
TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS		
Gross written premiums	1,830,413,199	1,910,240,222
Outwards reinsurance premiums	(10,899,733)	(14,152,344)
Premiums for the year, net of outwards reinsurance	1,819,513,466	1,896,087,878
Income on investments	606,693,726	568,104,383
Class D income and unrealised capital gains	151,098,384	156,448,778
Other technical income, net of outwards reinsurance	7,568,504	5,860,499
Charges relating to claims, net of outwards reinsurance	(1,796,975,667)	(1,506,542,217)
Changes in mathematical provisions and other technical provisions, net of outwards reinsurance	(250,889,709)	(667,200,436)
Reversals and profit participation, net of outwards reinsurance	(719,558)	(780,192)
Operating expenses	(85,907,564)	(92,315,262)
Financial charges	(523,725,395)	(311,991,071)
Class D charges and unrealised capital losses	(187,266,604)	(100,492,431)
Other technical charges, net of outwards reinsurance	(14,234,825)	(12,848,569)
Income on investments transferred to the non-technical account	-	-
RESULT OF THE TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS	(274,845,242)	(65,668,640)
NON-TECHNICAL ACCOUNT		
Income on investments - Non-Life business	345,683,231	332,964,891
Income on investments transferred from the Life technical account	-	-
Financial charges of Non-Life business	(473,437,518)	(265,205,109)
Income on investments transferred to the Non-Life technical account	-	(55,831,543)
Other income	63,550,639	72,376,746
Other charges	(158,821,139)	(154,854,022)
RESULT OF ORDINARY BUSINESS	(410,694,845)	(125,037,381)
Extraordinary income	28,320,884	25,585,267
Extraordinary expense	(8,056,734)	(17,632,894)
PRE-TAX PROFIT (LOSS)	(390,430,695)	(117,085,008)
Income tax	51,252,983	25,186,815
NET PROFIT (LOSS) FOR THE YEAR	(339,177,712)	(91,898,193)

ARCA VITA S.p.A.

Registered offices in Verona - Share capital € 144,000,000
Direct shareholding 60.84%

At 31 December (amounts in €)

BALANCE SHEET

ASSETS	2011	2010
Share capital proceeds to be received	-	-
Intangible fixed assets	145,980	285,835
Investments	2,843,811,278	2,664,131,826
I-Land and buildings	36,892,247	7,478,749
II-Investments in Group companies and other investees	120,564,458	97,685,239
III-Other financial investments	2,686,354,573	2,558,967,838
Investments for the benefit of Life policyholders who bear the risk thereof and arising from pension fund management provisions	492,512,814	601,419,802
Technical provisions - reinsurers' share	12,181,215	11,222,166
Receivables	69,025,288	69,073,048
I-Direct insurance	1,089,944	1,023,292
II-Reinsurance	49,930	7,778
III-Other receivables	67,885,414	68,041,978
Other assets	91,203,610	188,446,570
I-Tangible assets and inventory	236,116	295,408
II-Liquid funds	81,860,911	178,234,946
III-Own shares or quotas	7,027,090	7,027,090
IV-Other assets	2,079,493	2,889,126
Prepayments and accrued income	35,055,365	30,763,585
TOTAL ASSETS	3,543,935,550	3,565,342,832
LIABILITIES AND EQUITY		
Equity	262,286,662	208,902,237
I-Subscribed share capital or equivalent fund	144,000,000	90,000,000
II-Share premium reserve	9,399,516	9,399,516
IV-Legal reserve	9,792,394	9,792,394
VI-Reserves for own shares and those of the Parent	7,027,090	7,027,090
VII-Other reserves	98,683,237	95,983,227
VIII-Profits (losses) carried forward	-	51,880
IX-Profit (loss) for the year	(6,615,575)	(3,351,870)
Technical provisions	2,733,801,275	2,710,817,674
Technical provisions where investment risk is borne by policyholders and pension fund management provisions	492,510,833	601,418,649
Provisions for risks and charges	1,928,243	1,830,792
Deposits from reinsurers	12,971,435	11,744,560
Payables and other liabilities	40,437,102	30,488,106
I-Direct insurance	13,168,473	12,036,353
II-Reinsurance	2,556,559	2,114,840
IV-Payables to banks and financial institutions	908	5,329
VI-Various loans and other financial payables	-	340,600
VII-Employees' leaving entitlement	583,727	538,600
VIII-Other payables	23,765,869	15,438,997
IX-Other liabilities	361,566	13,387
Accrued expenses and deferred income	-	140,814
TOTAL LIABILITIES AND EQUITY	3,543,935,550	3,565,342,832
MEMORANDUM ACCOUNTS	3,252,038,282	3,191,091,256

INCOME STATEMENT

	2011	2010
TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS		
Gross written premiums	549,689,820	720,843,139
Outwards reinsurance premiums	(8,421,786)	(7,409,012)
Premiums for the year, net of outwards reinsurance	541,268,034	713,434,127
Income on investments	153,355,035	112,255,049
Income on investments and unrealised capital gains where the investment risk is borne by policyholders and arising from pension fund management	28,329,006	85,529,141
Other technical income, net of outwards reinsurance	1,216,946	1,824,570
Charges relating to claims, net of outwards reinsurance	(649,119,694)	(539,853,078)
Change in mathematical provisions and other technical provisions, net of outwards reinsurance	93,940,903	(285,945,329)
Operating expenses	(15,437,423)	(15,797,836)
Financial charges	(102,041,880)	(46,242,443)
Financial charges and unrealised capital losses on investments where the investment risk is borne by policyholders and arising from pension fund management	(50,490,133)	(13,606,444)
Other technical charges, net of outwards reinsurance	(14,474,132)	(14,798,004)
Investments transferred to the non-technical account	-	(2,298,797)
RESULT OF THE TECHNICAL ACCOUNT	(13,453,338)	(5,499,044)
NON-TECHNICAL ACCOUNT		
Income on investments transferred from the technical account	-	2,298,797
Other income	2,292,468	1,819,667
Other charges	(1,803,392)	(3,088,332)
RESULT OF ORDINARY BUSINESS	(12,964,262)	(4,468,912)
Extraordinary income	4,977,481	1,973,536
Extraordinary expense	(1,881,182)	(786,987)
PRE-TAX PROFIT (LOSS)	(9,867,963)	(3,282,363)
Income tax	3,252,388	(69,507)
PROFIT (LOSS) FOR THE YEAR	(6,615,575)	(3,351,870)

ARCA ASSICURAZIONI S.p.A.

Registered office in Verona - Share capital € 25,026,000
Indirect shareholding 96.99% through Arca Vita S.p.A.

At 31 December (amounts in €)

BALANCE SHEET

ASSETS	2011	2010
Share capital proceeds to be received	-	-
Intangible fixed assets	4,991	6,783
Investments	291,722,571	290,139,854
II-Investments in Group companies and other investees	854,540	854,540
III-Other financial investments	290,868,031	289,285,314
Technical provisions - reinsurers' share	33,578,121	38,572,943
Receivables	55,076,524	56,757,141
I-Direct insurance	12,636,727	18,050,412
II-Reinsurance	7,338,956	10,602,569
III-Other receivables	35,100,841	28,104,160
Other assets	36,629,115	37,570,015
I-Tangible assets and inventory	23,546	27,959
II-Liquid funds	34,303,028	33,194,738
IV-Other assets	2,302,541	4,347,318
Prepayments and accrued income	3,559,756	1,134,356
TOTAL ASSETS	420,571,078	424,181,092
LIABILITIES AND EQUITY		
Equity	65,020,786	38,342,874
I-Subscribed share capital or equivalent fund	25,026,000	25,026,000
IV-Legal reserve	2,087,769	2,087,769
VII-Other reserves	36,229,105	24,421,897
IX-Profit (loss) for the year	1,677,912	(13,192,792)
Technical provisions	336,193,948	359,532,388
Provisions for risks and charges	1,176,242	1,444,910
Payables and other liabilities	18,180,102	24,860,920
I-Direct insurance	7,725,151	7,878,642
II-Reinsurance	3,010,798	3,331,842
IV-Payables to banks and financial institutions	43	700
VII-Employees' leaving entitlement	357,649	360,797
VIII-Other payables	4,743,219	9,136,956
IX-Other liabilities	2,343,242	4,151,983
Accrued expenses and deferred income	-	-
TOTAL LIABILITIES AND EQUITY	420,571,078	424,181,092
MEMORANDUM ACCOUNTS	295,595,431	293,569,715

INCOME STATEMENT

	2011	2010
TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS		
Gross written premiums	147,268,926	220,916,293
Outwards reinsurance premiums	(21,460,976)	(24,769,315)
Net change in the provision on premiums	29,038,837	(14,057,818)
Earned premiums, net of outwards reinsurance	154,846,787	182,089,160
Income on investments transferred from the non-technical account	2,717,067	1,890,632
Other technical income, net of outwards reinsurance	6,732,707	5,242,789
Charges relating to claims, net of outwards reinsurance	(127,519,053)	(161,459,520)
Operating expenses	(22,048,969)	(34,599,784)
Other technical charges, net of outwards reinsurance	(11,079,299)	(10,130,371)
Change in equalisation provisions	(37,179)	(55,118)
RESULT OF THE TECHNICAL ACCOUNT	3,612,061	(17,022,212)
NON-TECHNICAL ACCOUNT		
Income on investments	13,088,060	5,738,574
Financial charges	(9,920,614)	(3,539,969)
Income on investments transferred to the technical account	(2,717,067)	(1,890,632)
Other income	641,505	463,459
Other charges	(1,269,567)	(1,814,563)
RESULT OF ORDINARY BUSINESS	3,434,378	(18,065,343)
Extraordinary income	31,552	104,262
Extraordinary expense	(106,578)	(27,640)
PRE-TAX PROFIT/(LOSS)	3,359,352	(17,988,721)
Income tax	(1,681,440)	4,795,929
PROFIT/(LOSS) FOR THE YEAR	1,677,912	(13,192,792)

COMPAGNIA ASSICURATRICE LINEAR S.p.A.

Registered offices in Bologna - Share capital € 19,300,000

At 31 December (amounts in €)

Direct shareholding 100%

BALANCE SHEET

ASSETS	2011	2010
Share capital proceeds to be received	-	-
Intangible fixed assets	589,303	814,717
Investments	234,825,946	222,730,147
II-Investments in Group companies and other investees	1	1
III-Other financial investments	234,825,945	222,730,146
Technical provisions - reinsurers' share	1,645,921	141,405
Receivables	6,927,472	7,618,553
I-Direct insurance	5,599,577	4,672,620
III-Other receivables	1,327,895	2,945,933
Other assets	87,365,118	61,902,869
I-Tangible assets and inventory	279,340	240,362
II-Liquid funds	77,906,893	54,638,022
IV-Other assets	9,178,885	7,024,485
Prepayments and accrued income	3,206,040	2,317,045
TOTAL ASSETS	334,559,800	295,524,736
LIABILITIES AND EQUITY		
Equity	46,505,861	43,583,181
I-Subscribed share capital or equivalent fund	19,300,000	19,300,000
II-Share premium reserve	3,650,000	3,650,000
IV-Legal reserve	3,860,000	3,860,000
VII-Other reserves	16,755,180	11,174,697
IX-Profit (loss) for the year	2,940,681	5,598,484
Technical provisions	267,486,414	237,703,344
Provisions for risks and charges	1,821,937	1,221,747
Payables and other liabilities	18,745,588	13,016,464
I-Direct insurance	3,749,078	2,871,098
II-Reinsurance	1,056,896	764,714
VII-Employees' leaving entitlement	506,637	501,392
VIII-Other payables	9,440,855	6,304,809
IX-Other liabilities	3,992,122	2,574,451
TOTAL LIABILITIES AND EQUITY	334,559,800	295,524,736
MEMORANDUM ACCOUNTS	262,486,203	237,864,580

INCOME STATEMENT

	2011	2010
TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS		
Gross written premiums	200,946,396	170,587,478
Outwards reinsurance premiums	(2,102,611)	(1,709,949)
Net change in the provision for premiums	(13,683,592)	(7,042,672)
Earned premiums, net of outwards reinsurance	185,160,193	161,834,857
Income on investments transferred from the non-technical account	-	1,513,788
Other technical income, net of outwards reinsurance	1,721,228	1,612,816
Charges relating to claims, net of outwards reinsurance	(144,790,469)	(129,453,730)
Operating expenses	(30,064,113)	(28,102,485)
Other technical charges, net of reinsurance	(2,083,444)	(1,604,520)
RESULT OF THE TECHNICAL ACCOUNT	9,943,395	5,800,726
NON-TECHNICAL ACCOUNT		
Income on investments	11,896,178	10,715,073
Financial charges	(15,070,793)	(8,899,324)
Income on investments transferred to the technical account	-	(1,513,788)
Other income	810,205	312,501
Other charges	(1,385,049)	(307,229)
RESULT OF ORDINARY BUSINESS	6,193,936	6,107,959
Extraordinary income	634,481	3,154,128
Extraordinary expense	(562,287)	(591,592)
PRE-TAX PROFIT/(LOSS)	6,266,130	8,670,495
Income tax	(3,325,449)	(3,072,011)
PROFIT/(LOSS) FOR THE YEAR	2,940,681	5,598,484

UNISALUTE S.p.A.

Registered offices in Bologna - Share capital € 17,500,000
Direct shareholding 98.53%

At 31 December (amounts in €)

BALANCE SHEET

ASSETS	2011	2010
Share capital proceeds to be received	-	-
Intangible fixed assets	1,078,244	1,365,180
Investments	153,895,564	107,879,314
II-Investments in Group companies and other investees	1,599,676	99,676
III-Other financial investments	152,295,888	107,779,638
Technical provisions - reinsurers' share	577,795	440,314
Receivables	55,214,109	58,605,026
I-Direct insurance	52,236,127	53,174,542
II-Reinsurance	464,258	317,727
III-Other receivables	2,513,724	5,112,757
Other assets	24,657,138	18,831,128
I-Tangible assets and inventory	551,041	477,565
II-Liquid funds	10,450,602	9,318,608
IV-Other assets	13,655,495	9,034,955
Prepayments and accrued income	1,313,860	639,482
TOTAL ASSETS	236,736,710	187,760,444
LIABILITIES AND EQUITY		
Equity	51,564,477	42,304,285
I-Subscribed share capital or equivalent fund	17,500,000	17,500,000
II-Share premium reserve	7,746,853	7,746,853
IV-Legal reserve	3,385,854	2,926,672
VII-Other reserves	11,321,577	4,947,107
IX-Profit (loss) for the year	11,610,193	9,183,653
Technical provisions	166,295,238	135,510,528
Provisions for risks and charges	15,000	15,000
Deposits from reinsurers	326,870	273,140
Payables and other liabilities	18,535,125	9,657,491
I-Direct insurance	1,988,524	436,609
VII-Employees' leaving entitlement	538,588	531,350
VIII-Other payables	8,302,551	2,511,251
IX-Other liabilities	7,705,462	6,178,281
Accrued expenses and deferred income	-	-
TOTAL LIABILITIES AND EQUITY	236,736,710	187,760,444
MEMORANDUM ACCOUNTS	175,042,663	120,808,294

INCOME STATEMENT

	2011	2010
TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS		
Gross written premiums	216,779,674	181,969,476
Outwards reinsurance premiums	(146,206)	(171,999)
Net change in the provision for premiums	1,729,322	(1,068,398)
Earned premiums, net of outwards reinsurance	218,362,790	180,729,079
Income on investments transferred from the non-technical account	-	-
Other technical income, net of outwards reinsurance	85,796	49,342
Charges relating to claims, net of outwards reinsurance	(166,733,899)	(139,834,345)
Changes in other technical provisions, net of outwards reinsurance	(104,757)	(408,476)
Reversals and profit participation, net of outwards reinsurance	(2,937,735)	(405,755)
Operating expenses	(26,733,905)	(24,314,019)
Other technical charges, net of outwards reinsurance	(98,167)	(63,018)
RESULT OF THE TECHNICAL ACCOUNT	21,840,123	15,752,808
NON-TECHNICAL ACCOUNT		
Income on investments	6,145,785	5,416,656
Financial charges	(8,565,446)	(5,794,511)
Income on investments transferred to the technical account	-	-
Other income	480,535	1,036,656
Other charges	(821,381)	(1,708,702)
RESULT OF ORDINARY BUSINESS	19,079,616	14,702,907
Extraordinary income	130,507	91,764
Extraordinary expense	(257,017)	(356,782)
PRE-TAX PROFIT/(LOSS)	18,953,106	14,437,889
Income tax	(7,342,913)	(5,254,236)
PROFIT/(LOSS) FOR THE YEAR	11,610,193	9,183,653

LINEAR LIFE S.P.A.

Registered offices in Bologna - Share capital € 5,180,108

At 31 December (amounts in €)

Direct shareholding 100%

BALANCE SHEET

ASSETS	2011	2010
Share capital proceeds to be received	-	-
Intangible fixed assets	171,150	216,840
Investments	11,582,242	12,273,442
III-Other financial investments	11,582,242	12,273,442
Technical provisions - reinsurers' share		
Receivables	1,029,477	591,376
I-Direct insurance	141,406	124,753
II-Reinsurance	-	-
III-Other receivables	888,071	466,623
Other assets	1,504,848	89,598
I-Tangible assets and inventory	5,297	6,456
II-Liquid funds	1,469,199	58,044
IV-Other assets	30,352	25,098
Prepayments and accrued income	125,800	157,272
TOTAL ASSETS	14,413,517	13,328,528
LIABILITIES AND EQUITY		
Equity	4,581,843	4,294,408
I-Subscribed share capital or equivalent fund	5,180,108	5,180,108
II-Share premium reserve	177	177
IV-Legal reserve	50,977	50,977
VII-Other reserves	1,650,841	150,841
VIII-Profits (losses) carried forward	(1,087,694)	(632,720)
IX-Profit (loss) for the year	(1,212,566)	(454,975)
Technical provisions	9,178,761	8,645,819
Provision for risks and charges	27,160	30,000
Payables and other liabilities	625,753	358,301
I-Direct insurance	2,933	1,529
II-Reinsurance	23,095	16,872
VII-Employees' leaving entitlement	1,356	-
VIII-Other payables	451,562	158,513
IX-Other liabilities	146,807	181,387
Accrued expenses and deferred income	-	-
TOTAL LIABILITIES AND EQUITY	14,413,517	13,328,528
MEMORANDUM ACCOUNTS	12,885,230	12,516,420

INCOME STATEMENT

	2011	2010
TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS		
Gross written premiums	1,195,867	1,687,330
Outwards reinsurance premiums	(6,223)	(16,687)
Premiums for the year, net of outwards reinsurance	1,189,644	1,670,643
Income on investments	546,634	483,134
Other technical income, net of outwards reinsurance	-	8,518
Charges relating to claims, net of outwards reinsurance	(838,010)	(1,510,741)
Change in mathematical provisions and other technical provisions, net of outwards reinsurance	(500,420)	(401,768)
Operating expenses	(1,094,853)	(496,846)
Financial charges	(899,713)	(264,666)
Other technical charges, net of outwards reinsurance	(2,672)	(28,749)
Income on investments transferred to the non-technical account	-	-
RESULT OF THE TECHNICAL ACCOUNT	(1,599,390)	(540,475)
NON-TECHNICAL ACCOUNT		
Income on investments transferred from the technical account	-	-
Other income	17,666	5,269
Other charges	(86,099)	(109,705)
RESULT OF ORDINARY BUSINESS	(1,667,823)	(644,911)
Extraordinary income	104	22,807
Extraordinary expense	(136)	(14,477)
PRE-TAX PROFIT (LOSS)	(1,667,855)	(636,581)
Income tax	455,289	181,606
PROFIT (LOSS) FOR THE YEAR	(1,212,566)	(454,975)

UNIPOL BANCA S.P.A.

Registered offices in Bologna - Share capital € 1,004,500,000

At 31 December - (amounts in €)

Direct shareholding 67.74%, indirect 32.26% through Unipol Assicurazioni S.p.A.

BALANCE SHEET

	2011	2010
ASSETS		
10. Cash and cash equivalents	131,381,256	110,977,354
20. Financial assets held for trading	85,789	38,032,941
40. Available-for-sale financial assets	657,703,780	494,263,435
60. Loans to banks	923,767,745	731,000,896
70. Loans to customers	9,428,694,412	9,735,632,700
80. Hedging derivatives	31,727,235	5,686,636
100. Investments	136,350,282	125,822,802
110. Property, plant and equipment	21,467,621	22,699,821
120. Intangible assets	120,130,445	420,730,424
<i>-incl. goodwill</i>	<i>119,225,718</i>	<i>419,225,718</i>
130. Tax assets	178,149,774	99,431,346
<i>a) current</i>	<i>14,386,269</i>	<i>14,398,387</i>
<i>b) deferred</i>	<i>163,763,505</i>	<i>85,032,959</i>
150. Other assets	224,574,371	256,269,092
TOTAL ASSETS	11,854,032,710	12,040,547,447
LIABILITIES AND EQUITY		
10. Due to banks	1,000,231,498	1,268,501,684
20. Due to customers	7,105,487,537	7,176,113,435
30. Securities outstanding	2,487,179,421	2,124,167,373
40. Financial liabilities held for trading	77,292	4,471
60. Hedging derivatives	14,005,683	8,470,309
80. Tax liabilities	16,345,877	37,908,688
<i>a) current</i>	<i>9,614,875</i>	<i>12,615,431</i>
<i>b) deferred</i>	<i>6,731,002</i>	<i>25,293,257</i>
100. Other liabilities	290,436,180	370,447,804
110. Post-employment benefits	11,994,870	13,851,028
120. Provisions for risks and charges	3,297,401	3,438,624
130. Valuation reserves	(27,201,699)	(14,457,550)
160. Reserves	24,988,746	18,537,662
170. Share premiums	122,612,834	122,612,834
180. Share capital	1,004,500,000	904,500,000
200. Profit (loss) for the year (+/-)	(199,922,920)	6,451,085
TOTAL LIABILITIES AND EQUITY	11,854,032,720	12,040,547,447

INCOME STATEMENT

	2011	2010
10. Interest and similar income	408,553,714	343,098,976
20. Interest and similar expense	(211,915,851)	(145,011,454)
30. Net interest income	196,637,863	198,087,522
40. Fee and commission income	140,876,975	130,271,209
50. Fee and commission expense	(28,377,622)	(19,525,075)
60. Net fee and commission income	112,499,353	110,746,134
70. Dividends and similar income	893,050	2,002,174
80. Net profits/(losses) on trading	848,581	369,920
90. Net profits/(losses) on hedging	(911,477)	195,823
100. Gains (losses) on disposal/repurchase of:	5,030,433	12,363,021
a) loans	117,038	371,430
b) available-for-sale financial assets	2,212,014	7,036,147
d) financial liabilities	2,701,381	4,955,444
120. Gross operating income	314,997,803	323,764,594
130. Impairment losses/reversal of impairment losses on:	(49,419,158)	(51,754,836)
a) loans	(49,572,449)	(51,317,935)
b) available-for-sale financial assets	-	-
d) other financial activities	153,291	(436,901)
140. Net financial income	265,578,645	272,009,758
150. Administrative expenses:	(251,176,016)	(251,729,137)
a) personnel expenses	(139,937,563)	(140,742,823)
b) other administrative expenses	(111,238,453)	(110,986,314)
160. Provisions for risks and charges	-	-
170. Impairment losses/reversal of impairment losses on property, plant and equipment	(7,195,734)	(7,079,406)
180. Impairment losses/reversal of impairment losses on intangible assets	(724,526)	(799,710)
190. Other operating income/expenses	17,234,370	8,958,625
200. Operating expenses	(241,861,906)	(250,649,628)
210. Gains (losses) on investments	(4,117,770)	-
230. Goodwill adjustments	(300,000,000)	-
250. Pre-tax profit (loss) on continuing operations	(280,401,031)	21,360,130
260. Income tax for the year on continuing operations	80,478,111	(14,909,045)
270. Profit (loss) on continuing operations, net of tax	(199,922,920)	6,451,085

Registered offices in Bologna - Quota capital € 112,000,000
Indirect shareholding 100% through Unipol Assicurazioni S.p.A.

At 31 December (amounts in €)

BALANCE SHEET

	2011	2010
ASSETS		
A) QUOTA CAPITAL PROCEEDS TO BE RECEIVED	-	-
B) FIXED ASSETS	122,500,161	105,161,111
I Intangible fixed assets	-	-
II Tangible fixed assets	120,199,101	104,910,515
1) land and buildings	111,660,298	43,146,154
4) other assets	-	17,982
5) assets under development and payments on account	8,538,803	61,746,379
III Financial fixed assets	2,301,060	250,596
1) investments in		
a) subsidiaries	2,048,562	-
d) other companies	250,316	250,316
2) Financial receivables		
d) from others: due within one year	2,182	280
C) CURRENT ASSETS	6,466,768	10,669,678
II Receivables		
-due within one year	5,722,711	6,848,707
IV Liquid funds	744,057	3,820,971
D) PREPAYMENTS AND ACCRUED INCOME	1,054	1,050
TOTAL ASSETS	128,967,983	115,831,839
LIABILITIES		
A) EQUITY	121,353,309	108,231,853
I Quota capital	112,000,000	107,000,000
IV Legal reserve	137,105	130,965
VII Other reserves: extraordinary reserve	9,094,745	978,086
IX Profit (loss) for the year	121,459	122,802
D) PAYABLES	7,614,674	7,599,986
-due within one year	7,614,674	7,599,986
TOTAL LIABILITIES AND EQUITY	128,967,983	115,831,839
MEMORANDUM ACCOUNTS	9,587,403	9,587,403
1) Sureties - to third parties	9,587,403	9,587,403

INCOME STATEMENT

	2011	2010
A) PRODUCTION REVENUES	4,315,315	2,526,691
1) Turnover from sales and services	3,085,079	1,923,142
5) Other revenues and income		
-other revenues and income	1,230,236	603,549
B) PRODUCTION COST	4,233,000	2,283,884
7) Services	2,016,225	918,321
10) Amortisation/depreciation and write-downs		
b) depreciation of tangible fixed assets	2,019,440	1,148,044
14) Other operating costs	197,335	217,519
Operating profit (loss) (A-B)	82,315	242,807
C) FINANCIAL INCOME AND CHARGES	(56,472)	4,201
16) Other financial income		
d) other income: from others	28,088	4,201
17) Interest and other financial charges: other	84,560	-
E) EXTRAORDINARY INCOME AND EXPENSE	176,024	10,163
20) Other income	177,085	10,255
21) Other expense	1,061	92
Pre-tax profit/(loss)	201,867	257,171
22) Income tax on profit, current and deferred		
a) current taxes	80,408	134,369
23) Net profit (loss) for the year	121,459	122,802

UNIFIMM S.r.l.

Registered offices in Bologna - Quota capital € 223,350,000 approved (of which € 168,350,000 fully paid-up)
Indirect shareholding 100% through Unipol Assicurazioni S.p.A.

At 31 December (amounts in €)

BALANCE SHEET

	2011	2010
ASSETS		
A) QUOTA CAPITAL PROCEEDS TO BE RECEIVED	-	-
B) FIXED ASSETS	148,552,728	98,903,336
I Intangible fixed assets	-	-
II Tangible fixed assets	148,552,713	98,903,321
III Financial fixed assets	15	15
C) CURRENT ASSETS	19,523,469	7,025,560
II Financial receivables		
-due within one year	6,251,475	5,551,020
-due after one year	8,296,057	-
IV Liquid funds	4,975,937	1,474,540
D) PREPAYMENTS AND ACCRUED INCOME	2,321	3,168
TOTAL ASSETS	168,078,518	105,932,064
LIABILITIES		
A) EQUITY	142,256,747	80,294,114
I Quota capital	157,350,000	94,850,000
IV Legal reserve	548,836	548,836
VII Other reserves		
- other	-	1
VIII Profits (losses) carried forward	(15,104,723)	(14,514,309)
IX Profit (loss) for the year	(537,366)	(590,414)
B) PROVISION FOR RISKS AND CHARGES	6,713,940	6,713,940
D) PAYABLES	19,107,831	18,924,010
- due within one year	19,107,831	18,924,010
TOTAL LIABILITIES AND EQUITY	168,078,518	105,932,064
MEMORANDUM ACCOUNTS	14,112,833	14,230,953
1) Sureties to third parties	14,112,833	14,230,953

INCOME STATEMENT

	2011	2010
A) PRODUCTION REVENUES	-	32,050
5) Other revenues and income		
- other revenues and income	-	32,050
B) PRODUCTION COST	568,672	626,397
7) Services	332,881	390,755
14) Other operating costs	235,791	235,642
Operating loss (A-B)	(568,672)	(594,347)
C) FINANCIAL INCOME AND CHARGES	31,306	3,199
16) Other financial income		
d) other income		
-from others	31,306	3,199
E) EXTRAORDINARY INCOME AND EXPENSE	-	734
20) Income		
-other	-	734
Pre-tax profit/(loss)	(537,366)	(590,414)
22) Income tax on profit (loss) for the year	-	-
23) Profit (loss) for the year	(537,366)	(590,414)

Statement
on the Annual Financial Statements
(in accordance with Article 81-*ter* of CONSOB Regulation 11971/1999)

**STATEMENT ON THE ANNUAL FINANCIAL STATEMENTS
IN ACCORDANCE WITH ARTICLE 81-ter OF CONSOB REGULATION 11971 OF 14
MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS**

1. The undersigned Carlo Cimbri, in his capacity as Chief Executive Officer, and Maurizio Castellina, in his capacity as Manager in charge of financial reporting of Unipol Gruppo Finanziario S.p.A., hereby declare that, under the provisions of Article 154-*bis*, paras 3 and 4, of Legislative Decree 58 of 24 February 1998, the administrative and accounting procedures applied in drawing up the 2011 financial statements
 - were appropriate for the type of business concerned and
 - were properly applied.
2. The suitability of the administrative and accounting procedures for drawing up the financial statements at 31 December 2011 was assessed using a process laid down by Unipol Gruppo Finanziario S.p.A. that is based on the COSO Framework (Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organisations of the Tradeway Commission), and in terms of the IT component, is based on the COBIT Framework (Control Objectives for IT and related technology), which are unanimously recognised as the standard for the implementation and assessment of internal control systems.
3. We also represent that:
 - 3.1. the financial statements at 31 December 2011:
 - were drawn up in conformity with the provisions of the Italian Civil Code and the national accounting standards approved by the Italian Accounting Standard Setter (OIC);
 - correspond to the information recorded in the books and accounting records;
 - give a true and fair view of the financial position and results of operations of the issuer;
 - 3.2. the management report includes a reliable analysis of the performance, the results and the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Bologna, 15 March 2012

The Chief Executive Officer

Carlo Cimbri

(signed on the original)

The Manager in charge of financial reporting

Maurizio Castellina

(signed on the original)

Board of Statutory Auditors' Report

Board of Statutory Auditors' Report to the Shareholders' Meeting

in accordance with Article 153 of Legislative Decree 58 of
24 February 1998

Dear Shareholders,

During the year ended 31 December 2011 we carried out our supervisory duties laid down by law, in accordance with the code of conduct for Boards of Statutory Auditors recommended by the Italian Accounting Profession.

In particular, in compliance with the guidelines provided by CONSOB in Communication 1025564 of 6 April 2001, in accordance with Article 153 para. 1 of Legislative Decree 58 of 24 February 1998 (hereinafter referred to as "Legislative Decree 58/98" or "TUF" [Consolidated Finance Act]) we hereby report the following.

I. Legislation governing drawing up Unipol Gruppo Finanziario S.p.A.'s financial statements at 31 December 2011.

The Board of Statutory Auditors wishes to point out first of all that Unipol Gruppo Finanziario S.p.A.'s 2011 financial statements (and those for the previous years) have been drawn up in conformity with the provisions of the Italian Civil Code and the National Accounting Standards approved by the Italian Accounting Standard Setter (OIC).

Under Article 1 para. 1aa) of Legislative Decree 209/2005 (Insurance Code) Unipol Gruppo Finanziario S.p.A. is deemed to be an insurance holding company and as such is required to draw up its consolidated financial statements in accordance with IFRS, but under Article 4 of Legislative Decree 38/2005 it cannot apply the same IFRS to the company's financial statements (i.e. the annual financial statements submitted for your approval).

The Board of Statutory Auditors reports that the valuation criteria used to draw up the financial statements at 31 December 2011 are the same as those used to draw up the financial statements of the previous year.

II. Information on the supervisory work carried out by the Board of Statutory Auditors.

In accordance with the legislation and regulations referred to above the Board of Statutory Auditors reports below on its findings.

1. We ensured that the law and the memorandum of association were observed.

2. We received reports from the Directors on the business activity carried out and on the transactions carried out by the company that had a major impact on the balance sheet and income statement and we can reasonably state that the activities decided on and carried out complied with the law and with the by-laws and do not appear to have been imprudent, risky, in conflict with the resolutions passed by the Shareholders' Meeting nor such as to compromise the integrity of the company's assets. In addition, transactions likely to give rise to a conflict of interest were approved in accordance with the law and the codes of conduct adopted. Below we report on the transactions mentioned above.

2.1. Transactions that had a major impact on the balance sheet and income statement carried out by the company during 2011.

- Merger with Navale Assicurazioni S.p.A.: the contribution of Navale Assicurazioni's insurance business to Unipol Assicurazioni and the merger of Navale Assicurazioni into UGF S.p.A. took effect for legal, accounting and tax purposes on 1 January 2011;
- sale of investment in BNL Vita: on 7 April 2011, BNP Paribas exercised its option right to acquire

the 25,500,000 shares held by UGF S.p.A. in Bnl Vita, corresponding to 51% of the share capital, and designated the subsidiary Cardif Assicurazioni as purchaser. On 29 September 2011, once BNP Paribas and Cardif Assicurazioni had obtained the permits required by law, the investment was sold for a total, as laid down in the contract, of €325.2m. This sale enabled UGF S.p.A. to make a capital gain of €55m net of tax (of €1m);

- **Unipol Banca/Unipol Merchant debt reimbursement agreement:** on 3 August 2011, under the operations to strengthen the equity of the subsidiary Unipol Banca, UGF S.p.A. signed agreements with Unipol Banca and Unipol Merchant, with effect from 30 June 2011, relating to a certain type of lending, mainly mortgage loans. 52 items were involved (Unipol Banca 49 and Unipol Merchant 3) amounting to €546.6m (Unipol Banca €528.2 and Unipol Merchant €18.4 – carrying amount at 30/6/2011). Under these agreements UGF S.p.A. undertook to pay Unipol Banca and Unipol Merchant the principal and interest on these loans if they had not received them after taking all possible action provided for by law to recover the debt, including applying to the courts, up to a maximum, including capital and interest, equal to their carrying amount at 30 June 2011. The agreements will remain in force for a maximum of ten years after the last date on which the loans are repayable. In return Unipol Banca and Unipol Merchant will pay UGF S.p.A. an annual sum of 1% of its commitment at the time (€2.1m in 2011).

Two transactions for the sale of mortgaged property complexes to Unipol Banca were concluded during December 2011, with a consequent €56m reduction in exposures, €29m of it relating to a mortgage on an industrial complex transferred to a property fund that took on the debt with effect from 1 January 2012 and €27m to land loans already classified as non-performing and backed by a mortgage on the Villa Cicogna complex, part of which is of historical value, in San Lazzaro di Savena (BO), recorded by the subsidiary Ambra Property.

Following a thorough investigation into whether the receivables were recoverable and the collateral on property was appropriate €53m was set aside in 2011 to cover these risks.

- **realignment of goodwill in accordance with Law Decree 98/2011:** in accordance with the provisions of Article 23, paras 12 to 15, of Law Decree 98/2011 (converted by Law 111/2011), on 30 November 2011, UGF S.p.A. realigned the premium on its controlling investments by the amount of the goodwill recognised in the consolidated financial statements at 31 December 2010 and paid €231.6m in substitute tax, i.e. 16% of the €1,447m of realigned taxable goodwill. In return a €398m saving on future taxation is expected. The amount paid was recorded under Deferred tax assets and will be recognised through profit or loss in ten equal instalments as from 2013 (the tax period following the one current at 31/12/2012), the year from which it will be possible to deduct the increase in the realigned values for tax purposes, which is expected to have a positive net effect through profit or loss of €16.6m per year for 10 years.
- **The Group rebranded itself on 1 July 2011, the aim being to focus on the traditional name 'Unipol'.** The decision was supported by the fact that this brand is known throughout Italy and is valued and trusted by the market, thus making it a strategic asset for the Group. The abbreviation UGF, which had formed part of the name of several companies in the Group, was replaced with 'Unipol'. UGF Assicurazioni changed its name to Unipol Assicurazioni S.p.A. and the companies in the Banking Group (now Gruppo Unipol Banca) UGF Banca, UGF Merchant and UGF Leasing took the names of Unipol Banca S.p.A., Unipol Merchant S.p.A. and Unipol Leasing S.p.A., respectively.

3. By collecting information from departmental heads and holding meetings with the independent auditors for the purpose of exchanging relevant figures and information, the Board of Statutory Auditors was able to look at the company's organisational structure to ensure that it was properly administered and that the information requested from the company in its capacity as holding company was sufficient and timely enough to enable the provisions of Article 114, para. 1, of Legislative Decree 58/1998 to be fulfilled, and there are no particular observations to make in that respect.

4. By looking at the information obtained from the heads of the various departments, examining company records and analysing the results of the work carried out by the independent auditors and those responsible for internal control, we ensured that the internal control system and the accounting system were appropriate and that the accounting system could be relied on to give an accurate representation of business operations. By

examining the work carried out by the Internal Auditing, Compliance and Risk Management Departments and the Manager in charge of financial reporting and by attending the meetings of the Internal Control Committee (now the Control and Risks Committee, with which the Board of Statutory Auditors held joint meetings), we were able to examine the work carried out by the various departments responsible for control in order to check that it had been done properly and that the entire Internal Control system operated effectively. On the basis of the findings made while carrying out our supervisory duties, we have a positive opinion of the Internal Control system. We are also of the opinion that the Internal Auditing, Compliance and Risk Management Departments and the Manager in charge of financial reporting carried out their work in such a professional manner that the Internal Control system was effective and efficient.

5. As regards the Organisational and Management Model set up in accordance with Legislative Decree 231/2001, we obtained information about the work of the Supervisory Body and were informed that the work of putting the Model into practice was almost completed during 2011. We were not informed of any situations of particular importance.

6. Transactions with related parties:

Unipol Gruppo Finanziario S.p.A., a holding and service company, Parent of the Gruppo Assicurativo Unipol (entered in the Register of Insurance Groups – no. 046) carried out management and coordination activities in accordance with Article 2497 et seq. of the Italian Civil Code.

Finsoe S.p.A. held 50.75% of UGF S.p.A.'s ordinary share capital at 31 December 2011. The following changes took place in Holmo S.p.A. after the end of 2010.

The project for the non-proportional partial demerger of Holmo S.p.A. concluded on 2 November 2011. It had been launched on 12 April 2011 and approved by the Extraordinary Shareholders' Meeting held on 5 July 2011 and resulted in a proportional reduction in Holmo S.p.A.'s investment in Finsoe S.p.A. from 76.50% to 24.54% of the entire share capital with voting rights. Since the demerger, neither Holmo nor any other party has held an interest in Finsoe that could be described as controlling.

Finsoe S.p.A., which held a controlling investment in UGF S.p.A. as defined in Article 2359, para. 1, 1, of the Italian Civil Code, did not carry out any of UGF S.p.A.'s management or coordination activities, either technical or financial.

UGF S.p.A. provided the following services during 2011:

- Institutional Relations and relations with the Media and Corporate Identity;
- Management, development and administration of human resources, project management and organisational reporting;
- Company services;
- Compliance with legislation and combating money-laundering (legal services);
- Governance (internal control, risk management and compliance with relevant legislation).

Unipol Assicurazioni provided services to companies in the Group, including UGF S.p.A., relating to the following areas:

- Planning and monitoring;
- Legal affairs and data protection;
- IT services;
- Health and safety at work: (Legislative Decree 81/08);
- Technical training and organisation;
- Administrative (bookkeeping, tax, administrative and financial statements services);
- Property, purchasing and auxiliary services;
- Development of Life products, analysis of Life provisions and settlements;
- Claims management and settlement;
- Complaints management;
- Marketing;
- Reinsurance;
- Finance.

Unipol Assicurazioni also carried out the following with the companies in the Group:

- normal reinsurance and coinsurance transactions;
- rental property;

- agency mandates.

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

- settling health claims on behalf of Unipol Assicurazioni;
- providing medical advice and assistance by telephone, making bookings, settling health benefit claims on behalf of Unipol Assicurazioni and Linear;
- tutoring services for the e-learning package on behalf of UGF S.p.A., Unipol Assicurazioni, Linear and Linear Life.

Unipol Banca provided the following important services to the companies in the banking group of which it is the Parent:

- Organisation;
- IT Services (limited to the period January-March 2011);
- Management and financial statements;
- Staffing;
- Combating money-laundering;
- Legal services and relations with the Courts;
- Risk management;
- Compliance;
- Internal auditing;
- General affairs.

Both UGF S.p.A. and the subsidiary Unipol Assicurazioni seconded staff to the Group companies.

Fees were based on the 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 staff, and took 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 levels of service agreed.

The following elements were specifically taken into consideration:

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

When services were provided by UGF S.p.A. the operating companies were charged a mark-up in addition to the allocated cost.

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

The Board of Statutory Auditors made the following comments on transactions with related parties.

- Unipol Banca/Unipol Merchant debt reimbursement agreement

On 3 August 2011, under the operations to strengthen the equity of the subsidiary Unipol Banca, Unipol signed agreements with Unipol Banca and Unipol Merchant, with effect from 30 June 2011, relating to a certain type of lending, mainly mortgage loans. 52 items were involved (Unipol Banca 49 and Unipol Merchant 3) amounting to €547m (carrying amount at 30/6/2011), €528m relating to Unipol Banca and €18m to Unipol Merchant. In return Unipol Banca and Unipol Merchant were to pay UGF S.p.A. an annual sum of 1% of its commitment at the time (€2.1m in 2011). As regards this operation, we have already provided ample information in paragraph 2.1 above on the operations that had a major economic and financial impact and a major impact on capital and reserves carried out by the Company during 2011. The operation was submitted for the opinions/validation of the relevant internal departments, in accordance with the relevant internal rules on transactions with related parties under CONSOB Ruling 17221/2010 (Procedure for transactions with related parties). The operation was deemed to be 'exempt' from the procedural rules since it was carried out between Unipol Gruppo Finanziario and companies wholly owned by it and it had no significant interests in these companies in the sense of the CONSOB Regulation.

- Loans from Unipol Assicurazioni

During 2011 UGF S.p.A. repaid Unipol Assicurazioni €1m for the two loans taken out during 2009 as a result of the subsidiary Unipol Assicurazioni taking over as issuer of the UGF 7% and UGF 5.66% subordinated bond loans. The balance on these loans at 31 December 2011 was €267,785K (€268,785K at 31/12/2010). €6,348K was paid in interest in 2011.

- Senior bond loan 2009-2012

At 31 December 2011, Finsoe held €70m of the senior bond loan issued by UGF S.p.A. during 2009, which had a total nominal amount of €175m. Finsoe had been paid €3,675K in interest by 31 December 2011.

Still on the subject of transactions with related parties, we wish to point out that UGF S.p.A. opted to take part in the national consolidated tax scheme of the holding company Finsoe S.p.A. for the three-year period 2010-2011-2012 and signed an agreement governing the financial relations stemming from it.

We ascertained that the aims of all the transactions with related parties mentioned above were rationalisation and profitability and that there were no atypical nor unusual transactions that could give rise to doubts about the accuracy and the completeness of the information, conflicts of interest, safeguards for company's assets and the protection of minority shareholders. The Management Report and the Notes to the Financial Statements provide detailed and adequate information on the amount and type of the assets, liabilities, income and expense involved in these transactions with related parties carried out during 2011.

We also ascertained that none of these transactions with related parties included any atypical and/or unusual operations within the Group nor with third parties.

As regards Consob Ruling 17221 of 12 March 2010, which came into force on 1 December 2010, we can report that no transactions with related parties 'of major relevance' took place in 2011 and neither did any transactions that, according to Article 2427, para. 2, of the Italian Civil Code, had any significant effect on UGF S.p.A.'s financial position and results of operations. The Company has adopted the 'Procedure for transactions with related parties', which was approved by the Board of Directors on 11 November 2010. The Procedure lays down the rules, procedures and standards for ensuring the transparency and the substantial and procedural accuracy of transactions with related parties carried out by UGF S.p.A. directly or through subsidiaries. On 11 November 2010, having been informed of the above, we ascertained that the 'Procedure for transactions with related parties' complied with the Regulation and, in view of the organisational and ownership structure of the Company and the Group, was suitable for ensuring that transactions with related parties would be properly carried out and that the associated duties of transparency and reporting would be fulfilled.

7. The Board held meetings with representatives of the independent auditors, in accordance with Article 150, para. 3, of Legislative Decree 58/1998, and no figures or information relating to the financial statements at 31 December 2011 that need to be mentioned in this report emerged. The independent auditors, KPMG S.p.A., issued an unqualified report on the financial statements at 31 December 2011.

8. In accordance with Article 19, para. 1, of Legislative Decree 39 of 27 January 2010, the Board of Statutory Auditors certifies that it supervised:

- the audit of the separate and consolidated financial statements;
- the independence of the independent auditors, in particular relating to the provision of services not connected with auditing.

9. The independent auditors, KPMG S.p.A., were entrusted with the following additional tasks during the year:

- review of the proforma financial statements and the notes thereto on the sale of BNL Vita for €44,000;
- checking UGF S.p.A.'s Single Model 2011 and 770 Model for a fee of €3,310.

10. KPMG Advisory N.V. (Holland), which belongs to KPMG S.p.A.'s network, was paid €22,157 during the year for 'secretarial services for the CRO forum'.

11. We checked that, in accordance with the provisions of Legislative Decree 196/2003, the 'Data Protection Act', which came into effect in January 2004, the Data Protection Document had been updated in accordance with the legal requirements.

12 The Board of Statutory Auditors issued the following opinions during 2011:

- ✓ On 24 March 2011: we submitted to the Board of Directors the report on the suggestion made by the independent auditors, KPMG S.p.A., that the audit fees be raised as a result of the changed Group structure following the acquisition of the control of the companies belonging to Arca Vita S.p.A. and it was then presented to the Shareholders' Meeting. We recommended that the Shareholders' Meeting approve KPMG S.p.A.'s suggestion since we deemed that the reasons for the request for higher fees are well founded and deemed the fee requested to be reasonable in view of the extent and complexity of the engagement.
- ✓ On 30 June 2011:
 - in accordance with Article 2386, para. 1, of the Italian Civil Code we approved the Board of Directors' proposal to coopt Mr Adriano Turrini to replace the Director who had resigned, Mr Gilberto Coffari;
 - in accordance with Article 2389, para. 3, of the Italian Civil Code we approved the proposal to pay Mr Adriano Turrini, the Director recently appointed to the Management Committee, the gross fees for members of the Advisory Committees fixed by the Board of Directors on 13 May 2010.
- ✓ On 10 November 2011: in accordance with Article 2389, para. 3, of the Italian Civil Code we approved the proposal to pay Pier Luigi Celli, the Director recently appointed to the Remuneration Committee, the gross fees for members of the Advisory Committees fixed by the Board of Directors on 13 May 2010.

13. The independent auditors, KPMG S.p.A., expressed the following opinion during 2011:

- ✓ On 10 October 2011: Auditors' Report on its examination of the Unipol Group's proforma consolidated statement of financial position, income statement and statement of comprehensive income as at and for the half year ended 30 June 2011 in view of the sale of UGF S.p.A.'s investment in BNL Vita S.p.A..

14. The Board of Statutory Auditors received no complaints under Article 2408 of the Italian Civil Code, nor were any complaints received from third parties.

15. We checked that the financial statements and the Management Report had been drawn up in accordance with current legislation and in a thorough manner. We should like to point out that in accordance with the provisions of Article 14 of Legislative Decree 39 of 27 January 2010, the independent auditors are responsible for confirming that the Management Report is consistent with the financial statements. The Report on the financial statements at 31 December 2011 issued by the independent auditors was unqualified with respect to comments on the above matter.

16. We approved the recording of €6,556,254 and €8,662,953 of start-up and capital costs and advertising costs, respectively, that cover several years as Intangible Fixed Assets in the balance sheet.

17. The Company abides by the Code of Conduct issued by Borsa Italiana S.p.A. and drew up the 'Annual report on corporate governance and ownership'. We evaluated this Report to the best of our ability and have no observations to make. The new wording of Article 123-*bis* of Legislative Decree 58 of 24 February 1998 introduced by Legislative Decree 173 of 3 November 2008 provides that the independent auditors express their opinion on whether some information in the "Report on corporate governance and ownership" is consistent 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. UGF S.p.A. decided to include this information in the 'Annual report on corporate governance and ownership', which was approved by the Board of Directors on 15 March 2012. The independent auditors' Report contained no comments on the matter mentioned above.

18. Your Company's Board of Directors assessed the independence of the non-executive Directors, in accordance with Article 3 of the Code of Conduct for listed companies and Article 147-*ter*, para. 4, of Legislative Decree 58 of 24 February 1998. In accordance with Article 144-*novies* of the Issuer Regulation the Board of Directors also assessed whether the members of the Board of Statutory Auditors fulfilled the requirements of independence provided for in Article 148, para. 3, of the Consolidated Finance Act.

As part of our duties we checked that the assessment criteria and procedures had been applied correctly.

19. As an insurance holding company under Article 1, para. 1aa) of Legislative Decree 209/2005 (Insurance Code) your Company is required to draw up its consolidated financial statements in accordance with IFRS. We refer you to our report, issued today, on the Unipol Group's consolidated financial statements as at and for the year ended 31 December 2011.

We met 21 times and were represented at all nine meetings of the Board of Directors.

During the course of the supervisory work and on the basis of information obtained from the independent auditors, no omissions, questionable acts, irregularities nor any significant facts came to light such as to require the supervisory bodies to be notified thereof or to require a mention in this report on the financial statements at 31 December 2011.

Therefore the Board of Statutory Auditors considers that you may approve the financial statements at 31 December 2011, as presented to you by the Board of Directors, and states that it is in favour of the proposal drawn up by the Board of Directors concerning covering the net loss for the year of €358,347,967.

Bologna, 4 April 2012

For the Board of Statutory Auditors

The Chairman
Roberto Chiusoli
(signed on the original)

Independent Auditors' Report



KPMG S.p.A.
Revisione e organizzazione contabile
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40134 BOLOGNA BO

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Telefax +39 051 4392599
e-mail it-fmauditaly@kpmg.it

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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Unipol Gruppo Finanziario S.p.A.

1 We have audited the financial statements of Unipol Gruppo Finanziario S.p.A. as at and for the year ended 31 December 2011. The company's directors are responsible for drawing up these financial statements in accordance with the Italian regulations governing 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 recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 4 April 2011 for our opinion on the prior year financial statements, which included the corresponding figures presented for comparative purposes as required by law.

3 In our opinion, the financial statements of Unipol Gruppo Finanziario S.p.A. as at and for the year ended 31 December 2011 comply with the Italian regulations governing their preparation. Therefore, they are clearly stated and give a true and fair view of the financial position and results of operations of Unipol Gruppo Finanziario S.p.A. as at and for the year ended 31 December 2011.

4 The directors of Unipol Gruppo Finanziario S.p.A. are responsible for the preparation of a management report and a report on corporate governance and ownership, published in the "Corporate Governance" section of Unipol Gruppo Finanziario S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the management report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the

management report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership are consistent with the financial statements of Unipol Gruppo Finanziario S.p.A. as at and for the year ended 31 December 2011.

Bologna, 4 April 2012

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

Unipol Gruppo Finanziario S.p.A.

Registered and Head Offices
via Stalingrado, 45
40128 Bologna

Share capital
€2,699,066,917.47 fully paid-up

Bologna Company Register
Tax and VAT No. 00284160371
R.E.A. No. 160304

Parent of the Unipol Insurance Group
entered in the Register of Insurance
Groups - No. 46

ponibilità fiducia flessibilità efficienza cap
amicizia volontà energia ottimismo unione
gresso **solidità** trasparenza consapevolezza

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