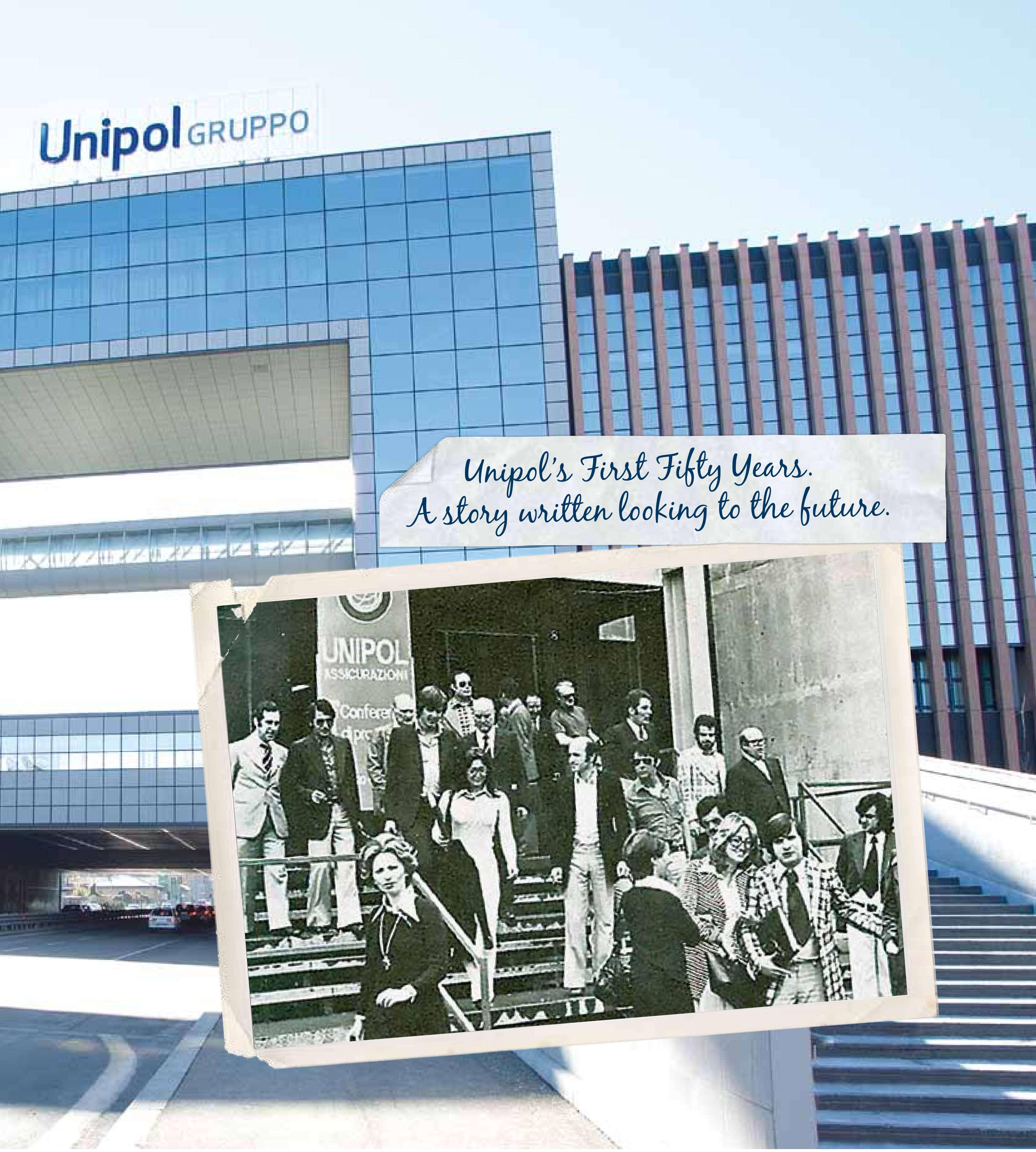


Unipol Gruppo Finanziario 2012 Consolidated Financial Statements

UNIPOL
GRUPPO FINANZIARIO S.P.A.

Registered Office and Head Office in Bologna at Via Stalingrado, 45
Fully paid up issued share capital Euro 3,365,292,295.47
Tax registration and Bologna companies' registration n. 00284160371 - R.E.A. n. 160304
The group parent, Unipol is registered with the Register of Insurance Groups, number 046

www.unipol.it

Consolidated Financial Statements 2012

Bologna, 24 April 2013

CONTENTS

Directors and Officers

Honorary Chairman	Enea Mazzoli	

Board of Directors		
Chairman	Pierluigi Stefanini	
Vice Chairman	Piero Collina	
Chief Executive Officer and General Manager	Carlo Cimbri	
Directors	Francesco Berardini	Ivan Malavasi
	Sergio Betti	Massimo Masotti
	Rocco Carannante	Enrico Migliavacca
	Pier Luigi Celli	Pier Luigi Morara
	Sergio Costalli	Milo Pacchioni
	Ernesto Dalle Rive	Marco Pedroni
	Vincenzo Ferrari (*)	Giuseppe Politi
	Jacques Forest	Adriano Turrini
	Vanes Galanti	Francesco Vella
	Roger Iseli	Marco Giuseppe Venturi
	Claudio Levorato	Luca Zaccherini
Company Secretrary	Roberto Giay	

(*) Appointed at the Board of Directors meeting dated 10 May 2012

Board of Statutory Auditors	
Chairman	Roberto Chiusoli
Standing statutory auditors	Giorgio Picone
	Domenico Livio Trombone
Alternate statutory auditors	Carlo Cassamagnaghi
	Cristiano Cerchiai

Executive charged with the preparation of the financial statements	Maurizio Castellina

Independent auditor	PricewaterhouseCoopers SpA

Introduction

Macroeconomic background

The year under review was marked by developments in the sovereign debt crisis that affected the euro area. The economic slowdown trends, that characterised the first quarter of the year, were followed by the registration of the largest yield spread, in recent history, between peripheral states and Germany. Confronted with this scenario, in September 2012, the European Central Bank (ECB) approved the *Outright Monetary Transactions (OMT)* programme. The programme aimed at restoring appropriate monetary policy transmission and the singleness of the monetary policy within the euro zone, thus eliminating the fragmentation of financial markets, brought about by the sovereign debt crisis that hit the weaker states within the euro area.
The OMT stipulates that upon application by a member state for assistance, the ECB will see to the purchase of sovereign debt without any predefined quantitative limits. The ECB's intervention was on the secondary market and was limited to sovereign bonds with a maximum maturity of three years. The liquidity created through OMT was fully sterilised, with an amount of liquidity, equivalent to the sovereign debt issue, being absorbed back by the ECB from the banking system and with the ECB renouncing to privileged creditor rights on the issue. Any state government requesting assistance by means of OMT was consequently subject to the adoption of specific measures as agreed with the European Union.
Financial markets have reacted positively to this programme, with spreads between peripheral states and Germany narrowing to less concerning levels.

The relenting of the sovereign debt crisis was contrasted by concerns about the worsening European economic situation. The widespread austerity measures, introduced by governments of countries facing difficulties amid pressure from international authorities and from financing states such as Germany, have contributed to the recessionary trends experienced in the countries concerned and has also translated in slowdown in growth of the stronger economies.
According to latest forecasts, in the last quarter of 2012 the euro area's Gross Domestic Product (GDP) decreased by 0.9%. In particular, Italy's GDP registered a 2.7% drop. France and Spain also registered drops of 0.3% and 1.8% respectively, whilst Germany's GDP grew by a marginal 0.4%. During 2012, the Italian economy contracted by 2.4%, compared to the drop of 0.6% suffered in the euro zone.
In this background, unemployment in Europe continued to surge to concerning levels. Eurostat figures show that at the end of 2012, there were nearly 19 million unemployed persons in the 17 euro area states representing 11.7% of the workforce. The rate stood at 5.3% in Germany, 11.2% in Italy and 26.1% in Spain. The unemployment rate amongst young people is at even worse levels, with the euro zone average standing at 24% and the German rate at 8%. In Italy the percentage was 36.6% and in Spain it stood at 55.6%.

At a global level, the growth trend registered in emerging countries continued. In the last months encouraging results were registered, particularly in China. Following its performance in the last quarter, China ended the year with a 7.8% increase in GDP, driven by large infrastructural projects prescribed by specific government plans, and by the resilience of domestic consumption. The growth in India was not as accentuated with GDP estimated to increase by 5% in the financial year, compared to an increase of 6.2% registered in the previous financial year. Brazil's GDP registered a marginal growth of 0.9% in the third quarter of 2012. The world's largest economy, that of the United States of America (USA) showed signs of recovery, mainly attributable to a recovery in real estate.

The Italian economic situation is characterised by a significant decrease in productive activity. In November, the index measuring Italian industrial production showed a 7.6% decrease compared to the previous twelve months. This is the highest decrease in Europe at more than double the average in the euro zone (a decrease of 3.7%). Government measures, aimed at balancing national accounts, contributed to the economic recessionary trend. The measures taken in the last two years impacted Italy's economic dynamics, mainly in the form of decreased households' disposable income. The downward consumption trend impacted business future prospects with businesses delaying their investment decisions, and therefore also contributing to the drop in domestic aggregate demand. Opportunities remain for businesses that are in a position to compete on international markets. In 2012, Italy's balance of trade experienced a significant improvement, from a trade deficit of euro 25.5 billion in 2011 to a trade surplus of over euro 11 billion. The shift from deficit to surplus is the result of a 3.7% increase in exports and a larger decrease of 5.7% in imports. The drop in imports, that was particularly sharp on capital goods and intermediary products suggests that the improvement in Italy's balance of trade was brought about by current economic conditions, as opposed to by changes in Italy's positioning in international trade flows.

The ECB's so called "antispread shield" managed to contain costs of Italian sovereign debt at reasonable levels when compared to Germany. Nevertheless, the interest costs contained in the national income and expenditure accounts continued to increase (a 12.1% increase in the first nine months of 2012 compared to the same period in 2011). Istat statistics indicate that at September the balance on the national income and expenditure accounts was at a surplus of over 18 billion euro, representing an improvement of euro 13 billion over the same period in 2011. Net public debt stood at approximately 42.5 billion euro representing a decrease of circa 6 billion euro. The decrease is net of increase in interest payments. The fiscal burden on Italy's economy appears to be significant. ISTAT estimates that in 2012, the fiscal burden will amount to 44.4% of GDP. In the light of budgetary constraints that are also contemplated in the "fiscal compact" plan, it is evident that any relief from the existing tax burden can only crystallise if accompanied by reduction in interest costs and cautious, but significant, reduction in public spending.

Financial markets

The year under review saw an improvement of almost 3% on global financial markets, less than the 3.9% registered in the previous year, mainly attributable to the continuing recessionary effects of the sovereign debt crisis affecting peripheral euro zone states. Europe's difficulties were outweighed by the performance of emerging countries, especially in the second half of the year, and by a moderate recovery in the USA. The GDP growth rate in the USA is estimated to amount to over 2% and was driven by the positive effects of expansionary monetary and fiscal policies that have also contributed to a reduction in the unemployment rate.

The ECB played a fundamental role on the European financial markets during 2012. Through its two *Long Term Refinancing Operations* (LTRO) launched in the first half of the year, significant liquidity was injected into the European monetary system. Also, the *Outright Monetary Transactions* (OMT) programme launched in the second half of the year contributed to reduced risks of implosion of the euro area, and encouraged improved investors' confidence.

The lack of inflationary pressures from a monetary policy perspective as well as the continuing deteriorating macroeconomic climate, justified the decision taken by ECB in its July meeting, to decrease the refinancing reference rate from 1% to 0.75%. This also led to further declines in the swap rate curve, and similarly, in the yield on government bonds of "core" area states.

European stock markets' performance in 2012 was positive: the Eurostoxx 50 index, that incorporates the largest stocks in the euro area, has registered a 13.8% growth (+7.4% registered in the fourth quarter).

The German Dax registered a significant increase of 29.1% (+5.5% in the last quarter of the year) whilst the Ftse Mib index of the Italian Stock Exchange gained 7.8% (+7.8% in the fourth quarter). On the contrary, the Madrid Ibex suffered a 4.7% drop during 2012, notwithstanding the positive trends registered in the last quarters of the year (+5.9% in the last quarter).
The Standard & Poor's 500 Index, that incorporates the largest 500 listed companies in the US, registered growth of 13.4% during 2012 (-1% in the fourth quarter). The Japanese Nikkei registered a 22.9% increase in 2012 (+17.2% in the fourth quarter) driven by the new government's expansionary fiscal and monetary policies. As concerns emerging countries, the main index, the Morgan Stanley Emerging Market registered an increase of 13.9% (+5% in the fourth quarter of the year).

The positive performance of stock and bond markets in 2012 contributed to a notable improvement in the Itraxx Senior Financial Index, which represents the average spread of financial institutions with high credit standing. In 2012, the index registered a decrease of 137.2, from 278.5 to 141.3 (-62.2 bps in the last three months of the year).

Households' savings

The contraction in households' disposable income, that has persisted for the last number of years, has resulted in the erosion of households' savings capacity and has driven propensity to savings to a historical low. Heightened unemployment and increased tax burden also contributed to the decreased propensity to save. Concurrently, households' decreased disposable income brought about drops both in consumption as well as in real estate acquisition, resulting for the first time ever in decreases in households' financial debt.
The positive performance registered by financial markets over the last few months compensated for the low levels registered in households' new savings. During 2012, the low appetite for risk, connected with the tax reform on financial assets, has favoured the allocation of significant amounts of funds in deposits, over bank bonds. Last summer saw the start of a recovery in investments in mutual funds due to increased investors' confidence brought about by decreased instability associated with the sovereign debt crisis in the euro area. Bonds were investors' first preference whilst equity continued to experience decreases in its share of investment portfolios. During the year under review, households' investments in Italian government bonds remained at stable levels. This was driven by favourable yields on the instruments and contributed to the successful issue by the Treasury of 'BTP Italia' bonds that was reserved for retail customers.

Insurance markets

Provisional statistics released by IVASS for 2012, show a slight decrease in non life business premiums (-1.9%). In the motor line of business, following years of growth, the Motor vehicle third party liability class (MV TPL) registered a drop of 1.2%, mainly attributable to the dilution of the effect of premium rate increases aimed at balancing the technical result, as well as the increasing trend in avoidance of one's motor insurance obligations. According to figures released by ACI, this is estimated to amount to about 8% of motor vehicles in circulation. Another contributing factor was the reduction in premiums, part of aggressive commercial strategies adopted by some insurers, particularly those that had undergone portfolios' restructuring.
The motor vehicle damage line of business suffered an 8.4% drop in premiums, caused by the significant decrease in vehicle registration numbers (-20.5% decrease in 2012 in car registrations).
Non-motor business was adversely affected by national economic difficulties. The decrease in business written in the Miscellaneous financial loss line of business (-10.7%) reflected the significant drop in new

mortgages. The Fire and other natural forces line of business was also affected by this trend (-1.6%). The lines of business that are most related to the country's economic situation suffered the most. The Marine line of business shrank by 11.9%, whilst premiums in the Suretyship class reduced by 6.3%. Business generated in the General third party liability (General TPL) class remained almost unvaried (+0.2%) mainly due to premium adjustments aimed at improving the technical balance on this line of business. The Legal and assistance class continued to register growth in the level of business written.

According to Istat statistics, households' disposable income decreased by 4.3% in the first nine months of the year, when compared to the same period of 2011. This led to decreasing propensity to savings which in turn contributed to decreased new savings inflows. Performance of Life business in Italy has to be considered within this background. IVASS indicative figures estimate that Life business written in 2012, net of cross border business, will reach almost 70 billion euro, equivalent to a 5.5% drop compared to last year's figure. Analysing the movement by class, class I is expected to register a drop of 9.6% whilst class V's drop is estimated at 10.1%. Class III registered an increase (+10.5%), attributable to unit linked products. Class VI is a developing class and registered a 22.7% increase in premiums compared to last year.

Apart from the reduced propensity towards savings, the Life business was also hit by economic circumstances in which credit institutions promote direct funding over asset management products.

Notwithstanding this backdrop, in the last quarter of 2012 new individual life policies returned to register a growth (+7.9%), bringing down the decrease over the twelve months of 2012 to 10%. The financial advisors distribution channel was the most successful with an increase of 26.4% in business registered during the year. On the contrary, bank branches and post offices registered decreases (-17.1%) even if they are showing signs of recovery. The decrease in business generated by the agencies' network is less pronounced, equivalent to a decrease of 9.1%.

The increasing appetite by part of investors for investments that guarantee a minimum return, or at least that guarantee capital, compensate for the factors negatively affecting Life business. In addition, the low interest rates make investments in funds more attractive to investors.

Benefits paid by life insurers (surrenders, annuities, maturities and claims) outweigh premium income. In fact, the net technical balance calculated as premiums less benefits paid by insurers, results to be in negative by over 5.2 billion euro. Whilst class I continues to register a positive technical balance of almost 6.2 billion euro, classes III and V registered significant net outflows of 9.3 billion euro and 2.7 billion euro respectively. It is evident that Life business products continue to be principally perceived as social security instruments in Italy, as is highlighted by the fact that business is predominantly constituted by single premium business.

The stability in the last months of 2012 as concerns the sovereign debt crisis has contributed to strengthening of the capital soundness of Italian insurance companies. As concerns Non-life underwriting results, MV TPL registered improvements, brought about by portfolio restructuring measures taken by insurance companies as well as by the general economic background. In fact, the economic recessionary phase resulted in decreased claims' frequency, in all probability linked to the drastic decrease in distances travelled. In 2012, highway traffic decreased by 7% over the same period in 2011, both for light vehicles as well as for heavy vehicles. Recent legislative provisions limit compensation for bodily injury claims to only those injuries that are clinically proved, curtailing the average cost of such claims. In relation to the non motor classes of business, adverse weather conditions and the earthquake that hit a large area between Emilia and Lombardia had a major impact on the technical results of Italian insurers.

Banking and fund management

Overall, the banking system benefitted from the stability brought about by ECB's interventions (LTRO and OMT). Nevertheless, the recessionary economic background as well as increased caution by part of financial institutions in lending, resulted in a decrease in lending volumes. Figures as at 31 December show that debt to non financial companies was 3.3% lower than the 2011 level. The drop in lending to households was more contained, at 1.4%. The negative phase that real estate went through and the dampening impact it had on new mortgages, as well as decreased household consumption capacity, both had a negative impact on consumer credit. As concerns businesses, the macroeconomic background leads to postponement of investment decisions and decreased demand for relative financing, whilst at the same time, banks are applying stricter lending criteria in view of heightened perceived credit risk.
Credit quality has undoubtedly deteriorated, with debt impairment at the end of 2012, reaching nearly 125 billion euro. The rate at which non performing loans are emerging is of concern. An indication of the state of health of the Italian banking system is provided by the growth of non-performing loans, which is accentuated by lenders' decreased ability to provide for new non performing loans in their financial statements.
Liabilities of credit institutions registered an increase equivalent to 6.9%. A considerable switch from current accounts in favour of fixed term deposits is evident. The latter were favoured by customers seeking higher returns and by measures aimed at compensating for the difficulty encountered by Italian banks in accessing wholesale markets. In fact, during the year under review, foreign funding declined by more than 47 billion euro. A sustained growth was confirmed in the bonds market (+5% compared to 2011 year-end). Linked to these trends is the need for credit institutions to put aside ECB eligible collateral, as well as the opportunity presented by the reduction in government spreads, that was reflected in banks' bond issues.
In the second half of 2012, the accumulation of marketable securities in bank portfolios persisted. The increases were supported by funding from the euro system. It is estimated that at the end of 2012 securities represented approximately 25% of interest-bearing assets of the Italian banking system and were constituted mainly by government securities acquired pursuant to "carry trade" carried out as part of LTRO operations launched by ECB.
Banks' capital position strengthened as a result of increases in the level of capital as well as reduction in risk weighted assets. The latter result was achieved through the adoption of internal models by some of the larger Italian banking groups.
Profitability results are not encouraging. In 2012, decreases in volume of business, coupled with restrictions on the spread of bank rates (driven downward by the reduction in the mark-down), led to declines in interest income notwithstanding the returns from portfolio securities. On the contrary, gains on trading of securities improved banks' overall result. A significant factor impacting banks' profitability was impairment of receivables. In this regard, measures aimed at curtailing operating costs and, in some instances, reconsideration by part of institutions of their business model have intensified. The Italian banking association ("Associazione Bancaria Italiana") forecasts the banking system's ROE to approximate a low 0.9%.

Pension funds market

At 31 December 2012 the total number of subscriptions to various forms of pension schemes registered an increase of 6%, bringing the number up to 5.9 million, out of which 4.2 million are gainfully occupied persons.
An analysis by the type of pension scheme shows varying trends by scheme. Occupational fund schemes showed a decrease of subscriptions of 1.2%, open-ended pension funds registered a slight increase in subscriptions (+3.7%), whilst subscriptions to individual pension plans (PIP) maintain a significant growth

rate (+22.2%). The number of subscriptions to PIP (1.8 million) is almost double the number of subscriptions in open ended funds (0.9 million) and is aligning itself to the level of subscriptions in occupational funds (circa 2 million).
As a result of the positive financial markets' performance, at the end of 2012, the aggregate of net assets available for benefits (Andp), grew by 9.7%, reaching 99.5 billion euro (of which 30.1 billion euro in occupational funds, 10 billion euro in open ended funds, 9.3 billion euro in PIP and nearly 50 billion euro in other forms of schemes).
In 2012, the employees' leaving entitlement ("TFR") appreciated by 2.9%, compared to the 8.2% in returns registered by pension funds. Open-ended funds recorded 9% yields consistent with PIP, on which yields averaged 8.9%.

Principal new legislation

<u>Legislative Decree 95 of 6 July 2012</u>, amended and ratified by Law of 7 August 2012 (establishment of a new insurance supervisory body – IVASS). In order to ensure the full integration of the supervision of insurance and banking sectors, the Istituto Vigilanza sulle Assicurazioni Private (ISVAP) was replaced by the Istituto per la Vigilanza sulle Assicurazioni (IVASS). Effective 1 January 2013, all functions, duties and powers previously vested with ISVAP were transferred to IVASS. The Director General of Banca d'Italia (Bank of Italy) is also the Chairman of IVASS. The latter's Board is constituted by the Chairman and two Directors who have been nominated by the Governor of Banca d'Italia. The Governing Board, another organ within ISVAP, is composed by the Directorate of the Banca d'Italia and the directors of IVASS. The Governing Board is in charge of planning and strategy and has the authority to take any measures of external relevance that may arise from the carrying out of the Authority's duties in supervising the insurance industry.

<u>ISVAP Regulation 43 of 12 July 2012</u> concerning the implementation of the provisions regarding the criteria for valuation of debt securities issued or guaranteed by EU member states, introduced by Legislative Decree 216 of 29 December 2011 and ratified by Law 14 of 24 February 2012, which amended Legislative Decree 185 of 29 November 2008 (the "Anti-crisis Decree").
The Regulation provides for the repeal of earlier ISVAP Regulation 28 of 2009 (regarding the criteria for valuation of assets not intended to be held to maturity by insurance companies), and Regulation 37 of 2011 (concerning solvency assessment). The amendments introduce the following provisions:
(i) the continuation of application of anti-crisis measures until the entry into force of Directive 2009/138/EC (referred to as Solvency II);
(ii) the restriction of the application of said measures to debt securities issued or guaranteed by the European Union;
(iii) the termination of eligibility thresholds, consistent with the changed circumstances.
Continuing from the preceding provisions, entities that will avail themselves of the options granted, shall set aside amounts from retained earnings to a non-distributable reserve. They shall also be subject to a prudential regime that is embodied in a set of governance rules, public disclosure requirements and supervisory requirements in relation to the exercise of the options availed of and their effect on solo and group solvency, as well as to assets covering technical provisions.

<u>Legislative Decree 1 of 24 January 2012,</u> that came into force on 24/1/2012, containing "Urgent measures to promote competition, infrastructure development and competitiveness ("Grow Italy" or "Liberalisation Decree"), amended and ratified by Law 27 of 24 March 2012. The decree contains several provisions of relevance to the insurance industry including practices for motor claims settlement and the fight against insurance fraud in MV TPL (including increased dematerialization of countersigning and of risk certificates). There are also some provisions relating to marketing of insurance products (including

obligations on insurers to reduce premium rates if the insured installs a black box in his/her vehicle that records the activity of the vehicle, and to provide estimates to the insured from two other insurers, that do not belong to its same group, at the time of conclusion of MV TPL contracts).

Legislative Decree 16 of 2 March 2012, containing "Urgent provisions relating to tax simplification, streamlining and strengthening of tax assessment procedures" (the "**Tax Simplification Decree**"), amended and ratified by Law 44 of 26 April 2012. The Decree makes reference to the new deduction of regional tax (IRAP), paid on the cost of labour, from taxable income (IRES), introduced by Article 2, paragraphs 1, 1 bis and 1-ter of Legislative Decree 201 of 2011 ("Save Italy" Decree). Reimbursements of the item in relation to years prior to 2012 could be made up to 31/12/2012, as long as repayment terms had not been yet finalised.

Legislative Decree 83 of 22 June 2012, containing "Urgent measures for the country's growth" ("**Development Decree**"), amended and ratified by Law 134 of 7 August 2012 and that came into force on 26/6/2012. Article 33, paragraphs 4 and 5 of the decree introduced changes in the deductibility of losses on loans and amended Article 101 of the Tax Code (TUIR) to include the new instruments prescribed in the Bankruptcy Act for the management of the corporate crisis. The Decree also includes measures aimed towards the construction industry such as tax deductions for building renovations and redevelopment, as well as the reintroduction of taxability, for VAT purposes of sale and leases of property by part of the property's constructors. Finally, the measures also provide for the harmonisation of stamp duty on insurance policies with investment features issued by foreign companies, with those issued by resident companies.

Law 92 of 28 June 2012, containing "Provisions relating to the reform of the labour market within a growth perspective ("**Fornero Reform**") and that entered into force on 18/7/2012. The Law introduces a series of important measures concerning employed and quasi self employed labour ("parasubordinato") relationships, resignation and agreed termination of employment, retirement benefits and access to related services, placement of the disabled and employment of foreign workers. It also addresses the issue of joint and several liability in contracts.

Legislative Decree 95 of 6 July 2012, in relation to "Urgent measures for the review of public spending without impacting services to citizens, and the strengthening of the banking sector's capital" ("**Spending Review**"), effective 7/7/2012 (except for paragraph 83 of Article 12, that was effective 1/1/2013), and amended and ratified by Law 135 of 7 August 2012. Article 21 paragraph 1 provides further specifications on the so-called "safeguard" clause in Legislative Decree 98 of 2011. The clause originally stipulated, (subject to the subsequent amendments contained in Stability Law 2013), that if the legislative tax and welfare measures aimed at the reorganisation of social costs were not effective by 20/6/2013, the VAT rates of 10% and 21% will increase to 12% and 23% respectively from 1 July to 31 December 2013. As from 1 January 2014, the rates will go up by a further 1%.

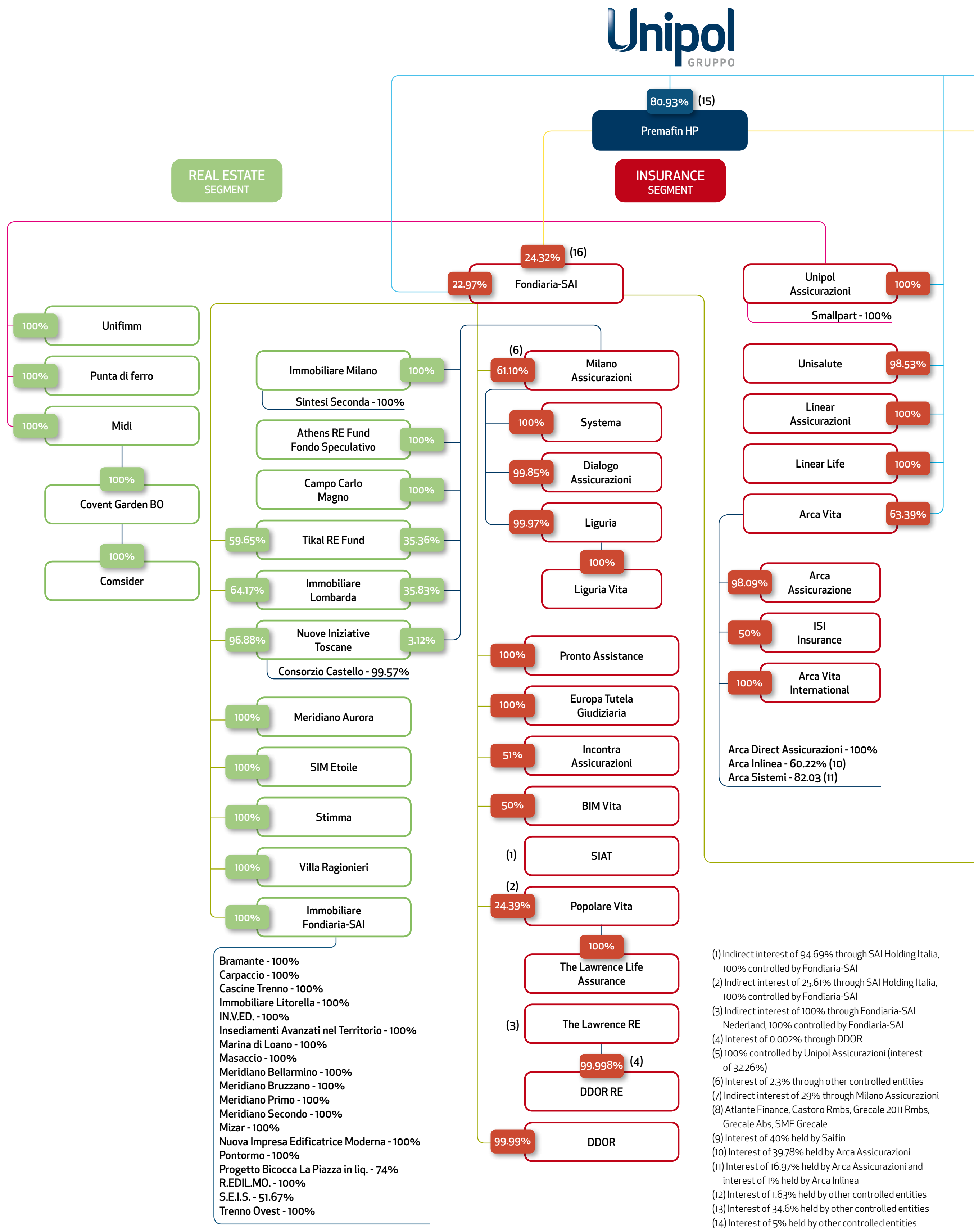
Legislative Decree 179 of 18 October 2012, containing "Further urgent measures for the country's growth ("**Development Bis Decree**"), that came into force on 20/10/2012 and was amended and ratified by Law 221 of 17 December 2012. The decree contains various provisions concerning the insurance sector related to: measures for the detection and combat of insurance fraud, measures promoting competition and consumer protection in the insurance market. On MV TPL contracts, measures stipulate that contracts are to include "minimum clauses" necessary to fulfil all the related legal obligations, as well as provide for changes to the duration of such contracts and the prohibition of tacit renewal of contracts. Also, the prescription period was changed to ten years for Life insurance obligations, whilst the period continues to be two years for claims arising on Non-life insurance contracts. Provisions concerning insurance contracts linked to mortgage or other loan agreements are also contained in the decree.

Law 228 of 24 December 2012, containing "Provisions for the preparation of government's annual and multiannual budget ("**Stability Law 2013**") entered into force on 1/1/2013 (with the exception of paragraphs 98, 99, 100, 426 and 477 that came into force on 29/12/2012). The law contains important measures for the insurance industry, including:

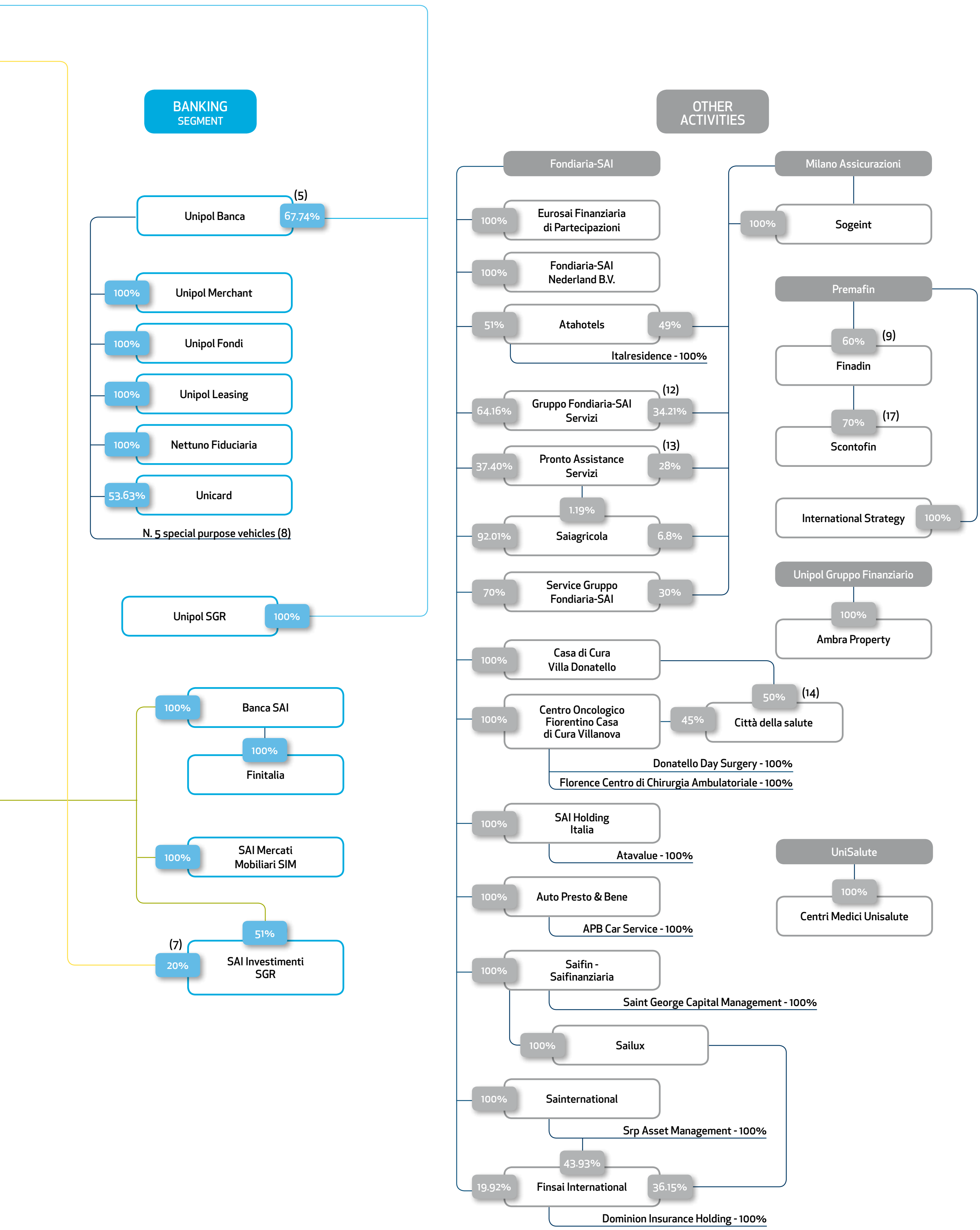
- provisions relating to withholding tax on Life mathematical reserves. The tax rate was increased by 0.35% to 0.50% for 2012 and to 0.45% as from 2013. Also as from 2013, an absolute ceiling for payment of substitute tax will apply. The ceiling will be indexed to the amount of tax credit on mathematical reserves accounted for, compared to the amount of Life mathematical provisions;
- credit for withholding tax on mathematical reserves can be included within tax balances that are allowed to cover technical provisions and within assets of managed funds;
- changes in the tax treatment of life insurance policies issued prior to 1/1/1996, to persons carrying out business activities, subject to such persons falling under the "lordisti" category as from 1/1/2013, and that they are subject to payment of tax, through withholding tax and instalments, on income up to 31/12/2012;
- deferral of the tax effect of the alignment of the value of intangible assets and investments in subsidiaries introduced by Article 23 paragraph 12 of the Legislative Decree 98 of 2011. As a result of such deferral, the tax deductibility of differences in depreciation values will be availed of from the subsequent tax year up to 31/12/2017. Also, IRAP deductions will increase as from 2014;
- introduction of the "Tobin Tax" on financial transactions in shares and other equity instruments effective on transactions concluded from 1/3/2013 onwards (for derivatives from 1/7/2013). The tax differentiates between the type of instrument, the value of the contract and the type of market in which transactions take place, and is non-deductible for income tax and IRAP;
- change in the effective date of the increase in the standard VAT rate from 21% to 22%, stipulated by the "safeguard" clause in the "Spending Review" decree, to transactions conducted as from 1/7/2013.

The consolidated financial statements of Unipol Gruppo Finanziario SpA (Unipol) have been subject to statutory audit by PricewaterhouseCoopers SpA (PwC), that has been appointed independent auditor of the Group for financial year ends 2012 to 2020.

Consolidation chart at 31/12/2012 (line by line)



(1) Indirect interest of 94.69% through SAI Holding Italia, 100% controlled by Fondiaria-SAI
(2) Indirect interest of 25.61% through SAI Holding Italia, 100% controlled by Fondiaria-SAI
(3) Indirect interest of 100% through Fondiaria-SAI Nederland, 100% controlled by Fondiaria-SAI
(4) Interest of 0.002% through DDOR
(5) 100% controlled by Unipol Assicurazioni (interest of 32.26%)
(6) Interest of 2.3% through other controlled entities
(7) Indirect interest of 29% through Milano Assicurazioni
(8) Atlante Finance, Castoro Rmbs, Grecale 2011 Rmbs, Grecale Abs, SME Grecale
(9) Interest of 40% held by Saifin
(10) Interest of 39.78% held by Arca Assicurazioni
(11) Interest of 16.97% held by Arca Assicurazioni and interest of 1% held by Arca Inlinea
(12) Interest of 1.63% held by other controlled entities
(13) Interest of 34.6% held by other controlled entities
(14) Interest of 5% held by other controlled entities
(15) Interest of 0.85% held by Fondiaria-SAI and interest of 0.43% held by Milano Assicurazioni
(16) Interest of 3.09% held by Finadin
(17) Interest of 19% held by Sailux


BANKING SEGMENT
Unipol Banca
(5)
67.74%
100%
Unipol Merchant
100%
Unipol Fondi
100%
Unipol Leasing
100%
Nettuno Fiduciaria
53.63%
Unicard
N. 5 special purpose vehicles (8)
Unipol SGR
100%
100%
Banca SAI
100%
Finitalia
100%
SAI Mercati Mobiliari SIM
51%
(7)
20%
SAI Investimenti SGR
OTHER ACTIVITIES
Fondiaria-SAI
100%
Eurosai Finanziaria di Partecipazioni
100%
Fondiaria-SAI Nederland B.V.
51%
Atahotels
49%
Italresidence - 100%
(12)
64.16%
Gruppo Fondiaria-SAI Servizi
34.21%
(13)
37.40%
Pronto Assistance Servizi
28%
1.19%
92.01%
Saiagricola
6.8%
70%
Service Gruppo Fondiaria-SAI
30%
100%
Casa di Cura Villa Donatello
100%
Centro Oncologico Fiorentino Casa di Cura Villanova
45%
50%
(14)
Città della salute
Donatello Day Surgery - 100%
Florence Centro di Chirurgia Ambulatoriale - 100%
100%
SAI Holding Italia
Atavalue - 100%
100%
Auto Presto & Bene
APB Car Service - 100%
100%
Saifin - Saifinanziaria
Saint George Capital Management - 100%
100%
Sailux
100%
Saintemational
Srp Asset Management - 100%
43.93%
19.92%
Finsai International
36.15%
Dominion Insurance Holding - 100%
Milano Assicurazioni
100%
Sogeint
Premafin
60%
(9)
Finadin
70%
(17)
Scontofin
International Strategy
100%
Unipol Gruppo Finanziario
100%
Ambra Property
UniSalute
100%
Centri Medici Unisalute

Management report

Foreword

During 2012, the first phase of the business combination with the Premafin/Fondiaria-SAI Group was completed, upon which Unipol Gruppo Finanziario SpA became the controlling shareholder of Premafin Finanziaria SpA – Holding di Partecipazioni and consequently now also controls Fondiaria-SAI Group.
Unipol Group has now become the leading player in the Italian non-life insurance business. At the end of 2012, the Group included 112 subsidiaries and associates, of which 81 form part of the Premafin Group.

The consolidation scope at 31/12/2012, analysed by entities' principal activities, is illustrated in previous pages. Unipol Group's real estate activity increased significance, following the business combination with Premafin Group, is evident. It was therefore considered appropriate to consider real estate as a strategic operating segment, resulting in the Group's financial reporting segments at this financial year-end to be as follows:

- Non-life insurance;
- Life insurance;
- Banking;
- Real estate (new reporting segment);
- Holding/service companies and other activities.

A summary of the Group's financial highlights for the year ended 2012, including comparatives, are included in the next pages.
For consistency and comparability purposes, comparative figures have been restated and reclassified to reflect accounting principles and classification criteria adopted for the 2012 financial year end.

The main restatements were in relation to:

- Restatement of the consolidated loss for the year (amounting to 121 million euro compared to a loss of 94 million euro reported in 2011) due to changes in recognition and measurement of certain structured financial instruments (-28 million euro), and to reclassification of actuarial gains and losses relating to defined benefit plans for employees to "Other comprehensive income" (+1 million euro);
- Restatement of insurance technical indicators, expense ratio and combined ratio, that changed from 22.3% to 22.2% and from 95.5% to 95.4% respectively, due to the reclassification of operating expenses amounting to 1 million euro (line item 2.5 of the Statement of comprehensive income) from the Non-life insurance business segment to the real estate business segment.

Further information on the restatement of comparative figures, is contained in "Changes in accounting policies and changes in the presentation of comparative information" of Note 2 to the Notes to the consolidated financial statements, "Accounting policies".

The consolidated statement of financial position as at 31/12/2012 incorporates assets and liabilities resulting from the consolidation of Premafin, while the consolidated statement of comprehensive income and financial results' indicators only include the results of Premafin for the period 1 July to 31 December 2012. For comparability purposes, 2012 data determined on a comparable basis is also provided.

Explanation of variation analysis

The variances included and analysed in the Management report and in the Notes to the consolidated financial statements are determined as follows:

- Variances in financial results and asset and liabilities are expressed as a percentage movement from 31/12/2011 results and balances;
- For comparability reasons, when analysing certain movements in results, Premafin Group's results up to 31/12/2012 were excluded from 2012 consolidated results and Bnl Vita results to 31/12/2011 were excluded from the consolidated 2011 results, following its disposal at the end of the third quarter of 2011;
- For comparability reasons, when analysing certain movements in assets and liabilities over the 31/12/2011 position, balances in relation to the Premafin Group were excluded from the consolidated 31/12/2012 position.

SUMMARY OF GROUP'S FINANCIAL HIGHLIGHTS

Values in Millions of Euro	31/12/2012	31/12/2011	31/12/2012 on a comparable basis
Non-Life Bsuiness Direct premium	7,240	4,333	4,224
change %	*67.1*	*2.1*	*-2.5*
Life Busniess Direct premium	4,562	4,588	2,521
change %	*-0.6*	*-3.1*	*1.8*
of which Life investment contracts	*130*	*142*	109
Direct premium	11,802	8,921	6,745
change %	*32.3*	*-0.6*	*-0.9*
Bank Deposits	10,737	9,583	9,914
change %	*12.0*	*3.1*	*3.5*
Annual Premium Equivalent (APE) Long term business - Group's share	n.d.	248	257
change %		*-30.8*	*3.7*
Non-Life Loss ratio - direct business (1)	69.8%	73.2%	70.7%
Non-Life Expense ratio - direct business (1)	23.4%	22.2%	23.5%
Non-Life Combined ratio - direct business (1)	93.2%	95.4%	94.2%
Net income from financial instruments *(excluding Assets and Liabilities designated at fair value)*	1,419	791	949
change %	*79.3*	*-30.5*	*45.6*
Consolidated profit (2)	469	-121	269
Total comprehensive income	1,875	-613	960
Investments and cash and cash equivalents (3)	72,956	34,134	37,571
change %	*113.7*	*-1.5*	*10.1*
Technical provisions	56,456	22,039	22,805
change %	*156.2*	*-0.9*	*3.5*
Financial liabilities	16,234	12,871	13,550
change %	*26.1*	*1.7*	*5.3*
Equity attributable to the owners of the parent	5,322	3,029	
change %	*75.7*	*-17.0*	
No. of employees	15,212	7,638	7,736

(1) 31/12/2011 ratios have been restated for comparability reasons due to changes in operating reporting segments identified. Refer to the Foreword for further information.

(2) The loss for the year 31/12/2011 has been restated as a result of adjustments detailed in the Foreword.

(3) Includes property occupied by the Group and property held for resale (IFRS 5).

Other performance indicators

The following indicators (APE, loss ratio, expense ratio and combined ratio) are not prescribed by international accounting standards, but are in practice generally accepted and commonly used as financial and economic indicators within the industry.

The indicators at 31/12/2012 are shown on a comparable basis.

Annual Premium Equivalent - APE

Values in Millions of Euro	31/12/2012	30/9/2012	31/12/2011
Recurring annual premiums (pro-rata)	51	28	52
Single premiums (pro-rata)	2,056	1,609	1,955
Total new Life business (pro-rata)	2,107	1,637	2,007
APE pro-rata	257	189	248
change %	*3.7%*	*7.7%*	*8.3%*

Loss ratio (direct and gross of reinsurance) - Non-Life Business

Values in Millions of Euro	31/12/2012	30/9/2012	31/12/2011
Direct premiums (gross of reinsurance)	4,299	3,183	4,361
Direct claims (gross of reinsurance)	3,039	2,291	3,193
Loss ratio	70.7%	72.0%	73.2%

Expense ratio (direct and gross of reinsurance) - Non-Life Business

Values in Millions of Euro	31/12/2012	30/9/2012	31/12/2011
Direct premiums (gross of reinsurance)	4,224	3,004	4,333
Direct operating expenses (gross of reinsurance)	994	708	962
Expense ratio	23.5%	23.6%	22.2%

Combined ratio (direct and gross of reinsurance) - Non-Life Business

	31/12/2012	30/9/2012	31/12/2011
Loss ratio	70.7%	72.0%	73.2%
Expense ratio	23.5%	23.6%	22.2%
Combined ratio	94.2%	95.5%	95.4%

Life business APE measures the volume of new business as a proportion of the total volume of Life business. New business is calculated as the sum of all recurring new premiums and one tenth of new single premiums. This indicator is typically used in conjunction with the value of in-force business and the value of new Life business, in assessing the Life business performance of the Group.

The loss ratio is a principal indicator of the profitability of Non-life insurance business. It equates the ratio of cost of direct claims incurred to direct premium income.

Expense ratio is a percentage indicator, it equates the ratio of operating expenses (excluding commissions from indirect insurance business) to direct premiums.

The combined ratio is an indicator that measures the result on the Non-life underwriting account and is calculated as the sum of the loss ratio and the expense ratio.

Management report

Acquisition of Premafin/Fondiaria-SAI Group and the Business combination plan

On 29 January 2012, Unipol Gruppo Finanziario SpA ("Unipol") and Premafin Finanziaria SpA Holding di Partecipazioni ("Premafin") reached an agreement in relation to a "Business combination plan" involving the two insurance groups. The plan provided for the acquisition by Unipol of the controlling interest in Premafin and the subsequent merger by incorporation of Unipol Assicurazioni SpA ("Unipol Assicurazioni"), of Premafin and possibly Milano Assicurazioni SpA ("Milano Assicurazioni"), into Fondiaria-SAI SpA ("Fondiaria-SAI").

The "Business combination plan" was based on a number of prerequisite conditions and transactions, the majority of which have been completed to date, as follows:

- Unipol has obtained all the necessary authorisations from the relevant Regulators. In particular, Consob, (the Italian securities and exchange commission), confirmed that the acquisition by part of Unipol of the controlling interest in Premafin did not require a public offer of Premafin's, Fondiaria-SAI's and Milano Assicurazioni's shares. On 19 June 2012, the Autorità Garante della Concorrenza e del Mercato ('AGCM', the Italian authority for competition and markets) authorised the acquisition by Unipol of the controlling interest in the Premafin Group, subject to a reduction in its share of the insurance market and also subject to other measures aimed at reducing the shareholding and financial relationships with Mediobanca, Unicredit and Assicurazioni Generali;

- On 16 July 2012 Unipol initiated the process of increasing its capital by euro 1,100 million, as had been resolved at an extraordinary meeting of its shareholders held on 19 March 2012, with the objective of ensuring sufficient capital to fund the business combination. Finsoe S.p.A, Unipol's parent company, fully subscribed to its allocation of the issue confirming its shareholders' support in relation to the business combination. The increase in capital was completed on 13 September 2012 upon subscription in full of the issued ordinary and preference shares, in which the banks forming part of the underwriting syndicate also participated;

- Unipol subscribed, on 19 July 2012, to a Premafin share issue that was reserved for subscription by Unipol, and that had been resolved at an extraordinary meeting of Premafin's shareholders held on 12 June 2012. Through the share issue, amounting to euro 340 million, Unipol acquired a controlling interest in Premafin, with a shareholding interest of 80.93%. Premafin and its subsidiary Finadin S.p.A used the proceeds of euro 340 million from the capital increase to subscribe, in proportion to their shareholding interest, to the issue of share capital of Fondiaria-SAI. The increase is Fondaria-SAI's capital was required in order to rectify its solvency position which had fallen below the minimum regulatory requirements since 2011;

- On 16 July 2012 an increase in Fondiaria-SAI's share capital totalling euro 1,099 million was initiated. The increase was concluded on 13 September 2012 with all shares subscribed to and with Unipol and banks forming part of the underwriting syndicate also subscribing to the share issue.
  In particular, Unipol has subscribed to, or otherwise acquired, new shares in Fondiaria-SAI as follows:
  - an amount of 240,609,096 Class B savings shares, that remained unsubscribed on the stock exchange, for a consideration of euro 136 million, acquired to honour commitments made with

Fondiaria-SAI. The shares acquired represent 74.48% of the savings share capital, and 19.35% of the total share capital of Fondiaria-SAI after the capital increase;

- an amount of 30,853,620 ordinary shares acquired on 10 September 2012, through the exercise of option rights acquired during the offer on the stock exchange, (for a total of 31 Million of Euro) that represent 3.35% and 2.48% respectively of the ordinary share capital and total share capital after the capital increase, of Fondiaria-SAI;
- an amount of 14,254,110 ordinary shares that remained unsubscribed on the stock exchange, and were acquired by the banks forming part of the underwriting syndicate in Fondiaria-SAI's share issue, at a consideration of euro 14 million. The shares represent 1.55% and 1.15% respectively of Fondiaria-SAI's ordinary share capital and total share capital after the capital increase.

Consequent to the above acquisitions, Unipol owns a direct shareholding of 22.97% of Fondiaria-SAI's share capital.

As a result of becoming the controlling shareholder of the Premafin Group (which in turn controls the Fondiaria-SAI Group), Unipol Group has become the leading player in the local Non-life business market and the second largest insurer overall.

From a business strategy perspective, operations aimed at implementing the business combination project are ongoing. The merger or integration of Premafin, Fondiaria-SAI and Unipol Assicurazioni, for which an invitation to participate was also extended to Milano Assicurazioni, is considered critical for the expected rationalisation and simplification of the Group in a way as to fully leverage on synergies identified in the Business Plan. The objective behind these operations is the establishment of a leading, reputable insurer that is in a position to compete effectively with the main national and European insurance players whilst maximising value for its shareholders:

- On 20 December 2012 Board meetings of Unipol, Unipol Assicurazioni, Fondiaria-SAI, Premafin and Milano Assicurazioni approved the Merger Plan (the "Merger") for the merger by incorporation of Unipol Assicurazioni, Premafin and, possibly, Milano Assicurazioni into Fondiaria-SAI. This process is considered to be an integral and critical part of the Business combination plan;
- In relation to the Merger, the Boards approved the following:
  - the exchange ratios at which shares of the companies involved in the merger and the shares of the acquiring company, Fondiaria-SAI are to be exchanged;
  - the percentage shareholding in the share capital of the post-merger company, that will be named UnipolSai Assicurazioni SpA ("UnipolSai"). The shareholding will be made up of ordinary and savings shares from the Merger;
  - the 2013-2015 Joint Business Plan, based on guidelines included in the Business combination plan that had already been communicated to the market. The guidelines have been updated to reflect developments in reference markets in the intervening period, results registered during the first nine months of 2012 and the joint Management operations of the companies involved in the Merger.

The Business combination plan involving Unipol group and Premafin/Fondiaria-SAI Group fits with Unipol Group's strategy, outlined in its Business Plan 2010-2012, to focus on Non-life insurance business. In this background, external growth is achieved by leveraging on solid local business results and on the significant opportunities for Unipol to exploit its competencies in the management of insurance business. The plan is driven by a strong commercial rationale, based on the following:

- the establishment of a leader in the Italian insurance market, that has a European dimension, that is more profitable and that has a more robust capital base;

- a significant consolidation of insurers that is expected to result in targeted synergy returns of 350 million euro in 2015;
- the largest agency distribution network throughout Italy, and recognised brands within the local insurance market;
- a 14 million customer base.

The Business Plan 2013-2015, that was presented to the financial community on 20 December 2012, set the following objectives for Unipol Group for 2015 in terms of results and capital:

- Non-life premium income of 9.6 billion euro;
- Life premium income of 7.4 billion euro;
- Combined Ratio of 93%;
- Net profit for the year of 852 million euro;
- Solvency margin of circa 180%.

With reference to the commitments imposed by the Italian competition authority, 'AGCM', which provide, inter alia, for the reduction of premiums through the disposal of one or more business units, Unipol presented an appeal to the Regional Administrative Court of Lazio (TAR di Lazio) on 10 October 2012. The appeal requested that some of the measures prescribed by the AGCM in relation to commitments that the Unipol Group provided to the Authority be reconsidered, as they were considered to be excessively harsh. More specifically, Unipol contested the Antitrust assessment of the Italian non-life policy market and the resulting calculation of market share, both at national and regional level, which the Group had to adhere to in order to avoid any potential restrictions to competition that might arise from the business combination with Fondiaria-SAI. Other procedures stipulated by the Authority as part of the process, such as the disposal of the insurance and financial holding companies' assets are in progress and will continue irrespective of the outcome of the appeal.

Exchange ratios

The Boards of Directors of the companies involved in the "Merger" or the "Integration", assisted by financial advisors approved the following exchange ratios:

- 0.050 ordinary share in Fondiaria-SAI for each ordinary share in Premafin;
- 1.497 ordinary share in Fondiaria-SAI for each ordinary share in Unipol Assicurazioni;
- 0.339 ordinary share in Fondiaria-SAI for each ordinary share in Milano Assicurazioni;
- 0.549 saving share "B" in Fondiaria-SAI for each saving share in Milano Assicurazioni.

These exchange ratios were determined using generally accepted valuation methodologies that are adopted locally and internationally for similar transactions. The fairness and appropriateness of the methodologies adopted, as well as the reasonableness of the results obtained on the basis of the methodologies adopted, has been assessed by various financial advisors, both those engaged by the companies involved as well as those sitting on Related Parties Committees (including leading financial institutions and renowned academics). Fairness opinions to that effect have been issued by the financial advisors.
The exchange ratios and the appropriateness and fairness of the transaction were also positively reviewed by the Related Parties Committees of the companies involved in the transaction. In this regard, procedures for related party transactions applicable at Unipol, Fondiaria-SAI and Milano Assicurazioni Premafin were adopted. The recommendation of Unipol's Committee of Independent Directors was approved unanimously. Fondiaria-SAI's Committee of Independent Directors' resolution was approved by a majority, whilst Director Gianpaolo Galli abstained. The resolution of the Committee of Independent

Directors of Premafin was approved with a majority vote, whilst Director Luigi Reale voted against. Milano Assicurazioni's Committee of Independent Directors' resolution was approved unanimously.

The statements of financial position as at 30 September 2012, drawn up pursuant to Article 2501-quater of the Italian Civil Code were used in determining the exchange ratios. Events occurring after the approval of the interim reports for the first quarter of 2012 were also considered (for the purposes of determining the key valuations of the merger transaction that were announced to the market in June 2012). The operating performance of the companies involved in the transaction for the same period was also considered. An ordinary dividend distribution of 150 million euro by Unipol Assicurazioni in relation to the year ended 2012 was assumed to have been made before the effective date of the business combination.

The Court of Turin appointed Ernst & Young SpA as joint expert responsible for reporting on the fairness of the exchange ratio pursuant to, and by effect of, Article 2501-*sexies* of the Italian Civil Code.

On 28 January 2013, pursuant to and by effect of Article 2501-*quater*, first paragraph, of the Italian Civil Code, the Plan for the merger by incorporation of Premafin, Unipol Assicurazioni and possibly Milano Assicurazioni into Fondiaria-SAI, that had been approved on 20 December 2012 by the Boards of the companies involved in the merger, was filed at Unipol Assicurazioni's registered office.

The plan is available on the companies' websites:
– Unipol Gruppo Finanziario - www.unipol.it in the section "Corporate Governance/ Integration Plan Unipol - Fondiaria-SAI",
– Unipol Assicurazioni - www.unipolassicurazioni.it in the section "Chi Siamo/Corporate Governance/Progetto di Integrazione Unipol - Fondiaria-SAI",
– Fondiaria-SAI - www.fondiaria-sai.it in the section "Integration plan Unipol - Fondiaria-SAI",
– Milano Assicurazioni - www.milass.it in the section "Progetto di Integrazione Unipol - Fondiaria-SAI",
– Premafin - www.premafin.it in the section "Progetto di Integrazione".

Pursuant to, and by effect, of Article 201 of Legislative Decree 209 of 7 September 2005, filing of the Integration Plan with the relevant Companies' Registers is subject to authorisation by IVASS.

The shareholding structure of UnipolSai

Based on the approved exchange ratios, the shareholding percentages determined and announced to the market in June, have been substantially confirmed.
If Milano Assicurazioni is part of the Merger, the share ownership of UnipolSai, excluding Unipol's direct acquisition of Fondiaria-SAI ordinary shares, part of the subsidiary's capital increase, will be as follows:

UnipolSai – shareholding (% holding of the ordinary share capital)

	As announced in June 2012	**As approved on 20/12/2012**
Unipol	61.00%	61.00%
Ex Premafin	0.85%	0.85%
Ex Fondiaria-SAI	27.45%	27.46%
Ex Milano Assicurazioni	10.70%	10.69%
Total	100.00%	100.00%

Other information

Nomination of a "*commissario ad acta"* for Fondiaria-SAI

IVASS, in its Note dated 15 June 2012, stated that it had observed serious irregularities in the management of Fondiaria-SAI that warranted the adoption of measures stipulated by Article 229 of Legislative Decree 209 of 7 September 2005 of the Italian Insurance Code ("Codice delle Assicurazioni"). The latter provides for the appointment by ISVAP of an officer, "commissiario ad acta".
Reference is made to the press releases of Fondiaria-SAI Group dated 18 June 2012, 19 June 2012, 26 June 2012 and 2 August 2012, in which information was published on the state of the investigations launched by the Company on the matter. It was announced that the Board of Directors resolved to call a shareholders' meeting before 31 October 2012 and that a Committee of Independent Directors be identified and appointed for the purpose of investigating the beneficiaries of such actions, the individuals' misconduct and damages caused. In a communication dated 12/9/2012, IVASS resolved that the proposed actions suggested by the Company were not sufficient to rectify the circumstances that led to the infringement accusations contained in its Note of 15 June 2012. IVASS inferred that it was its view that Fondiaria-SAI is reluctant to rectify the situation.

IVASS concluded that the conditions, prescribed by Article 229 of Legislative Decree 209 of 7 September 2005, existed in this case, and therefore nominated prof. Matteo Caratozzolo as "commissario ad acta" of Fondiaria-SAI, (also in its capacity of the Group's parent company), with a mandate to enact the necessary measures for the purposes of ensuring that the management of the company is in conformity with the law:

1. "in relation to the instances subject to the accusations contained in IVASS's Note n. 32-12-000057 dated 15 June 2012 considered both individually and overall:
   - Identify specifically the individuals responsible for the transactions carried out to the detriment of Fondiaria-SAI and its subsidiaries;
   - Determine the damage caused by acts and omissions, whether intentional or through negligence, carried out by such individuals in all areas investigated;
2. as a result of, and in carrying out, the actions required by point 1, instigate, promote and encourage all adequate actions, including legal actions, to ensure that Fondiaria-SAI's and its subsidiaries' equity is restored and safeguarded in all the areas under scrutiny;
3. exercise, for the purposes referred to in points 1) and 2), the powers vested in Fondiaria-SAI as the Group's parent company and as a partner in subsidiaries' meetings.

   The above mandate must be completed by 31 January 2013".

IVASS, by resolution of the Bank of Italy's governing board and Provvedimento ("Order" or "Measure") 32-13-96 of 29 January 2013, accepted the request for a time extension submitted by the Company's "commissario ad acta" and granted additional 45 days over the completion date of his assignment, that had been originally set for 31 January 2013 (as prescribed by IVASS Order 3001 of 12 September 2012). This to enable the finalisation of the investigative work conducted and to initiate actions for damages, including legal actions, against the persons involved in the management of past transactions with related parties that have damaged the insurance Group.
In conducting the activities required of the *Commissario ad acta*, operational difficulties were encountered. The latter impacted the carrying out of certain investigations that were crucial to the execution of the abovementioned officer's mandate and necessitated an extension in the time needed by the *commissario ad acta* to execute the tasks assigned to him.

ISVAP's Order established 17 March 2013 as the new deadline for completion of the *Commissario ad acta's* mandate, without the possibility to extend.

Fondiaria-SAI's Board of Directors, in a meeting dated 5 February 2013, upon the *commissario ad acta's* recommendation, resolved in favour of Ordinary Shareholders' Meetings to be held on 13 and 14 March 2013, upon first and second call respectively, with the following agenda, set by the *commissario ad acta*: "Recommendation for a liability action, in accordance with Articles 2392 and 2393 of the Civil Code against certain directors and "sindaci" (members of the board of statutory auditors) of Fondiaria-SAI SpA (in collusion with other persons). "

Similarly, Milano Assicurazioni and other smaller companies called their respective General Meetings with the same agenda.

The explanatory report detailing the matters on the meetings' agenda and prepared by Prof. Caratozzolo, was published in accordance with the provisions of Article 125-ter of the Consolidated law on finance, "Testo Unico della Finanza", (TUF).

The General Meetings of the smaller entities were held on 7 March 2013 whereby it was, resolved without exception in favour of the liability action against directors and "sindaci", identified by the *commissario ad acta.*
On 14 March 2013 the shareholders' meetings of Fondiaria-SAI and Milano Assicurazioni were held. Both meetings resolved, almost unanimously, in favour of a liability litigation against directors and "sindaci", as identified by the *commissario ad acta.*

Denounciation by Fondo Amber Capital

At a Fondiaria-SAI's Board of Directors meeting held on 17/10/2012, the Board assessed the status and progress of the work carried out to date by the relevant structures within the company, with the support of appointed advisors, in connection with a denunciation presented in accordance with Article 2408 of the Civil Code, by business partner Amber Capital, as well as related requests for information made by the board of statutory auditors, ("il Collegio Sindacale") also in accordance with Article 2408 of the Civil Code.

As a result of this assessment, the Board provided the "Collegio Sindacale" with all the information necessary for it to present at Fondiaria-SAI's shareholders' meeting, originally scheduled for 29 and 30 October 2012, its final report on the disputed matter, which also took account of the powers delegated to the *commissario ad acta* that was in the meantime nominated by IVASS.
Following the appointment of the *commissario ad acta*, Fondiaria-SAI's meeting was not called as originally scheduled and the report required by the Committee of Independent Directors was provided to the *commissario ad acta* for his consideration.

Similarly, the Board of Directors of Milano Assicurazioni and the specially-appointed Committee of Independent Directors, with the support of advisors, conducted investigations and reported its findings to the parent on relevant matters. It also identified instances where possible claims for damages and compensation can be instituted, which would eventually be proposed at the meeting.

Termination of the existing Equity Swap contract between Premafin and Unicredit and Premafin's debt restructuring agreement

As agreed with its lenders, Premafin terminated its existing Equity Swap contract with Unicredit S.p.A. ("Unicredit") on 19 July 2012 through the transfer of 34,736 ordinary shares in Fondiaria-SAI to Premafin, and the assumption of a debt obligation towards Unicredit for an amount of approximately euro 46 million.
At the same time, as announced to the market on 14 June 2012, and as provided in article 67.3 d) of the Recovery Plan ("Piano di Risanamento Art. 67,3(d) L.F.") approved by the Company's Board of Directors on 30/03/2012, upon occurrence of the so-called Phase 1, and subject to the completion of the capital injection into Premafin by Unipol, the following became effective:

(i) the Pre-Acquisition Modified Loan Agreement ("il Contratto di Finanziamento Modificato Ante Integrazione"), which provides for the restructuring of the debt arising from the Loan Agreement ("Contratto di Finanziamento") in pool, and from the termination of the Equity Swap contract, amounting to euro 368 million plus interest accrued since the last interest payment. The Agreement also provides, inter alia, for rescheduling of the debt's maturity to 31 December 2020;
(ii) the New Act of Confirmation ("Nuovo Atto di Conferma") of the crystallized pledge on 1,160,670 ordinary shares of Fondiaria-SAI, a pledge that provides for the non realisation of, or diminution in, the acquisition mechanism, and which does not extend to any other Fondiaria-SAI shares owned by Premafin resulting, among others things, from the increase in capital that Fondiaria-SAI approved on 19 March 2012 and confirmed on 27 June 2012, and
(iii) modifications to loan agreements between the subsidiary Finadin Finanziaria di Investimenti S.p.A. ("Finadin") and Banca Popolare di Milano Soc. Coop. a r.l. ("BPM") amounting to euro 13 million and Banco Popolare Soc. Coop. ("BP") for euro 13 million, both of which mature on 31 December 2013, have come into force. These agreements continue to be covered by a pledge on 65,727 Fondiaria-SAI shares in favour of BPM and 62,120 Fondiaria-SAI shares in favour of BP.

Exposure of the Premafin/Fondiaria-SAI Group to Imco-Sinergia Group

On 14 June 2012, the Second Civil Chamber of the Court of Milan declared Imco S.p.A. ("Imco") and Sinergia Holding di partecipazioni S.p.A. ("Sinergia") bankrupt.
Premafin Group balances as at 31 December 2012 were as follows:

- euro 102 million owed to Milano Assicurazioni S.p.A. by Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to the business initiative on via Fiorentini in Rome. The exposure to this debt, net of provision for impairment at 31/12/2012, amounted to euro 53 million;
- euro 77 million owed to Milano Assicurazioni S.p.A by Imco in relation to the business initiative on via De Castillia in Milan. The exposure to this debt, net of provision for impairment at 31/12/2012, amounted to euro 25 million;
- euro 23 million owed to Immobiliare Fondiaria-SAI S.p.A. by Imco in relation to the business initiative on San Pancrazio Parmense (PR). The exposure to this debt, net of provision for impairment, amounted to euro 8 million;
- euro 7 million advances on project works that are owed to Nuove Iniziative Toscane S.p.A. by Europrogetti S.p.A., which is fully provided for at 31/12/2012;
- euro 21 million owed to Banca SAI by the Imco-Sinergia Group, of which euro 11 million represent unsecured credit positions, and which is also fully provided for;
- euro 3 million, net of reinsurance, on credit and suretyship insurance policies provided as guarantees by companies forming part of the Imco-Sinergia Group and already accounted for as a technical charge in the non-life technical account;
- further exposure to suretyship insurance policies amounting to euro 8 million net of reinsurance;

– euro 12 million provided by Premafin for contractual risks of non-materialisation of guarantees provided by Imco and its subsidiaries in respect of any costs/ responsibilities related to the commitment of sale to third parties of areas located in the municipality of Milan, and the act of citation by the City of Milan on 11 October 2012.

As concerns the real estate initiatives, represented by deposits on future acquisitions and loans advanced by BancaSai, these have been classified as bankruptcy loans in the statement of liabilities filed by the liquidator as they were advanced as part of the Imco bankruptcy.

Consob Resolution 18429 of 21 December 2012 - Unipol

With reference to the consolidated financial statements as at 31/12/2011 of the Unipol Group, approved by the Board of Directors on 15/3/2012, and the six monthly condensed consolidated financial statements as at 30/6/2012, approved by the Board of Directors on 9/8/2012, Consob concluded its supervisory investigations on the classification of and accounting treatment adopted for "structured" securities and demanded, in its Resolution 18429 of 21 December 2012, the publication of additional information pursuant to Article 154-ter, paragraph 7, of Legislative Decree 58 to 98.
In compliance with Consob's requirements on the matter, it was decided to provide the requested information to the public in the form of a press release published on 27/12/2012 which is available on the site www.unipol.it under Media Centre/Press Releases, together with the aforementioned Consob Resolution.
This supplemental information is included in an appendix to these 2012 consolidated financial statements, as also required by the said Resolution.
For further details on the effect of the abovementioned resolution on the 2012 Consolidated financial statements and the relative comparative figures, refer to the section "Significant events after the reporting period" of this management report and to "Changes in accounting policies and changes in the presentation of comparative information", included in Note 2 "Accounting policies" of the Notes to the consolidated financial statements.

Consob Resolution 18430 of 21 December 2012 – Fondiaria-SAI

Having regards to the following:
– Consob informed Fondiaria-SAI - in its communications dated 20 June 2012 and 15 October 2012 - that, resulting from its review, there were indications that Fondiaria-SAI's statutory financial statements and consolidated financial statements as at 31/12/2011 had not been prepared in accordance with accounting standards and with regulations governing their preparation. Particular reference was made to the accounting method adopted for reserving MV TPL claims, and the valuation of Fondiaria-SAI's holding in Milano Assicurazioni;
– Consob also informed Milano Assicurazioni, a subsidiary of Fondiaria-SAI – in its communication dated 5 October 2012 - that as a result of the same review there were indications that Milano Assicurazioni's statutory financial statements and consolidated financial statements as at 31/12/2011 had not been prepared in accordance with accounting standards and with regulations governing their preparation, in particular in relation to accounting for MV TPL claims reserves;
– Fondiaria-SAI's holding in Milano Assicurazioni is a significant element of the parent company's investments. Therefore, Milano Assicurazioni's critical accounting assumptions, referred to by Consob, are also reflected in Fondiaria-SAI's financial statements through the contribution of the subsidiary's results;

– Fondiaria-SAI and Milano Assicurazioni replied separately to Consob, laying down their considerations and the relevant facts and circumstances. Both entities outlined their disagreement with Consob's observations;
– On 21 December 2012, Consob confirmed, in its Resolution 18432, its findings in relation to the non-compliance of the financial statements and consolidated financial statements of Milano Assicurazioni as at 31 December 2011 to regulation governing their preparation;

On 21 December 2012, Consob confirmed in its Resolution 18430 its findings in relation to non-compliance of Fondiaria-SAI's financial statements and consolidated financial statements as at 31 December 2011 to regulations governing their preparation and demanded that Fondiaria-SAI disclose the following information pursuant to Article 154-ter, paragraph 7 of TUF:
a) the deficiencies and critical issues identified by Consob relating to the fairness of the financial statements referred to above;
b) the applicable international accounting standards and relevant national provisions and the breaches observed thereon;
c) proforma consolidated financial statements, including comparatives, showing the effect on the statement of financial position, the income statement and shareholders' equity had the statements been appropriately prepared in accordance with applicable standards and regulations for the financial years 2010 and 2011, for which the financial statements had been misstated.

In compliance with Consob's requirements on the matter, Fondiaria-SAI published the requested information by means of a press release published on 27/12/2012 (available on www.Fondiaria-sai.it under "Press Office") .

A similar requirement was imposed by Consob on 21 December 2012 in Resolution 18431 on Premafin, that published the required information in a press release on 27/12/2012 (refer to www.premafin.it under Investor Relations/Informazioni Price Sensitive).

IVASS inspections

By virtue of the investigative powers vested in it by the "Codice delle Assicurazioni Private" (Code of private insurance), IVASS commenced, on 12 November 2012, an inspection of the claims cycle at Unipol Assicurazioni aimed at assessing reserving risk.

Also, with regard to preliminary investigations conducted as part of the authorisation of the integration of Unipol Assicurazioni, Premafin and possibly Milano Assicurazioni into Fondiaria-SAI; IVASS demanded, on 21 February 2013, that specific inspections be carried out in order to enable a thorough assessment of the regulatory requirements applicable to the investigations. The inspections are intended to assess:

i) the measures put in place after the previous inspections, concluded at the end of financial year 2011 at Fondiaria-SAI and Milano Assicurazioni and related to reserving risk in MV TPL and General TPL;
ii) how the provisions in ISVAP Regulation 36 on the use of assets covering technical provisions have been applied at Fondiaria-SAI and Milano Assicurazioni Unipol Assicurazioni.

Activities related to the above-mentioned inspections were in progress at the time of preparation of this report.

Management and co-ordination of Premafin and Fondiaria-SAI

The Board of Directors of Unipol resolved, in a meeting held on 14 November 2012 on the management and coordination activities in relation to Premafin and all the companies previously managed and coordinated by Premafin.
Premafin became part of Gruppo Assicurativo Unipol, registered in the Register of Insurance Groups, number 046.

On the same date, Unipol's Board of Directors also approved the management and coordination activities in relation to Fondiaria-SAI and all the companies previously managed and coordinated by Fondiaria-SAI.
Fondiaria-SAI became part of Gruppo Assicurativo Unipol, registered in the Register of Insurance Groups, number 046. Consequently, any reference to Gruppo Assicurativo Fondiaria-SAI is intended to refer to Gruppo Assicurativo Unipol.

2012 performance review

The business combination with Premafin Group took place at the beginning of the third quarter 2012 and therefore Unipol Group's Consolidated Financial Statements as at 31/12/2012 consolidated only Premafin Group's results for the period 1 July to 31 December 2012. Such results were determined on the basis of the fair value of assets acquired and liabilities assumed at the date of acquisition, recognised upon official confirmation of the business combination, and in line with accounting principles and criteria generally adopted by Unipol Group, as required by IFRS 3 for business combinations. Therefore, such results may differ, even significantly, from the results for the second half of 2012 included in Premafin's and Fondiaria-SAI's consolidated financial statements.

For the purpose of greater comparability and understandability of movements in performance indicators, the comments below address Unipol Group's performance movements "on a comparable basis" by excluding Premafin Group. The performance for the year 2012 of the Premafin/Fondiaria-SAI Group will then be analysed separately.

Group business performance, on a comparable basis

During 2012 the Group continued to register positive results, driven mainly by improved profitability of its Non-life business, and notwithstanding the adverse impact of both the earthquake activity in Emilia, (albeit this was largely absorbed by reinsurance), as well as the continuing economic recession affecting Italy and the resulting repercussions on the insurance industry.

With this backdrop, Unipol Group's direct Non-life premium income amounted to euro 4,224 million on a comparable basis (-2.5% over 2011), of which euro 2,524 million in the Motor line of business and euro 1,700 million in the Non-motor lines of business. In the MV TPL class, the Group's underwriting policy and criteria continue to be selective, notwithstanding the significant improvements in technical results. Premiums written in this class of business amounted to euro 2,213 million (-2.7% compared to 2011). The MV damage class suffered a larger drop equivalent to euro 311 million (-10.8%), mainly arising due to the sharp decrease in the number of car registrations. The direct insurer Linear (telephone/internet), operating in the motor class of business was successful and continued to expand its activities. Its premiums for 2012 amounted to euro 220 million, representing a growth of 9.5% over the previous financial year. On the contrary, Arca Assicurazioni's level of business fell following the deregulation of the agency channel which has not yet compensated the decrease in activity arising in the bank branch channel, which to date is the only distribution channel used by the company.

Non-motor lines of business recorded premiums of euro 1,700 million. This represents a decrease of 0.6% over 2011, and is mainly attributable to continued adherence to strict underwriting selective criteria and to the effects of the economic crisis, that is also impacting the level of business at Unipol Assicurazioni. Unisalute contributed positively to the Group results (premiums amounted to euro 233 million, (+10% compared to last year). Unisalute specialises in health insurance business and it continues to extend its distinguishing business model, with positive technical results.

The improvement in the MV TPL core technical indicators, such as the loss ratio, show that the 2012 technical result of the Group has improved mainly due to a decrease in the number of claims reported, compared to last year. On the Non-motor classes, the technical result is currently impacted by an elevated frequency of claims linked to freezing climatic conditions, the heavy snowfalls over a number of Italian regions which happened in February, and especially the May earthquakes in Emilia and surrounding areas reserved at circa euro 100 million (circa euro 45 million net of reinsurers' share). Notwithstanding the obvious impact of the earthquake, (estimated at circa 2.3% of claims incurred), overall the Group registered a 70.7% loss ratio in 2012, compared to 73.2% at the 2011 financial year end. Also in the current year the Group continues to increase the level of previous years claims provisions concerning General TPL line of business.

The expense ratio on direct business stood at 23.5%, an increase over the 22.2%[1] registered at the end of 2011. The increase is attributable both to a decline in premiums as well to the increase in acquisition costs related principally to supplementary agents' provisions and to costs associated with the so-called "scatole nere" (Unibox policies). In accordance with a recent deregulation decree "Liberalizzazioni" such costs are to be borne by insurance companies.
The Group therefore registered, on a comparable basis, a combined ratio (on direct business) of 94.2% at the end of 2012, an improvement of 1.2% over the 2011 ratio. This was achieved notwithstanding the adverse impact of the earthquake claims. The combined ratio net of reinsurance, which is typically higher than the ratio on direct business due to currently elevated costs of obtaining reinsurance security, was actually 93.6%. This is marginally lower than the direct combined ratio, due to the effect of high reinsurance recoveries on the Emilia earthquakes claims.

Life business continues to be negatively affected by repercussions of the economic crisis, particularly the decreased savings capacity of Italian households (-10.2% at the third quarter of 2012; Source IVASS). The Group's direct premiums for year ended 31 December 2012, (on a comparable basis), amounted to euro 2,521 million, a growth of 1.8% over the euro 2,476 million premiums written in 2011[2]. Unipol Assicurazioni contributed to the growth with premiums of euro 1,969 million, (+7.7% compared to the previous year), principally due to the introduction of two new mandates in the Guaranteed Closed-Ended Funds (class VI) which generated premiums of euro 456 million, of which euro 411 million represent the transfer in of existing contributions.

Decreases were registered by Arca Vita e Arca Vita International that generated premiums of euro 551 million (-14.7% over 2011), consistent with the trends noted in the market.
Consistent with the above trends, the volume of new business in pro-rata APE terms for 2012 amounts to euro 257 million, compared to euro 248 million during 2011 (comparable basis). Euro 221 million of the

[1] The 2011 ratio has been restated upon reclassification of relevant amounts to the new reporting business segment, real estate. The ratio was reported as 22.3% in the 2011 financial statements

[2] The figure as at 31 December 2011, restated on a comparable basis, excludes Bnl Vita, that was disposed of in 2011. Its premiums amounted to euro 2,112 million during the period.

amounts were generated by Unipol Assicurazioni and euro 36 million by the companies forming part of the Arca Group.

As concerns **investment management** within insurance business companies, following a turbulent start to the year 2012, both Italy's government bonds as well as equity markets registered improvements later in the year. The recoveries were triggered by ECB's interventions, aimed at curtailing the financial crisis affecting a number of euro zone states. Within this background, gross return on investments credited to the income statement for 2012 approximated 4.5%. In view of the constant uncertainty surrounding financial markets, the Group's investment policies remain prudent and aim at maintaining an appropriate risk/return balance whilst also placing a right balance between assets and policyholder liabilities.

In the **banking business** segment, strengthening of capital and liquidity profiles continued, as did the implementation of strategic development and repositioning guidelines focusing on the retail and small business customer base. Customer deposits amounted to 9.9 billion euro, representing a growth of 3.5% over 2011 and compared to customer lending of euro 10.1 billion (+0.9% over 2011).
The banking segment's Funding and Lending term structure and contingency profiles strengthened as a result of participation in the ECB's LTRO (*Long Term Refinancing Operation*) offer which took place in the first quarter of the year and which resulted in the Group taking out loans amounting to euro 600 million, maturing in 2015 and that were subject to relatively low interest rates (currently 0.75%). Following this transaction, the total amount of LTRO subscribed by Unipol Banca reached euro 850 million. In the face of the ongoing economic crisis, with the heightened credit risk and the resulting strengthening of provisions on non-performing loans that ensued, the banking business segment registered a positive net result compared to the negative net result reported in 2011. The latter was attributable to goodwill impairment in Unipol Banca.

On a comparable basis Unipol Group registered **consolidated profits of 269 million euro**, for the year ended 31 December 2012, higher than the euro 225 million forecast in the Business Plan 2010-2012, and the result of improvements achieved in business management during the year under review.

Performance of the Premafin/Fondiaria-SAI Group

The main trends that characterised Premafin/Fondiaria-SAI Group's performance during 2012 are commented below.

Non-life insurance direct premiums of the Premafin/Fondiaria-Sai Group in 2012 amounted to euro 6,417 million (-9% compared to 2011 amounts), of which euro 4,207 million in the Motor classes and euro 2,210 million in the Non Motor classes. The drop in premiums is attributable not only to the difficult economic background but also to the enforcement of selective underwriting policies which include, amongst others, termination of business in the risky areas, particularly TPL.
The improvement in the Non-life technical result, especially on the Motor classes of business, is mainly explained by decreases in the magnitude and frequency of claims.

As concerns the Non Motor classes, decrease in premiums coupled with the adverse impact of the earthquakes in the Emilia Romagna area and freezing climatic conditions during Winter, contributed to the negative results.
With respect to prior year claims, significant adjustments to claim reserves, in particular on third party liability classes (MV TPL and TPL) were considered necessary upon the carrying out of the annual actuarial review of technical provisions.

This resulted in a combined ratio of approximately 105.4% compared to 110.4% in the previous year.

Premium income from **life insurance business** registered a 4% decrease over 2011, consistent with general market trends. Both the primarily "social security" type of Life business, as well as the financial type of products, suffered decreases linked to the financial difficulties faced by households and businesses alike. The agency distribution network was especially impacted by the adverse market conditions, whereas bankassurance, in particular Popolare Vita together with its subsidiary Lawrence Life, registered a growth of 6.9%. Consolidated premium income amounted to 3,655 million, predominantly constituted of traditional class I products, whereas financial type products suffered significant decreases.
Fondiaria-SAI companies' new business volumes for 2012, measured in APE pro-rata terms amounted to 251 million euro, compared to 281 million euro in 2011 (-10.6%).

As concerns **real estate**, 2012 saw containment of costs. The net result of the business segment is affected by impairment losses amounting to 371 million euro determined on the basis of valuations carried out by industry experts.

In the **banking business** segment, the Premafin/Fondiaria-Sai Group operates principally through Banca SAI, whose result was negatively affected by impairments linked to the worsening economic situation as well as impairment of receivables due from the Imco-Sinergia Group amounting to euro 17 million.

Even the **other activities'** sector continues to register negative results primarily attributable to Group owned health facilities, all located in Tuscany, and the failure to finalise an agreement with the Tuscan Region on the burden of overhead costs. The Group results also suffered the negative contribution of Altahotels, a hotel operator, that was caused by reduced turnover brought about by the economic crisis, together with increased operational costs.

Premafin Group's results at 31/12/2012 were also adversely impacted by impairment losses on securities, property, equity holdings and goodwill totalling 905 million euro. This resulted in 2012 being another year of net losses for the Premafin Group with 882 million euro loss registered for the year.

Premafin/Fondiaria-SAI Group's contributed profits of 200 million euro to Unipol Group's 2012 consolidated results. This result is in relation to the period 1 July to 31 December 2012 and is directly attributable to fair value valuations ascribed to the assets acquired and to the liabilities assumed at the acquisition date, as well as alignment to Unipol Group's accounting principles, in accordance with IFRS 3.
For more information on accounting for the business combination with Premafin / Fondiaria-SAI Group refer to the relevant section within the Notes to the Consolidated Financial Statements.

The following table provides a reconciliation of Premafin Group's consolidated losses for the second half of 2012, amounting to 889 million euro (derived as the movement between Premafin's consolidated financial statements at 30/6/2012 and 31/12/2012 respectively), and the profit for the same period, amounting to 200 million euro, that Premafin brought to Unipol Group's 2012 consolidated results.

As mentioned above, the difference in results is attributable to fair values ascribed to the assets acquired and the liabilities assumed at acquisition date. These mainly related to claim reserves adjustments, impairment of property and provisions for risks that related to pre-acquisition. They were therefore reflected in the values recognised upon acquisition, and do not impact Unipol Group's results.
Fair value movements on Premafin's financial assets also form part of the difference between the two results since the carrying amounts in Unipol Group's books correspond to the fair values at the acquisition

date, and as such do not impact Unipol Group's results. The same applies to impairment of goodwill recognised by Premafin and eliminated by Unipol in the Purchase Price Allocation (PPA).

Values in Million of Euro	Values
Consolidated profit of the period 1/7-31/12/2012 Premafin Group	-889
- Integration claims provision MV TPL and General TPL	710
- property devaluation and depreciation differences	265
- economic effects of financial assets and liabilities (cost ammort.to, gains / losses on valuation and negotiation)	298
- shadow accounting	-236
- reversal impairment of goodwill	247
- provisions for risks and liabilities	87
- other items	17
- tax effects	-299
Total differences	1,089
Consolidated profit for the period 1/7-31/12/2012 included in Unipol Group financial statements	200

Unipol group's **consolidated profit** for the year ended 31/12/2012, including Premafin Group, amounted to **469 million euro**. If the amounts arising on consolidation of the Premafin/Fondiaria-SAI Group, determined as detailed above and totalling 200 million euro are excluded, the **consolidated profit for the year amounted to 269 million euro** mainly driven by improvements in Non-life technical performance.

The consolidated solvency position at 31 December 2012 is robust with capital exceeding the minimum capital required by 2.6 billion euro. This is equivalent to 1.6 times the minimum requirement and is in line with Group's target.
The solvency position, net of the effect of the application of ISVAP Regulation 43 of 2012, Article 10, equivalent to 94 million euro, is slightly less than 1.6 times the required minimum.

Salient aspects of business operations

Consolidated profit for the year of 469 million euro is reported in the consolidated financial Statements as at 31/12/2012 reported (loss of 121[3] million euro for the year ended 31/12/2011 driven by impairment losses on goodwill in the banking business segment assessed through impairment tests that amounted to 320 million euro). The following are some of the main highlights that marked the Group's performance for the year:

- **direct insurance premiums written**, gross of reinsurance, amounted to 11,802 million euro (euro 8,921 million euro in 2011, +32.3%). On a comparable basis, these amount to 6,745 million euro (-0.9%). Non-life direct premiums amount to 7,240 million euro (4,333 million in 2011) whilst for Life business, they amounted to 4,562 million euro (4,588 million euro in 2011), of which 130 million euro from Life investment products (142 million euro in 2011). On a comparable basis, Non-life premiums registered a decrease of 2.5%, whereas Life premiums registered an increase of 1.8%;
- **earned premiums**, net of reinsurance premium ceded, amounted to 11,624 million euro (8,679 million in 2011), of which 7,211 million euro in Non-life lines of business (4,251 million euro in 2011) and 4,412 million euro in the Life classes of business (4,428 million euro in 2011). For life business, the increase brought about by the inclusion of Premafin Group's numbers was set off by the exclusion from the consolidation scope of Bnl Vita, following its disposal. On a comparable basis, the movement is equivalent to +0.2%, constituted by a decrease of -1.5% on Non-life business and an increase of +3.4% on Life business;
- the **banking segment's direct customer deposits** totalled 10,737 million euro, of which 822 million euro are attributable to Premafin Group (9,583 million euro in 2011, +3.5% on a comparable basis);
- **insurance claims charges**, net of reinsurance recoveries, amounted to 9,932 million euro (7,943 million euro in 2011), analysed between 4,835 million euro for Non-life business (3,176 million euro in 2011) and 5,097 million euro for Life business (4,768 million euro in 2011), including an amount of 437 million euro of net income on financial assets and liabilities measured at fair value (net charges of 100 million euro in 2011). On a comparable basis, the change in insurance claims charges, net of reinsurance results to be equivalent to be -0.5%, analysed between a decrease of -7.4% for Non-life business and an increase of +8% for Life;
- the **loss ratio** on direct Non-life business on a comparable basis stood at 70.7%, (73.2% in 2011);
- **operating expenses**, net of reinsurance commissions receivable, amounted to 2,219 million euro (1,382 million euro in 2011); in the Non-life business classes these amount to 1,654 million euro (944 million euro in 2011) and for Life business they totalled 219 million euro (148 million euro in 2011). On a comparable basis, total net operating expenses amounted to 1,391 million euro (+2.5%), of which 983 million euro for Non-life business classes (+4.1%) and 111 million euro for Life business classes (-10.3%);
- **net investment income** from financial assets and liabilities (excluding net gains on financial assets and liabilities designated as at fair value) amounted to 1,419 million euro (791 million euro in 2011). The amount stands at 949 million euro (+45.6%) on a comparable basis;
- the **profit for the year (before tax)** amounts to 754 million euro (loss of 309 million euro in 2011) and is

[3] Restated from -94 million euro that was reported in the 2011 consolidated financial statements due to adjustments made, as detailed in the Foreword.

largely attributable to profit before tax of Premafin Group that totalled 321 million euro;

- the tax charge for the year amount to 281 million euro, of which 121 million euro relate to Premafin Group. The tax rate stood at 37.2%. Tax credits on previous years' tax paid amounting to 13 million euro were recovered pursuant to the provisions of Legislative Decree 201 of 6/12/2011 that provide for the deductibility for the purposes of determining Ires taxes of Irap taxes paid on labour costs;
- the profit attributable to the Group's owners at 31/12/2012 amounts to 299 million euro (135 million euro loss in 2011). The profit is net of profit attributable to non-controlling interests of 171 million euro;
- total comprehensive income for the year amounted to 1,875 million euro (loss of 613 million euro in 2011), attributable to favourable movements in the reserve for fair value gains and losses on available-for-sale financial assets (1,441 million euro) mainly driven by recoveries in Italian government bond prices;
- investments and cash and cash equivalents amount to 72,956 million euro, and 37,571 million euro on a comparable basis (34,134 million euro in 2011);
- technical provisions and financial liabilities amounted to euro 72,690 million, and 36,355 million euro on a comparable basis (34,910 million euro in 2011).

The table below includes a summary of the Consolidated income statement for the year ended 31 December 2012, analysed by business segment: insurance (Non-life and Life), banking, holding/services/other and real estate. 31/12/2011 comparatives are also shown.

SUMMARY CONSOLIDATED INCOME STATEMENT BY SEGMENT

	NON-LIFE INSURANCE SEGMENT			LIFE INSURANCE SEGMENT			INSURANCE SEGMENT			BANKING SEGMENT			HOLDING/SERVICE COMPANIES AND OTHER ACTIVITIES			REAL ESTATE SEGMENT			Intersegment eliminations		CONSOLIDATED TOTAL		
Values in Million of Euro	Dec-12	Dec-11	*change%*	Dec-12	Dec-11	*change%*	Dec-12	Dec-11	*change%*	Dec-12	Dec-11	*change%*	Dec-12	Dec-11	*change%*	Dec-12	Dec-11	*change%*	Dec-12	Dec-11	Dec-12	Dec-11	*change%*
Net insurance premiums	7,211	4,251	*69.6*	4,412	4,428	*-0.4*	11,624	8,679	*33.9*												11,624	8,679	*33.9*
Net fee and commission income (expense)	0	0		7	10	*-31.9*	7	11	*-33.0*	115	121	*-5.3*	6	2		0	0		-28	-32	100	103	*-2.5*
Financial income / expense (excluding assets / liabilities designated at fair value)	366	199	*83.9*	999	615	*62.6*	1,365	814	*67.8*	197	156	*26.5*	-65	-119		-4	1		-74	-60	1,419	791	*79.3*
Net interest income	*281*	*200*		*847*	*748*		*1,128*	*948*		*218*	*202*		*-41*	*-17*		*0*	*0*		*-4*	*0*	*1,301*	*1,133*	
Other income and expenses	*33*	*40*		*17*	*45*		*51*	*85*		*1*	*0*		*-15*	*-21*		*12*	*-2*		*-21*	*-7*	*28*	*55*	
Realised gains and losses	*62*	*9*		*114*	*68*		*176*	*77*		*55*	*8*		*2*	*-81*		*-2*	*3*				*230*	*7*	
Unrealised gains and losses	*-10*	*-49*		*21*	*-247*		*11*	*-296*		*-77*	*-56*		*-11*	*0*		*-13*	*0*		*-50*	*-53*	*-140*	*-405*	
Net insurance claims	-4,835	-3,176	*52.3*	-5,097	-4,768	*6.9*	-9,932	-7,943	*25.0*												-9,932	-7,943	*25.0*
Management expenses	-1,654	-944	*75.1*	-219	-148	*47.7*	-1,873	-1,093	*71.4*	-286	-266	*7.2*	-216	-86	*150.4*	-5	-1		160	64	-2,219	-1,382	*60.6*
Commissions and other acquisition costs	*-1,351*	*-796*	*69.7*	*-121*	*-79*	*53.1*	*-1,473*	*-876*	*68.2*										*5*	*11*	*-1,468*	*-865*	*69.7*
Other expenses	*-302*	*-148*	*104.6*	*-98*	*-69*	*41.4*	*-400*	*-217*	*84.4*	*-286*	*-266*	*7.2*	*-216*	*-86*	*150.4*	*-5*	*-1*		*155*	*53*	*-751*	*-517*	*45.3*
Other income / costs	-203	-77	*165.1*	-17	-60	*-71.7*	-220	-136	*61.4*	-13	-412	*-96.7*	60	-35		-5	-1		-59	27	-237	-557	*-57.4*
NET PROFIT BEFORE TAX	885	253	*249.3*	85	77	*10.4*	971	331	*193.4*	13	-401		-215	-238	*9.7*	-14	0		0	0	754	-309	
Tax																					-281	188	
Profit (loss) from discontinued operations																					-4	0	
Consolidated profit (loss)																					469	-121	
Attributable to the owners of the parent																					*299*	*-135*	
Non-controlling interests profit (loss)																					*171*	*14*	

The changes to segment reporting and accounting policy of recognizing actuarial gains and losses related to defined benefit plans have produced the following effects on sectoral economic performance before tax:

- the Non-Life segment changes from 260 million euro to 253 million euro, due in particular to the reclassification of financial instruments (-10 million euro);
- the Life segment changes from 120 million euro to 77 million euro, due to, in particular, the reclassification of financial instruments (-33 million euro) and the reclassification of 5 million euro for transfer of dividends from field Intersegment eliminations;
- the Banking segment changes from -280 million to -401 million euro, due in particular to the reclassification of 119 million euro related to the write-down of goodwill by sector Intersegment eliminations;
- the Holding / Services / Other changes from -226 million to -238 million euro due in particular to the reclassification of 12 million euro for the transfer of dividends from field Intersegment eliminations;
- Intersegment eliminations increased from -141 million euro to nil, due in particular to the reclassification to other areas of the goodwill write-down related to the banking segment for 119 million euro and the transfer of dividends for 17 million euro.

Insurance business segment

Premiums and investment products

Premium income (direct and indirect premiums and investment products), amounted to 11,829 million euro at 31/12/2012 representing an increase of 32.2% over 31/12/2011. This increase is mainly due to changes in the consolidation scope, namely the inclusion in 31/12/2012 numbers of Premafin Group's premiums for the second half of the year (5,058 million euro), whereas 31/12/2011 figures include nine months of Bnl Vita (euro 2,112 million). Using a comparable basis, the variance is a decrease of -1%.

Life business registered a drop of -0.6%, since the incremental premium income attributable to Premafin Group's business for the six months to 31/12/2012, which amounted to 2,042 million euro, does not compensate for the euro 2,112 million generated by Bnl Vita at 30/9/2011. On a comparable basis, the movement is an increase of +1.8%.
Non-life premiums for the year ended 31/12/2012 increased by 66.7%, and include Premafin's Group premiums that amounted to 3,017 million euro. On a comparable basis, the movement is a negative -2.5%.

All the income from the Non-life business of the Group has been classified as insurance premiums since it meets the criteria for recognition of insurance contracts as per IFRS 4 (the existence of significant insurance risk).
Within Life business, investment products amounted to 130 million euro at 31/12/2012 and pertained to Class III (Unit and Index-Linked policies) and Class VI (pension funds).

Consolidated premiums

Values in Millions of Euro	31/12/2012	*mix %*	31/12/2011	*mix %*	*change%*	*% change on a comparable*
Non-Life Direct premiums	7,240		4,333		*67.1*	*-2.5*
Non-Life Indirect premiums	26		26		*-0.5*	*-4.0*
Total Non-Life premiums	7,265	*61.4*	4,359	*48.7*	*66.7*	*-2.5*
Life Direct premiums	4,432		4,446		*-0.3*	*3.3*
Life Indirect premiums	2		2		*-2.7*	*-20.2*
Total Life premiums	4,434	*37.5*	4,448	*49.7*	*-0.3*	*3.3*
Total Life investment products	130	*1.1*	142	*1.6*	*-8.3*	*-23.2*
Total Life premiums	4,564	*38.6*	4,590	*51.3*	*-0.6*	*1.8*
Total premiums	11,829	*100.0*	8,948	*100.0*	*32.2*	*-1.0*

Premium income in the fourth quarter of 2012 only amounted to 4,648 million euro (1,909 million euro in the fourth quarter of 2011). On a comparable basis, this accounts to 1,825 million euro (-4.4% over 31/12/2011).

Direct premium income totalled 11,802 million euro (+32.3% over 31/12/2011, -0.9% on a comparable basis), constituted by 7,240 million euro from Non-life business (+67.1% and on a comparable basis, -2.5%) and 4,562 million euro from Life business (-0.6% and +1.8% on a comparable basis).
Premafin Group's contribution to direct premium income amounted to 3,016 million euro of Non-life premiums and 2,041 million euro of Life premiums.

Direct premiums						
				values and change on a comparable basis		
Values in Millions of Euro	31/12/2012	31/12/2011	*change %*	31/12/2012	31/12/2011	*change %*
Total Non-Life premiums	7,240	4,333	*67.1*	4,224	4,333	*-2.5*
Total Life premiums	4,562	4,588	*-0.6*	2,521	2,476	*1.8*
Total direct premiums	11,802	8,921	*32.3*	6,745	6,809	*-0.9*

Life business

Life business income (direct and indirect) amounted to 4,564 million euro, registering a slight decrease of 0.6% over 31/12/2011 levels. The figures at 31/12/2011 include nine months of Bnl Vita premium income that amounted to 2,112 million euro and that was not compensated for by Premafin Group's premiums for the second half of 2012 amounting to 2,042 million euro.
On a comparable basis, Life business registered an increase of 1.8%, attributable to class VI – Pension funds. The increase is mainly attributable to the introduction by part of Unipol Assicurazioni, in the third quarter of the year, of two significant mandates for management of "guaranteed" pension funds (Fon.Te e Previmoda), on which an extraordinary income of 411 euro million was generated for payment of past stock. In contrast, all other classes were adversely impacted by the economic crisis that marked the financial year under review and suffered deteriorations in premiums.

Direct premiums, that make up most of total premium income comprise:

Life direct premiums						
				values and change on a comparable basis		
Values in Millions of Euro	31/12/2012	31/12/2011	*change %*	31/12/2012	31/12/2011	*change %*
Premiums						
I - Whole and term life insurance	2,336	3,244	*-28.0*	1,281	1,495	*-14.3*
III - Unit-linked/index-linked policies	844	471	*79.0*	1	126	*-99.4*
V - Capitalisation insurance	394	330	*19.3*	272	314	*-13.3*
VI - Pension funds	858	401	*114.3*	858	400	*114.8*
Total Life premiums	4,432	4,446	*-0.3*	2,412	2,334	*3.3*
Investment products						
III - Unit-linked/index-linked policies	102	126	*-19.3*	96	126	*-23.5*
V - Capitalisation insurance	0	3	*-100.0*	0	3	*-100.0*
VI - Pension funds	28	13	*122.1*	12	13	*-2.2*
Total Life investment products	130	142	*-8.3*	109	142	*-23.2*
Total premiums						
I - Whole and term life insurance	2,336	3,244	*-28.0*	1,281	1,495	*-14.3*
III - Unit-linked/index-linked policies	945	597	*58.3*	97	251	*-61.4*
V - Capitalisation insurance	394	333	*18.2*	272	317	*-14.1*
VI - Pension funds	887	413	*114.6*	871	412	*111.2*
Total Life direct premiums	4,562	4,588	*-0.6*	2,521	2,476	*1.8*

On a comparable basis, at 31/12/2012 the volume of new business calculated in terms of APE, and excluding non-controlling interests and Premafin Group's results, stood at 257 million euro (+3.7%).

Unipol Assicurazioni represents euro 221 million of the consolidated amounts (+7%), whereas Arca Group's amounts stood at euro 36 million (-12.8%), and Linear life's contribution to this indicator was immaterial.

Pension funds

During 2012, Unipol Group strengthened its position as leading player in the market for supplementary pensions.

The Occupational Pension funds with guaranteed performance segment was characterised by a high rate of fund management mandate renewals during the year.
Unipol Assicurazioni renewed nine managed mandates (Alifond, Arco, Byblos, Carige, Filcoop, Fondapi, Fondoposte, Priamo and Telemaco) and obtained three new mandates (Istituto Pensionistico Valle d'Aosta, Fon.Te, Previmoda). The non-guaranteed return management agreement in relation to Filcoop pension fund was also renewed.
Unipol Assicurazioni continued to be the leader in the market for occupational pension funds, both in terms of the number of mandates it manages as well as in terms of funds' volumes.
As at 31/12/2012 Unipol Assicurazioni managed a total of 25 occupational pension fund mandates (of which 14 mandates were "with guaranteed capital and/or minimum return"). At the same date, total funds under management amounted to 3,495 million euro (of which 2,099 million euro with guaranteed capital). At 31/12/2011 funds under management amounted to 2,690 million euro, of which 1,557 million euro with guaranteed capital.

In relation to Open Ended Pension Funds, effective 1 July 2012, the funds "Unipol Futuro" and "Aurora Previdenza" were merged into the open ended pension fund "Unipol Previdenza". The merger was effected in order to rationalise the Group's pension offer and to maximize the efficient management of the funds involved.
At 31/12/2012 equity of the funds "Unipol Previdenza" and "Unipol Insieme" reached a total of euro 326 million and 24,928 fund members (euro 271 million and 22,178 fund members at 31/12/2011).

Upon the acquisition of Fondiaria-SAI Group, the open-ended pension funds managed by the acquired companies fell in scope for Unipol's Group consolidation. More specifically, the six open-ended pension funds (Conto Previdenza, Fondiaria Previdente, Fondo Pensione Aperto Sai, Fondo Pensione Aperto Milano Assicurazioni, Fondo Pensione Aperto Popolare Vita, Fondo Pensione Aperto BIM Vita) totalled 20,943 fund members and 319 million euro equity.
Overall, therefore, Unipol Group, taking into account the new consolidation scope manages eight open-ended pension funds with total equity of 644 million euro and funds members amounting to 45,871.

The traditionally composite insurer Unipol Assicurazioni generated direct Life premium income of 1,969 million euro, representing an increase of 7.7% mainly on class VI which increased from euro 412 million at 31/12/2011 to euro 871 million at 31/12/2012. The significant increase is mainly attributable to the introduction, in the third quarter, of two significant mandates for the management of "guaranteed" pension funds (Fon.Te e Previmoda), on which an extraordinary income of euro 411 million was generated upon repayment of existing stock. An analysis by class of business of Life premium income is provided in the table below:

Unipol Assicurazioni Spa- Total Life Business

	Values in Millions of Euro	31/12/2012	*mix %*	31/12/2011	*mix %*	*change %*
I	Whole and term life insurance	822	*41.7*	974	*53.3*	*-15.6*
III	Unit-linked/index linked policies	4	*0.2*	132	*7.2*	*-96.6*
	- of which investment products	*4*	*0.2*	*7*	*0.4*	*-43.1*
V	Capitalisation insurance	272	*13.8*	310	*17.0*	*-12.4*
	- of which investment products	*0*	*0.0*	*3*	*0.2*	*-100.0*
VI	Pension funds	871	*44.2*	412	*22.6*	*111.2*
	- of which investment products	*12*	*0.6*	*13*	*0.7*	*-2.2*
Total Life business classes		1,969	*100.0*	1,829	*100.0*	*7.7*
	- of which investment products	*16*	*0.8*	*23*	*1.2*	*-27.6*

The Life companies forming part of the **Arca Group** (Arca Vita and Arca Vita International) generated direct premium income of 551 million euro at 31/12/2012, a decrease of 14.7% over 31/12/2011. An analysis by class of business is illustrated in the table below:

Arca Vita Spa - Total Life business

	Values in Millions of Euro	31/12/2012	*mix %*	31/12/2011	*mix %*	*change %*
I	Whole and term life insurance	458	*83.2*	520	*80.6*	*-11.9*
III	Unit-linked/index linked policies	93	*16.8*	119	*18.4*	*-22.3*
	- of which investment products	*92*	*16.8*	*119*	*18.4*	*-22.3*
V	Capitalisation insurance	0	*0.0*	6	*1.0*	*-98.6*
Total Life business		551	*100.0*	646	*100.0*	*-14.7*
	- of which investment products	*92*	*16.8*	*119*	*18.4*	*-22.3*

Direct life insurance company, **Linear Life**'s contribution to the Group's premium income at 31/12/2012 is considered relatively insignificant. The company sells life policies online.

Premafin Group's premium income amounted to euro 3,655 million (euro 3,807 million at 31/12/2011), of which 2,041 million euro related to the last six months of the year consolidated in Unipol Group's results. The table below contains an analysis by class of business.

Premafin - Total Life business

	Values in Millions of Euros	31/12/2012	*mix %*	31/12/2011	*mix %*	*change*
I	Whole and term life insurance	2,212	*60.5*	1,418	*37.2*	*56.0*
III	Unit-linked/index linked policies	1,152	*31.5*	2,042	*53.6*	*-43.6*
	- of which investment products	*10*	*0.3*	*15*	*0.4*	*-36.3*
V	Capitalisation insurance	256	*7.0*	307	*8.1*	*-16.5*
VI	Pension funds	34	*0.9*	39	*1.0*	*-12.9*
	- of which investment products	*34*	*0.9*	*39*	*1.0*	*-12.9*
Total Life business		3,655	*100.0*	3,807	*100.0*	*-4.0*
	- of which investment products	*44*	*1.2*	*54*	*1.4*	*-19.3*

Premium income generated by **Fondiaria-SAI** for 2012 amounted to euro 827 million, in diminution when compared to 31/12/2011 premiums which amounted to 1,043 million euro (-20.7%).
Popolare Vita's 2012 premiums amounted to euro 1,608 million (euro 293 million at 31/12/2011).
The company **Lawrence Life** registered premium income amounting to euro 723 million (against premium income of euro 1,888 million at 31/12/2011).
Milano Assicurazioni recorded premiums written of euro 367 million at 31/12/2012, compared to 388 million euro in the preceding year (-5.4%).

Non-life business

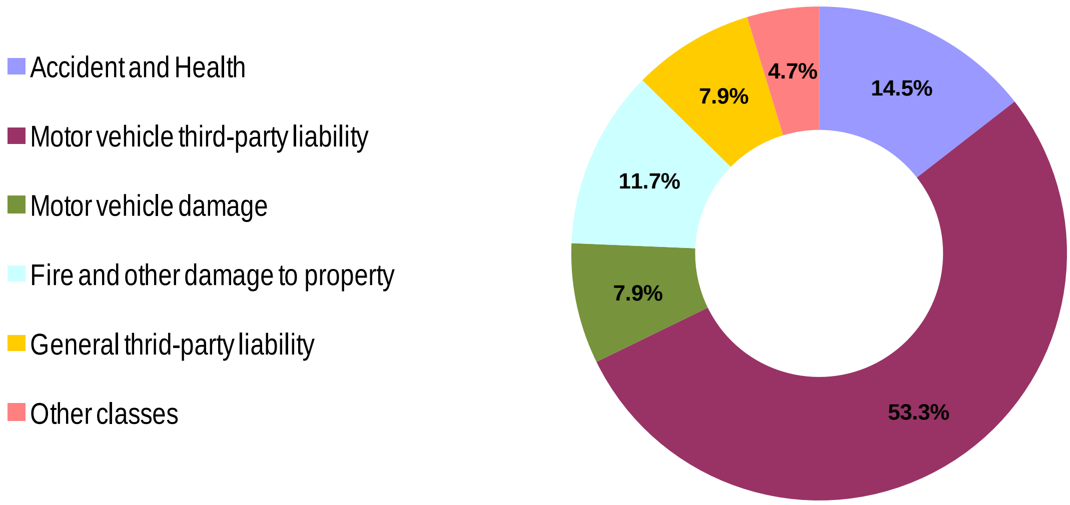
Total premiums (direct and indirect) on the non-life portfolio amounted to euro 7,265 million at 31 December 2012 (+66.7% over 31/12/2011, -2.5% on a comparable basis).

Direct premiums amounted to euro 7,240 million (+67.1%, -2.5% on a comparable basis). **Indirect premiums** totalled euro 26 million (-0.5%, -4% on a comparable basis).

An analysis by main classes of Non-life business, including variances over 31/12/2011, is included in the table below:

Non-Life direct premiums						
				values and change on a comparable basis		
Values in Millions of Euro	31/12/2012	31/12/2011	*change %*	31/12/2012	31/12/2011	*change %*
Motor and marine vehicle third-party liability (classes 10 and 12)	3,859	2,274	*69.7*	2,213	2,274	*-2.7*
Motor vehicle damage (class 3)	571	349	*63.8*	311	349	*-10.8*
Total Motor premiums	4,430	2,623	*68.9*	2,524	2,623	*-3.8*
Accident and health (classes 1 and 2)	1,047	722	*45.0*	753	722	*4.2*
Fire and other damage to property (classes 8 and 9)	847	441	*91.9*	431	441	*-2.4*
General third party liability (class 13)	575	346	*66.4*	332	346	*-4.0*
Other classes	340	200	*69.7*	184	200	*-8.1*
Total Non-motor premiums	2,810	1,710	*64.3*	1,700	1,710	*-0.6*
Total Non-Life premiums	7,240	4,333	*67.1*	4,224	4,333	*-2.5*

Percentage composition Non-Life Direct Premiums



Premium income generated by the multi-line insurer **Unipol Assicurazioni** totalled euro 3,654 million (-3%). The drop in Motor class premiums concerns both the MV TPL class, due to a reduction in its customer base, as well as the Motor damage class that was negatively affected by the sharp drop in car sales. On the Non-motor classes, the decrease in premiums is more pronounced on commercial business. On one hand, commercial business has been impacted by recovery plans and restrictive underwriting policies, (especially on the TPL class of business and business with public entities), and on the other hand this business is facing adverse economic conditions.

Unipol Assicurazioni Spa - Non-Life Direct Business					
Values in Millions of Euro	31/12/2012	*mix.%*	31/12/2011	*mix.%*	*change %*
Motor and marine vehicle third-party liability (classes 10 and 12)	1,977		2,031		-2.7
Motor vehicle damage (class 3)	286		317		-9.9
Total Motor premiums	2,262	61.9	2,348	62.3	-3.6
Accident and health (classes 1 and 2)	484		477		1.4
Fire and other damage to property (classes 8 and 9)	416		425		-2.0
General third party liability (class 13)	325		339		-4.0
Other classes	166		181		-7.8
Total Non-motor premiums	1,392	38.1	1,421	37.7	-2.1
Total Non-Life Business premiums	3,654	100.0	3,769	100.0	-3.0

The Non-life business companies within the **Arca Group** (Arca Assicurazioni and ISI Insurance) generated direct premiums of euro 117 million at 31/12/2012, a decrease of 22.9% over 31/12/2011.
The drop in volume of business is attributable to the reorganisation of the distribution channels especially the deregulation of the agency channels in subsidiary Arca Assicurazioni S.p.A., but also to actions intended at rebalancing the MV TPL class of business. On the agency and other intermediaries' channel, a

reduction of 89.2% in volume of business has been registered. Premium income through the bank branches channel registered an increase of 3.6% at 31/12/2012 when compared to 2011.

Arca Vita Spa - Non-Life Direct Business					
Values in Millions of Euro	31/12/2012	*mix %*	31/12/2011	*mix %*	*change %*
Motor and marine vehicle third-party liability (classes 10 and 12)	52		78		-33.2
Motor vehicle damage (class 3)	7		12		-46.3
Total Motor premiums	58	50.0	90	59.3	-35.0
Accident and health (classes 1 and 2)	28		26		7.8
Fire and other damage to property (classes 8 and 9)	14		16		-12.3
General third party liability (class 13)	7		7		-5.1
Other classes	10		13		-23.0
Total Non-motor premiums	58	50.0	62	40.7	-5.3
Total Non-Life Business premiums	117	100.0	152	100.0	-22.9

Direct premium income of the **Premafin Group** amounted to euro 6,417 million (euro 7,055 million at 31/12/2011), of which euro 3,016 million is attributable to the last 6 months of the year and therefore pertains to Unipol Group.

Premafin - Non-Life Direct Business					
Values in Millions of Euro	31/12/2012	*mix %*	31/12/2011	*mix %*	*change %*
Motor and marine vehicle third-party liability (classes 10 and 12)	3,640		4,003		-9.1
Motor vehicle damage (class 3)	567		647		-12.4
Total Motor premiums	4,207	65.6	4,650	65.9	-9.5
Accident and health (classes 1 and 2)	587		643		-8.7
Fire and other damage to property (classes 8 and 9)	805		849		-5.2
General third party liability (class 13)	479		527		-9.1
Other classes	339		385		-12.0
Total Non-motor premiums	2,210	34.4	2,405	34.1	-8.1
Total Non-Life Business premiums	6,417	100.0	7,055	100.0	-9.0

The decrease of 9.1% in premiums on the MV TPL class confirms the trends noted throughout 2012. The decrease reflects the implementation of policies providing for vigorous underwriting reforms on multi-claim portfolios and the continued influence of the "Bersani" regulations, particularly with respect to the mechanism known as "Bonus / Malus". These regulations weakened significantly the discriminatory powers of the mechanism known as “Bonus/Malus” both by assigning low ratings to new “household” policies, as well as by stipulating that the “Malus” mechanism is only triggered in cases of principal responsibility. Motor classes were also negatively impacted by the decrease in car registrations. In fact, there was a decrease in households’ expenditure that is related to automobile use, such as fuel and tolls, indicative of the ongoing economic crisis.
As concerns non motor, the level of premiums that went down by 8.1%, suffered mainly because of the discontinuation of business portfolios and classes, intended at curtailing non profitable business, especially on corporate risks.

Fondiaria-SAI generated direct premium income of euro 3,468 million (-8,5%) of which 2,286 million euro in the Motor classes of business (-9%).
Subsidiary company, **Milano Assicurazioni** contributed 2,455 million (-7.7%) to direct premium income, registering a decrease of 9.2% in motor classes and of 4.2% in the other non-life classes.

Specialised companies (Linear and Unisalute) generated direct premium income of euro 453 million (+9.8%) in 2012.

Linear recorded direct premiums of 220 million euro representing an increase of 9.5% over 31/12/2011, mainly due to increases in internet sales.

Unisalute generated premiums of 233 million euro, an increase of 10% over 31/12/2011. As in previous years, the premiums' growth rate continues to be a double digit figure. Considering that the Health business market is stagnant (+0.8% at 30 September 2012), it is expected that Unisalute's market share, that stood at 8.79% at 31 December 2011 increases further and that its ranking as second largest Health insurer is confirmed.
Unisalute continues to specialise in the development of group health policies for employees and members of category funds, whilst maintaining selective underwriting criteria with focus on profitability and sustainability of the portfolio.
Principal new contracts for 2012 include Cassa Notariato, ENEA, BCC Soci Roma, Strade dei Parchi, and CONSAP as well as MetaSalute, Sanilog and Autonoleggio within category funds.

Reinsurance

Inwards reinsurance

Inward business				values and change on a comparable basis		
Values in Millions of Euro	31/12/2012	31/12/2011	*change %*	31/12/2012	31/12/2011	*change %*
Non-Life premiums	26	26	*-0.5*	25	26	*-4.0*
Life premiums	2	2	*-2.7*	1	2	*-20.2*
Total inward premiums	27	27	*-0.6*	26	27	*-4.9*

On a comparable basis, the total amount of Life and Non-life reinsurance premiums accepted was euro 26 million (euro 27 million in 2011), composed of euro 25 million from Non-life business (euro 26 million in 2011) and euro 1 million in Life premiums (euro 2 million in 2011).

Premafin/Fondiaria-SAI Group's contribution to this total was a relatively low equivalent to euro 2 million, mostly relating to Non-life business.

Outwards reinsurance

Outward business						
				values and change on a comparable basis		
Values in Millions of Euro	31/12/2012	31/12/2011	*change %*	31/12/2012	31/12/2011	*change %*
Non-Life premiums	276	139	*98.2*	129	139	*-7.2*
Non-Life retention (%)	*96.2%*	*96.8%*		*97.0%*	*96.8%*	
Life premiums	22	20	*11.0*	18	19	*-6.1*
Life retention (%)	*99.5%*	*99.6%*		*99.2%*	*99.2%*	
Total outward premiums	298	159	*87.5*	147	159	*-7.1*
Total retention (%)	*97.5%*	*98.2%*		*97.8%*	*97.6%*	

The retention index is the ratio of retained premiums (total direct and indirect, net of premiums ceded) as a percentage of total gross direct and indirect premiums. Investment products are excluded from the calculation.

In 2012, the overall reinsurance result was negative for the Group's reinsurers, mainly due to protections in place against earthquake claims, compared to a positive result in the previous year linked to improvements in underlying direct claims costs.
On the other hand, on Life, the reinsurance result continues to be positive for reinsurers.

As concerns Premafin/Fondiaria-SAI Group premiums ceded in the second half of the year amounted to euro 150 million, analysed between euro 147 million premiums ceded on Non-life business and circa euro 4 million Life premiums ceded.
In the second half of 2012, the Non-life reinsurance result was negative for reinsurers. Reinsurance recoveries on claims related to the earthquakes in Emilia-Romagna and surrounding regions that happened in May/June 2012 totalled euro 89 million.
By contrast, the Life reinsurance result was positive for reinsurers.

Unipol Group's reinsurance strategy on a comparable basis

The Group's strategy of mitigating the Group companies' exposure to Non-life business risks through appropriate reinsurance arrangements continued to apply. On risks arising on Suretyship, Credit and Other damage to property classes of business, quota-share proportional reinsurance arrangements apply.
Consistent with market practice, risk exposure arising on TPL (third-party liability, both motor and general), Land vehicles, Accident, Goods in transit, Other damage to property caused by hail, are mitigated by non-proportional types of reinsurance cover.
As concerns Fire risks, including catastrophes, net retained exposures were reduced through specific types of non-proportional reinsurance.

The Group's Life business risks were also covered by proportional reinsurance arrangements.

In order to minimise counterparty risks associated with reinsurers, the Group's reinsurance was placed with reinsurers whose financial strength is rated highly in credit grades assigned by rating agencies.

Premafin/Fondiaria-SAI Group's reinsurance strategy

Consistent with previous years, for Non-life business, Fondiaria-SAI Group companies' proportional reinsurance cession was internationally placed through the reinsurance company The Lawrence RE Ireland, forming part of the Fondiaria-SAI Group, except for the following:

- Marine classes placed entirely by the subsidiary company, SIAT;
- Aviation classes placed directly by the subscribing companies;
- Significant risks subject to facultative cover placed directly by the individual companies;
- Assistance classes through Pronto Assistance (a subsidiary company of Fondiaria-SAI).

The reinsurance strategy continues to be predominantly non proportional based with individual risks per single event coverage for business classes Fire, Accident, Theft, General TPL, Motor TPL and Land vehicles, whilst proportional reinsurance coverage is bought for Credit and Technology risks classes.
In the case of Aviation and Suretyship classes, a mix of proportional treaty reinsurance coupled and excess of loss on retained amounts was in place.

The Group's retrocessionary cover proposition to the market brings together the various portfolios at the individual companies, enabling the Group to go to the international reinsurance market with balanced programmes.

Subsidiary company SIAT, acting as reinsurer for the Group's companies, places with the market reinsurance protection, in the form of a mix of proportional and excess loss arrangements, for the Group's Marine risks. But non-marine classes that are being phased out have been integrated within the various reinsurance programmes of the Group, through subsidiary company Milano Assicurazioni.

With respect to Life, the reinsurance programme, as in previous years, comprises a proportional, surplus treaty: retention of the individual Group companies varies depending on premiums written volumes. Subsidiary company The Lawrence RE reinsures this portfolio and then retrocedes on the reinsurance market non-proportional cover for peak risks and "Stop Loss" covers for the Group's net risk retention.
The non-proportional programme, which covers Group companies against event risks, is also retroceded by The Lawrence RE, allowing for a further reduction in retention.

Performance of the insurance business segment

In total, the Group's insurance business segment registered **profits before tax of euro 971 million**, euro 568 million on a comparable basis (euro 331 million[4] at 31/12/2011).
Life business generated profits of euro 85 million, euro 110 million on a comparable basis (euro 77 million at 31/12/2011).
Non-life business reported profits of euro 885 million, euro 459 million on a comparable basis (euro 253 million at 31/12/2011).

4 Restated from euro 380 million reported in the 2011 financial statements following adjustments made, as detailed in the Foreword.

Premiums - net of reinsurance

Values in Millions of Euro	31/12/2012	31/12/2011	change %	31/12/2012	31/12/2011	change %
				values and change on a comparable basis		
Non-Life Premiums	7,211	4,251	69.6	4,188	4,251	-1.5
Life Premiums	4,412	4,428	-0.4	2,395	2,316	3.4
Premiums	11,624	8,679	33.9	6,583	6,567	0.2

Net claims incurred - net of reinsurance

Values in Millions of Euro	31/12/2012	31/12/2011	change %	31/12/2012	31/12/2011	change %
				values and change on a comparable basis		
Net claims incurred - Non-Life	-4,835	-3,176	52.3	-2,940	-3,176	-7.4
Net claims incurred - Life (*)	-5,097	-4,768	6.9	-2,806	-2,598	8.0
Net claims incurred	-9,932	-7,943	25.0	-5,746	-5,773	-0.5

(*) include the net proceeds of assets and liabilities designated at fair value

A same basis comparison indicates that the **loss ratio** registered for direct Non-life business (an indicator that measures the ratio of claims to attributable premiums) stood at 70.7% (73.2% at 31/12/2011).

The increase of 18.6% in claims reported (excluding MV TPL class) is attributable to the Sickness class of business (+27.8%), driven by the expansion of Unisalute's portfolio and the increasing relevance of supplementary health funds (fondi sanitari) within Unipol Assicurazioni that are characterised by the presence of increasingly utilised prescription charges (ticket sanitari) and the low average cost. All the other business classes registered decreases with the exception of Fire and Other Damage to Property class that was impacted by catastrophe events during the year.

Number of claims reported by class (except MV TPL) on a comparable basis

	31/12/2012	31/12/2011	change %
Motor vehicle damage (class 3)	135,416	121,694	11.3
Accident (class 1)	96,452	109,133	-11.6
Health (class 2)	2,219,134	1,736,535	27.8
Fire and other damage to property (classes 8 and 9)	122,420	117,631	4.1
General third party liability (class 13)	56,923	64,849	-12.2
Other classes	162,412	204,401	-20.5
Total	2,792,757	2,354,243	18.6
Total net of the Health class	573,623	617,708	-7.1

In relation to the MV TPL class, to which the direct indemnity agreement ("Convenzione Risarcimento Diretto" known as "Card") applies, claims reported in 2012 in relation to "at fault" claims (Non Card + debtor Card claims) amounted to 325,306, equivalent to a 15.8% decrease compared to the same period of the previous year.
An amount of 264,188 reported claims fall under the Direct Indemnity Agreement (debtor Card claims) representing 81.2% of the total claims (debtor Card + Non Card).
Claims reported through the "Card Gestionaria", "CARD" handler amounted to 263,851 representing a drop of 16.7%. The settlement rate for the latter stood at 77.3%, a 0.7% decrease over 2011. The average settlement cost registered a decrease of 4.1%.

Rigorous and selective underwriting criteria in relation to fleet business and new tariffs on individual policies' portfolios accentuated the market-wide decrease in claims, mainly attributable to decreases in distances travelled.
The technical result on Non motor classes was negatively affected by increased significant claims linked to freezing climatic conditions, heavy snowfalls in February and of most significance, the earthquakes in Emilia and surrounding areas in May.

Management expenses - net of commissions received from reinsurers						
				values and change on a comparable basis		
Values in Millions of Euro	31/12/2012	31/12/2011	*change %*	31/12/2012	31/12/2011	*change %*
Operating expenses - Non-Life Business	-1,654	-944	*75.1*	-983	-944	*4.1*
Operating expenses - Life Business	-219	-148	*47.7*	-111	-124	*-10.3*
Total operating expenses	-1,873	-1,093	*71.4*	-1,094	-1,068	*2.4*

On a comparable basis, the ***expense ratio*** for direct Non-life business, (measures operating expenses, gross of commissions received from reinsurers and investment management expenses as a percentage of direct premium income), stood at 23.5% (22.2%[5] at 31/12/2011). The increase in this ratio is attributable to premium decreases, but also to increased legal acquisition costs, related principally to supplementary agents' costs and to costs associated with the so-called "scatole nere" (Unibox policies). In accordance with a recent deregulation decree "Liberalizzazioni" the latter are to be borne by insurance companies.

On a comparable basis, the ***combined ratio***, on direct business, stood at 94.2% at 31/12/2012 (95.4%[6] at 31/12/2011). This indicator is a summation of the loss ratio (70.7%) and the expense ratio (23.5%).

As concerns **Premafin Group**, the number of claims reported (excluding Serbian company DDOR Novi Sad's data) totalled 1,655,834 (-10.1% compared to 31/12/2011). In particular, a significant decrease was registered on MV TPL claims (-17.8%), MV damage (-19.9%), Accident (-14.8%) and general TPL (-12.7%).

On MV TPL, technical results are positive driven by the decreasing trend with respect to the frequency of claims reported (-17.7% on "at-fault" claims and -18% on "managed" claims) and notwithstanding a decrease in premiums (-9%). The technical results in the Property class of business was adversely impacted by the earthquake, even if the losses were heavily reinsured.

Prior year claim reserves have been adjusted upwards, especially on MV TPL and General TPL.

The following are technical indicators for companies forming part of the **Premafin Group** at 31/12/2012:
– Loss ratio (including other technical items): 82.5% (87.9% at 31/12/2011);
– Expense ratio 22.9% (22.5% at 31/12/2011);
– Combined ratio 105.4% (110.4% al 31/12/2011).

[5] The ratio has been restated upon reclassification of relevant amounts to the new reporting business segment, real estate. The ratio was reported as 22.3% in the 2011 financial statements.

[6] The ratio has been restated upon reclassification of relevant amounts to the new reporting business segment, real estate. The ratio was reported as 95.5% in the 2011 financial statements.

Banking business segment

The business combination with Premafin Group resulted in an increase of 4 companies in the banking segment: Banca SAI, Finitalia, SAI Investimenti Sgr and SAI Mercati Mobiliari Sim.

Performance of the business segment on a comparable basis (Gruppo Unipol Banca and Unipol SGR)

With effect from 1 January 2012, the demerger of Unipol Merchant's lending business into Unipol Banca's operations became effective, legally and administratively. Consequently as from 1 January 2012 Unipol Merchant's activities are now only directed towards corporate, merchant and investment banking. In December, the Boards of Directors of Unipol Banca and Unipol Merchant approved the merger by incorporation of Unipol Merchant in the acquiring company Unipol Banca. This transaction has been submitted to the Regulator (Banca d'Italia) for authorisation.

On 3 February 2012, following the completion of voluntary liquidation procedures, subsidiary company UGF Private Equity SGR was struck off Bologna's Register of Companies.

The acquisition of the Agefin business unit was completed in June, incidental to which, funds of 50 million euro were provided to the Unipol Assicurazioni agencies that operate under agreements with institutions and companies, aimed at employees and retired personnel. This operation highlights the synergies that can be leveraged by banking and insurance in distinguishing themselves in the market and strengthens the integrated development of Unipol Group.

In September, Unipol Banca acquired from Unicard, its 53.63% subsidiary, with the appropriate instrument of transfer, the latter's loan portfolio (exclude non performing loans) arising from issuing and acquiring activities. Following this operation, Unicard's activities is now restricted to those of a service company for the parent company Unipol Banca and the other consumer co-operatives members. Although Unicard registered increases in its acquiring and issuing operations, its results did not meet the expected targets. Unicard's combination with another operator in the same sector is at an advanced stage. The transaction provides for transfer of the full share capital. Therefore, the assets and liabilities of Unicard and its results (net of tax) were reclassified accordingly in the statement of financial position and income statement, as required by IFRS 5.

The Board of Directors of Unipol Banca and Unipol Leasing approved, in November, the merger by incorporation of Unipol Leasing with its parent company Unipol Banca. This is aligned with plans to simplify corporate structures and to centralise all lending activities within the banking parent company, Unipol Banca. The transaction has already been authorised by the regulator Banca d'Italia In December 2012 and was approved in a Shareholders' Meeting held in February 2013.

In January 2012, Banca d'Italia started an inspection in Unipol Banca to "follow up" on the suitability of measures taken by the latter in order to rectify the deficiencies identified during previous inspections. On 13 June 2012, the Banca d'Italia issued its findings report. None of the findings warranted disciplinary proceedings to be taken against any Unipol Banca officers.

In 2012 a new organisational and commercial structure was set up within Unipol Banca, targeted towards the "Cooperative" market. This new structure is responsible for managing and developing existing relationships with this customer segment, that has historically been part of the bank's client portfolio and that is characterised by lower risk levels compared to other market segments, thereby ensuring distinct quality service in comparison to its competitors.

In June, Unipol Banca started and concluded a public exchange offer (OPS) on certain bond issues. The offer was 68% subscribed but some securities were subscribed by more than 80%. The transaction involved the nominal issue of 444 million euro in bonds with maturities ranging between 2013 and 2020, that resulted in an exchange totalling 303 million euro. This led to improved liquidity in the medium\long term (on average, the bonds offered in exchange have a maximum duration of 2.8 years and spreads above 1.26%).

Direct customer deposits amounted to euro 9,914 million (euro 9,583 million at 31/12/2011, +3.5%). Excluding amounts attributable to Unipol Group, the increase is of 4.2%.
As concerns direct deposits by banks, a significant increase was registered over 2011 amounting to euro 509 million driven by ECB's LTRO (Long Term Refinancing Operations). At 31/12/2012 LTRO financing subscribed by Unipol Banca amounted to euro 850 million compared to euro 350 million at 31/12/2011. As from 11/7/2012 the interest rate thereon decreased from 1% to 0.75%.

At 31 December 2012 indirect customer deposits showed a significant increase of +13.1% over 2011, and stood at euro 21,119 million. The growth is attributable to Unipol Group's assets which amount to euro 18,566 million (+20.5% over 2011), that compensated for the sharp drops in retail customers' assets (Retail -16.3%, Corporate -30.8% and Cooperatives -27.0%) .
In total, assets under management amounted to 1.2 billion euro at 31 December 2012, analysed between asset management (28%), funds (32%) and life policies (40%) whilst funds under custody totalled euro 20 billion representing an increase of 18.3% (+3.1 billion euro). The increase in managed funds compared to 2011 mainly attributable to Unipol Group's investments (+20.5% and totalling 18.6 billion euro). The retail market registered an increase of 22 million euro (+3%), whilst cooperatives' volumes decreased by 86 million euro (-12.5%). The Corporate market was stable (+0.9%) at insignificant levels (71 million euro at 31 December 2012).

Loans to customers remained almost constant (+86 million euro) and stood at euro 10.1 billion, whilst interbank loans amounted to approximately euro 434 million compared to euro 376 million registered at the end of 2011 (+15.3%).
The risk cost of the banking group at 31/12/2012 (calculated as the ratio of loan impairments to total customer loans) stood at 75.7 annual basis points, an increase over the 51.3 basis points registered at 31 December 2011.

In terms of concentration risks, the 31 December 2012 statement of financial position line item "Loans and receivables from bank customers" includes risk exposures both from a risk concentration perspective as well as from an economic sector perspective, where exposure is predominantly in real estate. More specifically, there were 18 economic groups with a total exposure of 743 million euro, of which 327 million euro were considered non-performing and 416 million euro were classified as bad and doubtful debts. In relation to both these categories, adjustments to the relevant provisions totalled 29 million euro. At 31 December 2011, the total exposure to these groups amounted to 797 million euro.

During the year, two new groups were introduced in this portfolio that totalled 61 million euro, whilst the exposure to other counterparties was reduced by a total of 115 million euro following the assumption, by Real estate funds, of loans collateral to property that were acquired by the same funds. Even if the decreases were mainly carried out through subscriptions in shares of property investment funds, the transaction is believed to have brought about an effective reduction in risk profile due to two reasons: firstly, property is now

managed by skilled specialists in the field that are better equipped to add value to asset management, and also the new counterparties are not associated to financial difficulties.
A substantial part of this portfolio is subject to the “Indemnification Agreement” between Unipol and Unipol Banca, which apart from the obvious indemnifying obligation also resulted in strengthened support in managing property assets, used as loan collaterals.
On the back of the positive results achieved on this loan portfolio, Unipol Banca is continuing in its initiatives aimed at restructuring exposures, at identifying professional operators interested in property liens operations and, more generally, is continuing to explore ways and identify people to ensure that assets are valorised since the repayment of loan exposures depends on such assets, both through their disposal as well as from rental income thereon.

Unipol Banca Group recorded Core Tier 1 of 8.37% compared to 8.23% at 31/12/2011.

Performance of Banca SAI in the year ended 31/12/2012

Banca SAI’s losses before tax, consolidated in Premafin’s results amounted to euro 43 million whilst losses for the full year 2012 amounted to euro 21 million. The results were driven by operations, mainly interest margins and service performance, and is net of loan impairment losses totalling 17 million euro. In 2011, the impact of loan impairment adjustments was positive with net impairment reversals amounting to euro 16 million.

Banca SAI’s assets under management at 31/12/2012 stood at euro 20,141 million, representing a 21% increase over the euro 16,585 million at financial year end 2011.
In total, indirect deposits amounted to euro 19,240 million, compared to 15,743 million at the end of 2011, and is constituted by euro 19,098 million of assets under custody (of which 18,602 million euro pertaining to Fondiaria-SAI Group) and euro 142 million of assets under management.

Loan volumes (mortgages and other forms of lending, gross of value adjustments) at year end amounted to euro 785 million (Euro 850 million in 2011). In line with the Group’s lending policy, the percentage of mortgage loans to total outstanding loans increased from 44% to 45%.

In 2012, the increase in sub-standard performing loans continued, notwithstanding strengthening of efforts aimed at managing and monitoring the level of such loans, resulting in further reductions in current loans’ portfolio from 89.9% to 79.9%. The percentage of non-performing loans on total net loans therefore increased from 6% to 9%. This percentage was also affected by reduced lending activity during the year. Individual positions are properly managed and prudentially written down. Provisioning of impaired loans increased from 43% to 56%. The growth registered during the year in net impaired loans over the previous year, constituted of non-performing loans, and doubtful and overdue loans, (defined as persistent defaults in repayments), is linked to the ongoing economic recession. The latter is the main cause of the widespread deterioration in the risk profile for small and medium enterprises and households, both of which are prevalent in BancaSai.

The ratio of Tier 1 capital over risk-weighted assets stood at 16.58%.

Finally, as part of the broader integration process between companies forming part of the Fondiaria-SAI Group and the Unipol Group, the merger process of BancaSai into Unipol Banca commenced and should be completed by the end of 2013.

The Banking Business Segment registered **profits before tax** of euro 13 million (losses of 401 million at 31/12/2011[7] due to goodwill impairment losses of euro 419 million), to which the Premafin Group contributed losses, for the period 1/7/2012 to 31/12/2012, amounting to euro 9 million. On a comparable basis, excluding the results of the companies forming part of the Premafin Group, profits before tax amounted to euro 22 million.

The table below includes the main income statement line items of the Banking Segment, presented in accordance with income statement formats specific to banks.

Banking Segment				on a comparable basis		Premafin Group
Values in Millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Net interest income	227	204	*11.3*	208	*1.9*	19
Net commission income	115	121	*-5.3*	106	*-13.1*	9
Other net financial income	49	6	*703.6*	47	*671.5*	2
Gross income	391	332	*17.9*	360	*8.7*	31
Net impairment loss on financial assets	-98	-55	*77.5*	-77	*39.9*	-21
Net financial result	293	276	*6.0*	283	*2.4*	10
Operating costs	280	259	*8.3*	261	*0.8*	19
cost/income	*71.7%*	*78.1%*		*72.4%*		*63.0%*
Other income / costs	0	-419		0		0
Profit (loss) before tax	13	-401	*-103.2*	22	*-105.5*	-9

On a comparable basis, the banking **earning margin** amounted to euro 360 million, an increase of 8.7% over 2011, mainly due to financial management operations amounting to 41 million euro mostly driven by capital gains on the repurchase/settlement of financial liabilities. Commission expense was on the increase, resulting in a drop of 13.1% in net commission income. Commissions paid to the parent company Unipol in relation to the indemnification agreement on certain loans totalling euro 6 million, and the cost of the guarantee issued by the MEF (Ministry of Economy and Finance) on two bond issues in January 2012, for 6 million euro were the main drivers behind the deterioration in net commission income.

Operating expenses amounted to 261 million euro (euro 259 million at 31/12/2011), registering an increase of 0.8%. The cost/income ratio improved from 78.1% at December 2011 to 72.4% al 31/12/2012.
Impairment losses amounted to 77 million euro almost entirely related to loans (euro 55 million at 31/12/2011).

[7] Restated from the losses reported in the 2011 financial statements of euro 280 million due to reclassifications arising from new business segment reporting. In particular, in the 2011 financial statements goodwill impairment losses amounting to euro 119 million had been included within "Intersegment" eliminations

Real estate business segment

The results of the real estate business segment comprise the operations of subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano, subsidiary Nit S.r.l., of property funds Tikal R.E. and Athens and of other smaller entities, all of which became in scope for the consolidation upon the business combination with Premafin Group.

In addition, the following subsidiaries of Unipol Assicurazioni have been presented as part of this business segment: Midi, Unifimm, Punta di Ferro, Comsider and Covent Garden BO. They had been included with the Non-life insurance business segment up to 30/6/2012. Comparatives have been restated accordingly.

The following table includes the main results of the real estate segment, predominantly attributable to Premafin Group (for the period 1/7-31/12/2012):

P&L Real Estate Sector						Premafin
				on a comparable basis		Group
Values in Millions of Euro	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Income (expense) from financial instruments at fair value through profit or loss	-2					-2
Income from investments in subsidiaries, associates	0					0
Income from other financial instruments and investment	37	3		7		30
Other income	21	1		11		10
Total revenue and income	55	5	*1,105.3*	18	*288.9*	37
Losses from investments in subsidiaries, associates and joint ventures	-1					-1
Charges from other financial instruments and investment property	-37	-2		-6		-31
Management expenses	-5	-1		-5		0
Other charges	-26	-2		-4		-21
Total costs and charges	-69	-5	*1,313.6*	-16	*223.3*	-53
Profit (loss) before tax	-14	0	*4,138.9*	2	*-665.6*	-16

During 2012, Unifimm completed construction work at Torre Unipol, situated in via Larga in Bologna. Unisalute and Linear moved to these premises in August. Work on the commercial lot and the hotel, progressed and their completion is scheduled for 2013. The increase in Unifimm's real estate assets, compared to 2011, amounted to 36 million euro, related to costs of improvement.

Midi's construction of an auditorium located in the new head office premises, named Porta Europa in via Stalingrado 37, continued. The auditorium will accommodate 500 people and it will be used both for Group's events and for third party events.
Further works in progress at the end of the year related to the premises that will house the Centro Unipol Bologna (CUBO), a multi-media centre intended to take its visitors through the Group's 50 years history, and to remember its heritage and achievements. The works were completed in March 2013. CUBO is situated on the ground floor of the elevated square in Porta Europa in Bologna (piazza Vieira de Mello). The increase in Midi's property assets over 2011 was equivalent to 8 million euro and related to improvement costs, net of depreciation, during the period.

Forecast return levels were achieved in 2012 on the commercial centre Punta di Ferro, purchased at the end of 2011, notwithstanding the crisis affecting the sector. The company registered profits before tax of euro 3 million.

Performance of Premafin Group's real estate segment for 2012

Losses before tax in relation to this business segment as reported in Premafin's 2012 consolidated financial statements amounted to euro 238 million, as compared to losses of euro 204 million for the full 31/12/2011. The negative result is attributable to impairments and depreciation amounting to approximately 222 million euro (221 million euro in 2011).

By contrast, Premafin's real estate segment's contribution to Unipol Group's consolidated results amounted to losses of 16 million euro, due to differences in the values ascribed to property and provisions for risks upon recognition of the business combination.
All the principal companies within the segment registered losses.

Area Castello

With regard to the criminal proceedings before the Court of Florence, in which Fondiaria-SAI SpA is involved, for the offenses referred to in Articles 319 and 320 pursuant to Article 5 and 25 of Legislative Decree 231 of 2001, in relation to the urbanisation of the Area Castello situated in the City of Florence, the submission of oral statements during the criminal inquiry has been completed and the hearing phase has started.
The prosecutors argued that they have supported their accusations by carrying out investigations, drawing their conclusions and demanding information at the hearings dated 26 and 28 March 2012. The Prosecution asked that the Company be ordered to pay a pecuniary fine of 400 shares with value ranging from a minimum of about euro 250 to a maximum of euro 1,549. They also requested that the Company be banned from contracting with public administration over the next two years and that the plots within the Castello Area for which building permits had been issued, be confiscated. The prosecutors also required the seizure of the entire area.
With regard to the defence of the Company, a request for acquittal was lodged together with a subordinate hypothesis, that the Company be ordered to pay the pecuniary fine and not be subject to the disqualifying penalties, in consideration of the fact that the Company has adopted an organisation and management model suitable to prevent, amongst other, the committing of offences against Public Administration, like the ones the Company is being accused of. The Florence Tribunal, in a hearing dated 29 June 2012, did not deliver its judgement but ordered, in accordance with the provisions of Article 507 of C.P.P (Code of criminal procedure), a supplementary preliminary hearing in order to revisit some submissions already brought before the inquiring court.

On 6 March 2013, the Court of Florence fully acquitted Fondiaria-SAI, on the grounds of no case, from any charges made in the proceedings relating to the urbanisation of Area Castello.
The Court also ordered the release and return of Area Castello. On 14 March 2013. the area was released from seizure by *ROS – Servizio Anticrimine di Firenze*.
The motivations behind the judgement, that can be appealed in front of the Florence Court of Appeal were to be filed within 90 days.

Holding/Service companies and other activities

Upon the business combination with the Premafin Group, the Holding/Service and Other Activities sector expanded both in terms of the number of companies included therein as well as the types of activity.
Apart from Unipol Group's parent company and the sub holding Premafin, this sector includes hotel operators, medical and health and any other activity that is not insurance (Life and Non-life), banking or real estate.

The following table shows the main results of the Holding/service and other activities sector including Premafin Group results' for the half year 1/7/2012 to 31/12/2012:

P&L Holding/service companies and other activities						Premafin Group
				on a comparable basis		
Values in Millions of Euro	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Fee and commission income	6	2		6		
Income (expense) from financial instruments at fair value through profit or loss	-9	1		-10		1
Income from other financial instruments and investment property	25	45		22		3
Other income	343	38		31		312
Total revenue and income	364	86	*324.6*	48	*-43.6*	316
Losses from investments in subsidiaries, associates and joint ventures	-12	-24		-12		0
Charges from other financial instruments and investment property	-69	-141		-55		-13
Management expenses	-216	-86		-83		-133
Other costs	-283	-73		-57		-226
Total costs and charges	-579	-324	*78.8*	-207	*-36.1*	-372
Profit (loss) before tax	-215	-238	*-9.7*	-159	*-33.4*	-56

Losses before tax at 31/12/2012 of the Holding/service and other activities sector amounted to euro 215 million (losses of euro 238 million[8] at 31/12/2011), of which euro 56 million related to the Premafin Group.

At 31/12/2012, investments and cash and cash equivalents of the Holdings/services sector (including owner occupied property of euro 190 million) amounted to euro 1,546 million (euro 741 million[9] at 31/12/2011), of which euro 554 million pertain to Premafin Group.

Financial liabilities amounted to euro 1,534 million (euro 1,258 million at 31/12/2011), of which euro 465 million were Premafin Group's, and were constituted as follows:

[8] Restated from -226 million euro reported in the 2011 financial statements following reclassifications in business reporting segments.
[9] Restated from euro 5,391 million reported in the 2011 financial statements (of which euro 4,650 million shares in subsidiaries and associates eliminated in the intersegment eliminations sector) due to changes in business segment reporting.

- euro 781 million senior bonds issued by Unipol with nominal value of euro 750 million (euro 959 million at 31/12/2011). On 2 July 2012 Unipol's senior bonds 2009-2012 were repaid upon maturity for euro 175 million;
- euro 270 million outstanding financial liabilities due from subsidiary company Unipol Assicurazioni (euro 271 million at 31/12/2011), repayable on demand, subject to an interest rate of three-month Euribor plus 100 basis points;
- euro 13 million debts provided by Ambra Property to Unipol Banca (euro 28 million at 31/12/2011);
- euro 465 million pertaining to Gruppo Premafin.

Intersegment eliminations

Intersegment eliminations relate to the elimination of income/costs and assets/liabilities between Group companies that belong to different business segments.

As from financial year 2012 the rules for elimination of the following items have changed:
- investments in companies belonging to different business segments: elimination of the investment is effected in the investor's business segment whilst resulting differences on consolidation are attributed to the investee's segment;
- dividends received: elimination is effected in the business segment of the company receiving the dividends;
- realised gains and losses: elimination is carried out directly in the business segment of the company where the gains or losses are realised.

Comparatives have been reclassified in accordance with the new rules and impacted the 2011 results, before tax, of the Intersegment eliminations sector as follows:
- reclassification of euro 119 million goodwill impairment losses to the Banking business segment;
- reclassification to Life insurance business and Holding/Services and other activities of dividends amounting to euro 5 million and euro 12 million respectively.

Asset management

Investments and cash and cash equivalents

Transactions carried out in 2012 by Unipol Group (excluding Premafin)

The medium-long term investment strategy adopted by the Group during the period was driven by prudence and safeguarding quality of assets, in adherence to the guidelines defined in the Group's Investment Policy. The main underlying objective was to maintain a high quality portfolio through diversification and selection of financially sound, secure issuers whilst also taking into account asset liquidity.

The main focus of the investment activity was the bonds sector and, in particular, preference was given to Italian government bonds (that increased by euro 2,724 million), in line with the group's medium to long term investment rationale. At the start of the year, it was decided to reduce the exposure to Spain (-131 million euro) and in September the exposure to Irish government bonds was also reduced (-104 million euro) as the returns on the latter were lower than Italian securities. The exposure to Portuguese government bonds was also subsequently reduced (-65 million euro).
The liquidity deriving from Unipol's share capital increase (that was concluded in the second quarter of 2012), net of issue costs and of the acquisition of capital in Premafin's reserved share capital issue, was either invested in Italian Government bonds maturing within 12 months or held in cash and cash equivalents.

For Life business, the high returns on government bonds allowed investment policies to be tailored to the contractual obligations and to business plan objectives.
Advantage was taken of the high volatility that has characterised the domestic bond market during the year by selling call options on Italian government bonds purchased during the year in order to optimize performance. Furthermore, portfolios' average duration continued to increase, especially on the Life insurance business enabling matching of the assets portfolios to the liabilities' structure.
The premium rate structure on Life policies has been remodelled during the year, to better reflect development in liabilities.
Non-government bond investment activity centred on the financial sector and short term bonds. The Exposure to subordinated bonds, both through sales and upon maturity, continued to decrease. The net exposure decreased by euro 673 million, of which euro 142 million considered as Tier 1 capital, the riskiest component of debt securities. The resulting liquidity has mainly been invested in Italian government bonds. The Covered bond element of the investment portfolio decreased marginally mainly due to the reduction in exposure to Spanish issuers' securities. The carrying amounts of loans' element of the portfolio decreased by 1,468 million euro.

Carrying amounts of investments in shares decreased by approximately euro 282 million during the year.
Trading activities aimed at achieving profitability objectives were also implemented through the sale of call options on securities held in the portfolio.
Almost all the stocks in the portfolio are represented on the Eurostoxx 50 index.

Trading in foreign currencies was carried out solely for the purpose of hedging currency risks on shares and bonds within the portfolio.

Unipol Group's average duration stood at 2.58 for Non-life, and increased to 3.99 from 3.12 at the end of 2011 for Life, whilst in the Holding sector, it stood at 0.54 representing a decrease over 2011 due to liquidity resulting from the increase in share capital. Overall duration is equivalent to 3.47.

No major qualitative or quantitative variations were observed in the composition of bond portfolios.
The mix of fixed-rate and floating-rate instruments within the bond portfolio remained stable at 68% and 32% respectively.
Government bonds represent approximately 65.7% of the bond portfolio, whilst corporate bonds represent the remaining 34.3%, analysed between financial sector bonds (33%) and industrial sector bonds (1.3%).

91.34% of the bond portfolio is in bonds rated better than BBB-, referred to as "investment grade". 4.61% of the portfolio is rated between "AAA" and "AA-", while 13.3% of holdings are rated "A". Exposure to BBB rated bonds amount to 73.43%, and Italian government bonds constituted 57.4% of the bond portfolio.
The portfolio's rating structure was adversely impacted by the severe downgrading in countries' ratings effected by the major rating agencies during the last 18 months. For instance, Moody's rating for Italy was downgraded by 6 notches, from Aa2 a Baa2, between June 2011 and December 2012.

Cash and cash equivalents amounted to euro 1,159 million and are almost entirely held with Unipol Banca.

Transactions carried out during 2012 by Premafin/Fondiaria-SAI Group

Investment trading activity at Fondiaria-SAI Group's insurance companies was predominantly in the bonds' market, and especially Italian government bonds.
In the second half of 2012, the stock of government held within investment portfolios amounted to 1,872 million euro, mainly due to increased liquidity arising on the Fondiaria-SAI's increase in share capital amounting to 1,049 million euro. Resulting funds were invested in long and medium term Italian government bonds. More specifically, the sovereign bonds' component of the portfolio shifted towards Italian government bonds at the detriment of other sovereign bonds or of core European countries, which registered net disposals of 762 million euro. Net Italian government bonds' acquisitions totalled 2,634 million euro. In addition, holdings in bond funds amounting to 104 million euro were disposed of.

The non sovereign bond component of the portfolio decreased by 45 million euro in these six months, mainly due to the complete disposal of Dollar denominated securities in existence at the beginning of July 2012. There was also a switch from corporate issuers in core European countries in favour of financial stocks and, to a smaller extent, in favour of corporate issuers from peripheral countries. This without changing the overall exposure to this sector.

Investments in shares decreased by 432 million euro during the second half of 2012. In particular, equity funds decreased by 51 million euro and carrying amounts of strategic investments decreased by 193 million euro. Included in the latter decrease, in compliance with the requirements of AGCM on the matter, the strategic investment in Generali was disposed of entirely through the exercise of forward put options.

The strategic investments hedged, by means of options, against market risk amounted to 256 million euro at the end of 2012.
With regard to non-strategic quoted shares, sale transactions were mainly in the Non-life business segment.

The average duration of Fondiaria-SAI investment portfolio at December 2012 stood at 3.98, recording an increase over 30/6/2012. The is mainly attributable to an increase in Non-life business assets duration, calculated at circa 3.04 at the end 2012, that was enabled by positive technical inflows and as concerns Fondiaria-SAI, by the strengthened capital position resulting from the increase in share capital.

The fixed and variable rate proportions of the bond portfolio stood at 84.3% and 15.7% respectively.
Government bonds constituted circa 83.17% of the bond portfolio, whilst the remaining 16.83% is constituted by corporate bonds, analysed between financial sector bonds (8.52%) and industrial sector bonds (8.31%).

98.9% of the bond portfolio was in investment grade bonds (i.e. rated better than BBB-). 6.55% of the bonds in the portfolio are rated between “AAA” and “AA-”, whilst 5.99% of the bonds were rated “A”. The exposure to “BBB” rated bonds equalled 85.95%, and Italian government bonds represented 73.14% of the bond portfolio.
The portfolio’s rating structure was adversely impacted by the severe downgrading in countries’ credit rating effected by the major rating agencies during the last 18 months.

Unipol group (on the basis of the new consolidation scope)

The average duration of Group’s investment portfolios was calculated at 3.74.
The fixed and variable rate proportions of the bond portfolio stood at 77.26% and 22.74% respectively.
Government bonds represented approximately 74.77% of the bond portfolio, whilst corporate bonds represented the remaining 25.23%, analysed between financial sector bonds (20.24%) and industrial sector bonds (4.99%).

95.08% of the bond portfolio was in investment grade bonds (i.e. rated better than BBB-). 5.63% of the bonds in the portfolio are rated between “AAA” and “AA-”, whilst 9.48% of the bonds were rated “A”. The exposure to “BBB” rated bonds equalled 79.98%, and Italian government bonds represented 64.28% of the bond portfolio.
The portfolio’s rating structure was adversely impacted by the severe downgrading in countries’ credit rating effected by the major rating agencies during the last 18 months.

Cash and cash equivalents totalled euro 1,957 million and are almost entirely held with the Group’s banks.

Nationalisation of Dutch banking group SNS REAAL

On 1 February 2013 the Dutch government decided on the nationalisation of banking group SNS REAAL, the fourth largest Dutch banking group. As a result, subordinated securities, with all degrees of subordination, issued by SNS REAAL and its subsidiary SNS BANK, were expropriated by the government.
Unipol Group that held securities subject to expropriation, amounting to nominal value of 25.7 million euro at 31 December 2012, appealed against the expropriation. However, on 25 February 2013 the Dutch Council of State, in its response to the various investors' appeals declared, without right of appeal, that expropriation of the securities in question was lawful.
There should have been indemnification, even if limited, to compensate for the expropriation. However, on 4 March 2013, the Dutch Finance Minister stated that he not intend compensating investors holding expropriated securities. Unipol Group companies, like other investors, intend to proceed against this negation of compensation and have already engaged lawyers to take the necessary steps. It is expected that by next April, the Dutch court rules on the appropriateness of compensation proposed by the Dutch government.
Pending further developments, on the basis of currently available information and considering prices obtained from market info-providers, the Group has estimated the recovery on lower subordination securities to be 7.5%, whilst the value of higher subordination securities was written off totalling losses of 24 million euro.

At 31 December 2012 Group **investments and cash and cash equivalents** totalled euro 72,956 million (euro 34,134 million at 31/12/2011), analysed as follows by business segment:

Investments, cash and cash equivalent by segment

				on a comparable basis	
Values in Millions of Euro	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*
Insurance segment	58,823	23,408	*151.3*	25,601	*9.4*
Banking segment	13,279	11,264	*17.9*	12,242	*8.7*
Holding/service companies and other activities	1,546	741	*108.6*	992	*33.9*
Real Estate segment	1,957	400	*388.8*	442	*10.5*
Intersegment eliminations	-2,649	-1,679	*57.7*	-1,706	*1.6*
Total Investments, cash and cash equivalent	72,956	34,134	*113.7*	37,571	*10.1*

Comparative segment information is presented consistent with the new business segment identification and in accordance with new rules for intersegment eliminations.

An analysis by investment category follows:

Investments and cash and cash equivalents						Premafin Group
				on a comparable basis		
Values in Millions of Euro	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Real estate (*)	4,290	1,060	*304.7*	1,091	*3.0*	3,199
Investments in subsidiaries, associates and j-v	176	42	*315.1*	50	*17.2*	126
Investments held to maturity	3,051	1,689	*80.6*	2,313	*36.9*	738
Loans and receivables	17,489	15,049	*16.2*	14,799	*-1.7*	2,690
Debt securities	5,764	4,553	*26.6*	4,179	*-8.2*	1,585
Loans and receivables from banking customers	10,495	9,924	*5.8*	9,977	*0.5*	519
Inter-bank loans and receivables	397	325	*22.3*	394	*21.4*	3
Deposits with ceding undertakings	38	18	*110.0*	15	*-14.6*	22
Other loans and receivables	795	229	*247.3*	233	*1.9*	562
Available for sale financial assets	36,647	12,135	*202.0*	14,967	*23.3*	21,680
Financial assets at fair value through profit or loss	10,595	3,920	*170.3*	4,134	*5.5*	6,461
of which held for trading	579	470	*23.2*	453	*-3.5*	125
of which designated at fair value through profit or loss	10,016	3,450	*190.3*	3,681	*6.7*	6,335
Cash and cash equivalents	708	240	*195.5*	217	*-9.4*	491
Total investments and cash and cash equivalents	72,956	34,134	*113.7*	37,571	*10.1*	35,384

(*) Includes property for own use and those held for sale (IFRS 5)

For an analysis of financial assets by type of investment, refer to the Notes to the financial statements and to the appendix entitled “Details of financial assets”.

On a comparable basis, the balance on Held to maturity investments increased due to additions of Italian government bonds mainly pertaining to the banking segment.

As outlined in the Foreword, 31/12/2011 comparative figures have been restated compared to the figures included in the 2011 consolidated financial statements. For further details, refer to Chapter 2 of the Notes to the consolidated financial statements, the “Changes in accounting policies and changes in the presentation of comparative information” paragraphs.

Net investment income

An analysis of net investment income and financial charges is included in the table below:

Net income				on a comparable basis			Premafin Group
Values in Millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	31/12/2011	*change %*	31/12/2012
Investment Property	-25	8		-15	8		-9
Income / charges on investments in subsidiaries, associates and joint ventures	-14	-11		-11	13		-7
Net income from investments held to maturity	100	76		90	76		10
Net income from loans and receivables	491	507		443	491		48
Net income from available for sale financial assets	1,158	678		675	521		483
Net income from financial assets held for trading	12	-145		27	-135		-20
Interest on cash and cash equivalents	5	0		0	-1		5
Total net income from investments and cash and cash equivalents	1,727	1,112	*55.3*	1,209	973	*24.2*	509
Net charges on financial liabilities held for trading	2	-43		4	-43		-3
Net charges on other financial liabilities	-310	-278		-264	-279		-49
Total net charges on financial liabilities	-308	-320	*-3.9*	-260	-322	*-19.1*	-53
Total net income (excl. instruments designated at fair value)	1,419	791	*79.3*	949	652	*45.6*	456
Net income from financial assets designated at fair	586	-122		333	-65		248
Net charges on financial liabilities designated at fair	-149	22		-149	42		0
Total net income from instruments designated at fair value	437	-100		184	-23		248
Total capital gains and investment income	1,856	691	*168.5*	1,133	629	*80.1*	704

At 31/12/2012 impairment losses on equity and debt instruments classified as available for sale, recognised in the income statement amounted to euro 39 million, of which euro 24 million relate to investments in Dutch banking group, SNS REAAL. At 31/12/2011, the Group impairment losses amounted to euro 164 million, that included euro 84 million on Greek government bonds.

Equity

Equity attributable to owners of the parent, excluding non-controlling interests, is analysed below:

Values in Millions of Euros	31/12/2012	31/12/2011	*Change*
Share capital	3,365	2,699	*666*
Capital reserves	1,725	1,506	*218*
Retained earnings and other reserves	146	91	*55*
(Own shares)	0	0	*0*
Currency translation differences reserve	2	0	*2*
Gains / losses on available-for-sale financial assets	-164	-1,113	*948*
Other gains and losses recognized directly in equity	-51	-19	*-31*
Profit (loss) for the period/year	299	-135	*434*
Total equity attributable to the owners of the parent	5,322	3,029	*2,293*

The main movements in the year were as follows:

- issue of share capital, amounting to euro 1,053 million net of issue costs;
- increase of euro 948 million arising from positive movements in the reserve for gains and losses on available-for-sale financial assets, which moved from losses of euro 1,113 million at 31/12/2011 to losses of euro 164 million at 31/12/2012;
- decrease of euro 31 million arising from negative movements in the Other gains or losses reserve, directly recognised in equity;
- increase of euro 299 million representing the Group's profit for the year.

Equity attributable to non-controlling interests amounted to euro 1,681 million (euro 126 million at 31/12/2011). The increase arose mainly upon the consolidation of the Premafin Group.

The share capital issue transaction amounting to euro 1,100 million, completed in the third quarter of 2012 is detailed in the Notes to the consolidated financial statements.

Reconciliation of the Group's profit for the year and equity to those of the parent company

In accordance with Consob communication 6064293 of 28/7/2006, a reconciliation between the Group's profit for the year and shareholders' equity to the those of the parent company is provided below.

Values in Millions of Euros	Capital and reserves	Profit for the period	Equity at 31/12/2012
Parent company balance under Italian GAAP	5,438	195	5,633
IAS / IFRS adjustments to the financial statements of the Parent Company	284	-308	-24
Differences between net book value and net assets and operating results of consolidated subsidiaries, of which:	-2,228	426	-1,802
- Currency translation net reserve	*2*		
- Gains or losses on available for sale financial assets	*-159*		*-159*
- Other gains or losses recognized directly in equity	*-71*		*-71*
Goodwill arising on consolidation	1,445		1,445
Difference posted to other assets (buildings, etc.).	72	-4	68
Valuation of equities	5	1	6
Elimination of intragroup dividends	12	-12	0
Other adjustments (reversal of devaluation, unrealised gain adj, etc.).	-3	-1	-4
Consolidated equity attributable to the owners of the parent	5,023	299	5,322
Non controlling interest	1,510	171	1,681
Total consolidated	6,533	469	7,002

Technical provisions and financial liabilities

At 31/12/2012 technical provisions amounted to euro 56,456 million and euro 22,805 million on a comparable basis (+3.5% compared to 2011) and financial liabilities amounted to euro 16,234 million and euro 13,550 million on a comparable basis (+5.3% over 2011).

Technical provisions and financial liabilities				on a comparable basis		Premafin Group
Values in Millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Technical provisions - Non-Life Business	19,816	7,372	*168.8*	7,293	*-1.1*	12,522
Technical provisions - Life Business	36,640	14,667	*149.8*	15,512	*5.8*	21,128
Total technical provisions	56,456	22,039	*156.2*	22,805	*3.5*	33,651
Financial liabilities at fair value	2,169	1,501	*44.5*	1,595	*6.3*	574
Investment contracts with insurance companies	1,545	1,134	*36.2*	1,065	*-6.1*	480
Other	624	366	*70.3*	530	*44.6*	94
Other financial liabilities	14,065	11,370	*23.7*	11,955	*5.1*	2,110
Investment contracts with insurance companies	27	31	*-13.5*	27	*-13.5*	0
Subordinated liabilities	2,563	1,546	*65.8*	1,552	*0.4*	1,011
Amounts due to banking customers	6,253	5,772	*8.3*	6,088	*5.5*	166
Inter-bank loans	1,509	1,000	*50.9*	1,509	*50.9*	0
Other	3,712	3,022	*22.8*	2,779	*-8.0*	933
Total financial liabilities	16,234	12,871	*26.1*	13,550	*5.3*	2,684
Total	72,690	34,910	*108.2*	36,355	*4.1*	36,335

Group debt (excluding net inter-bank deposits)			
Values in Millions of Euros	31/12/2012	31/12/2011	*change*
Subordinated debt issued by Unipol Assicurazioni	964	964	*0*
Subordinated debt issued by Unipol Banca	589	582	*7*
Subordinated debt issued by Premafin Group	1,011		*1,011*
Debt securities issued by Unipol Banca	1,859	1,917	*-59*
Debt securities issued by Unipol	771	954	*-183*
Amount due to banks and other loans of Premafin Group	780		*780*
Total debt as at 31/12/2012	5,973	4,417	*1,556*

Further to debt securities issued by Unipol Banca, excluding those subscribed by group companies, and amounting to euro 1,859 million (euro 1,917 million at 31/12/2011), in June 2013, a Public Exchange Offer (Offerta di Pubblico Scambio) , with maturities falling between 2013 and 2020 was made. Euro 303 million had been traded on the conclusion of this bond issue. This enabled Unipol Banca to improve its liquidity position in the medium to long term, especially in view of the fact that the bonds offered in exchange have a greater duration of 2.8 years, with a spread higher than 1.26%.

Debt securities issued by Unipol, excluding those subscribed by group companies and totalling euro 771 million (euro 954 million at 31/12/2011), relate to the 5% fixed-rate senior unsecured bond loan 2009-2016, with a nominal value of euro 750 million, listed on the Luxembourg Stock Exchange. It should be noted that on 2 July 2012, Unipol repaid, upon maturity, the three-year senior unsecured bond issued on 1

July 2009 which had a par value of euro 175 million.

The debt of the Premafin Group consists of subordinated debt of euro 1,011million all payable to Mediobanca SpA (of which nominal euro 900 million issued by Fondiaria-SAI and nominal euro 250 million issued by Milano Assicurazioni), and other amounts due to banks and lenders, amounting to euro 780 million, including euro 377 million in relation to the *Contratto di Finanziamento Modificato Ante Integrazione della controllata Premafin* (Loan agreement amended prior to acquisition of subsidiary Premafin).

Other information

Personnel

The total number of employees of the Group at 31 December 2012 was 15,212 (+7,574 compared to 2011, mainly due to the acquisition of Premafin Group).

Employees			
	31/12/2012	31/12/2011	*change*
Number of employees Unipol Group - comparable basis	7,736	7,638	*98*
of which determined times	*115*	*143*	*-28*
Full Time Equivalent - FTE	7,334	7,250	*84*
Number of employees Premafin Group	7,476		*7,476*
of which determined times	*267*		*267*
Full Time Equivalent - FTE	7,186		*7,186*
Total number of employees Unipol Group	15,212	7,638	*7,574*
of which determined times	*382*	*143*	*239*
Full Time Equivalent - FTE	14,520	7,250	*7,270*

Staff training

Unipol group on a comparable basis

During 2012 training provided to Group companies totalled 27,271 man days (equivalent to circa 216,000 man hours) of which 12,572 to the insurance sector and 14,699 to the banking sector.

Insurance business
Staff technical training ("Formazione Tecnica del Personale") provided in 2012 was characterised by classroom training totalling 7,588 man days (equivalent to 60,702 man hours), and by distance learning via the Group's e-learning platform Unipol Web Academy, totalling 23,512 man hours (or 2,939 man days). Training provided involved mostly staff from claims, information technology and commercial departments.
On health and safety, apart from the regular training provided to emergency personnel at the various group's premises, planning and delivery of courses aimed at complying with obligations arising out of Security legislation and in view of amendments included in the recent agreement reached between state and regions (accordo Stato-Regioni) was also undertaken.
2012 also saw the birth, presentation and launch of two new training plans financed by the banks and insurance fund ("Fondo Banche Assicurazioni") including Solvency II training.
The course "EticaMente" given via the Group's e-learning platform had the objective of strengthening awareness of Group's values whilst the health and safety specialised course entitled "Videoterminalisti" aimed at providing guidance on the safe use of video terminals.

As concerns managerial training ("Formazione Manageriale"), 2,048 man days (equivalent to circa 16,387 man hours) were delivered in 2012. Training activity was marked by a particular focus on the Group's call centres.

Some of the managerial training initiatives were also conducted within the plan financed by the banks and insurance fund.
In the first six months of the year, the training project aimed at increasing Group's awareness about equal opportunity was put into place.

Banking segment
During 2012, staff technical training activities at the banking parent company level, took the form of classroom training both on technical managerial/relationship matters amounting to 10,010 man days, and delivery of online training through Unipol Web Academy totalling 4,689 man days.
Training for financial advisors that are not Group employees was also carried out through distance learning both on the training network platforms of Unipol Assicurazioni and Assoreti, totalling 287 man days, as well as 378 man days of classroom training.
Training held during 2012 included:
- "Bringing about changes in relationship management within the branch and with clients ", approved by Fondo Banche Assicurazioni;
- "The value of evaluation" that involved all those responsible for human resources, both at the bank's network level as well as at management level;
- Masters in cooperatives.

Similar to the other training structures, in 2012, Unipol Banca started the process of obtaining a "quality" certification for its training programme "Formazione di Unipol Banca". The process aims at establishing information flows and procedures with the objective of keeping record of all training, by training project. In October, the Italian certification company DNV conducted its first review and confirmed that the process was initiated successfully.

Premafin Group

As concerns training at Fondiaria-SAI Group, 2012 saw training activities that involved staff from all business units being coordinated centrally by the *"Unità Sviluppo e Formazione" (development and training unit)*.
Training was offered in the form of management training courses, job training, mandatory training and training on professional skills.

Staff access training activities through on-line facilities. The latter enable staff to view the activities offered within the training programme, updated with latest developments and news, and also enables enrolment of staff to the various initiatives.

Main training initiatives, included the following:
- involvement of commercial staff in managerial training that consisted of different courses tailored towards management staff in sales, sales force development and Life commercial;
- in relation to claims, a course was developed that is designed to develop job specific knowledge, skills and competencies, including practical examples on the use of relevant tools, organisation of administrative processes and other related activities. The course was delivered to team leaders and to three pilot classrooms. The initiative is continuing in 2013 and will involve all claims administrative staff via the delivery of 16 courses throughout the country;
- launch of a Masters in Insurance targeted to 20 new graduates as well as the delivery of 14 courses on topics related to financial mathematics and statistics, budgeting, organisation, planning, control, compliance, strategy, marketing, finance, corporate valuation, risk management, real estate finance and insurance law;

- an awareness campaign on health and safety at the workplace provided through the e-learning platform.

Social and environmental responsibility

Unipol Group on a comparable basis

2012 was the final year covered in the three-year Sustainability Plan 2010-2012. At the end of the year, an overall assessment of the degree of achievement of objectives was made. Approximately 50% of the goals contained in the Sustainability Plan were reached, 8% were abandoned during the three years, while the remaining 42% are still in progress.
The year has been marked by the development of the three-year Unipol/Fondiaria-SAI integration Plan, in which the Social Responsibility and Ethics function was involved on two fronts. On the one hand, it was involved in “integration workshops” intended to align culture, sustainability performance and tools in Fondiaria-SAI Group’s companies. On the other, it had the cross-departmental role of stimulating and evaluating policies and integration measures that were developed in the various “workshops” to ensure that these are aligned to the values and principles in the Group’s Code of Ethics and to its sustainability rationale. This second role is important in ensuring consistency between the above-mentioned integration plan and the next Sustainability Plan 2013-2015.
From an organisational perspective, the structure introduced last year, whereby staff members from each of the Group’s companies/departments were assigned responsibility for sustainability, continued to be in place during the year.
Furthermore, the information systems department assisted with the development and release of SAP SupM software, designed to manage sustainability data in a reliable, retrievable and increasingly more automated way, by leveraging on linkages between the computer systems in place. A total of about 1,400 indicators are monitored, involving 120 staff members. It is a significant and innovative investment designed to implement Unipol’s commitment to sustainability in Group’s day-to-day activities, an all-encompassing element of the business plan.
The following Group accountability management tools became operational during the year:

- the second Sustainability Budget for 2012 was drawn up and was subsequently approved by the Board of Directors. It includes over 100 actions and 50 result indicators;
- achievement of the Sustainability Plan was monitored quarterly utilising a dashboard of 160 indicators and involving over 50 people in charge of sustainability from all Group companies. The findings of such monitoring were reported in a half-yearly management report, discussed with senior executives and presented to the Board of Directors;
- the final Sustainability Report was subject to improvements, such as the introduction of a section on Key Performance Indicators (KPI) and the inclusion of performance of all Group companies in the report;
- innovations in tools used for communication of the Report, such as the introduction of videos dedicated to sustainability best practices developed in-house, that are used for presentations on the subject matter and are available on the Group’s website;
- participation in the annual survey on global warming emissions conducted by Carbon Disclosure Project, aimed at assessing corporate commitment in relation to climate change and to provide objective information to investors.

At the same time, the sustainability function provided support to other departments in developing ad hoc projects in the achievement of Plan objectives. In particular, in 2012 intervention projects were developed in relation to:

– improved corporate diversity management and implementation of policies promoting the integration of people with disability, socially and in the workplace,
– additional welfare services,
– more sustainable Life products,
– reduced environmental impact caused by production processes at Unipol's suppliers.

In addition, several initiatives were taken together with human resources and corporate identity departments to promote employees' participation in society at large, such as the involvement in the "Food collection" initiative and the organisation of "A day at the office with mum and dad" event.

The Board's Committee for Sustainability monitored and assessed performance throughout the year, and reported its assessment of the overall process adopted and the main decisions made in the area of Group's sustainability.

Promotion of Code of Ethics values

Consistent with Group's values, various activities aimed at increased knowledge and awareness of the Unipol's Code of Ethics were embarked upon during 2012. The initiatives took place on "Unipol Web Academy", the new distance learning platform for employees and agents. Through interactive sessions, participants were familiarised with the Group's values and the different aspects of the Code. They were also presented with real life examples of "ethical dilemmas", that are typically encountered in relationships with colleagues and clients at the workplace. This course was intended for all levels of staff and a high participation rate of over 70% of total employees was recorded. The latter is particularly encouraging considering that it was not "mandatory" training, i.e. prescribed by Regulators. Agency networks were less participative with around 20% participating in the course.
The awareness and promotion initiatives were supervised by the Board's Sustainability Committee, in its function as Ethics Committee, that also investigated regularly any reports of Code of Ethics violations. A detailed picture of these activities will be included in the Ethics report, published in the 2012 Sustainability Report.

The Group's sales network

Unipol Assicurazioni: there were 1,507 operative agencies at 31/12/2012, within which 2,418 agents operated, compared to 1,836 in 2011.
Unipol Assicurazioni also sells Life products through Unipol Banca's branches and through Simgest and Credit Suisse Italy's network of financial advisors.

Gruppo Arca: at 31/12/2012, 28 agencies (36 in 2011) were operative, whilst 15 agencies were under deregulation agreements (126 in 2011). The banking network expended from 2,180 branches in 2011 to 2,387 at 31/12/2012.

Linear: operates in the motor insurance through a call centre and the internet.

Unisalute: offers health and assistance insurance products predominantly via group contracts with specialised industries. For this reason, the company has a specialised structure in place that works directly with specialised brokers and agencies. Unisalute's individual products are sold through a network of 151 agencies, that also have Unipol Assicurazioni mandates, a small telemarketing centre, and mainly through cross selling to existing Internet customers.

Unipol Banca: at 31/12/2012 the network consisted of 298 bank branches (300 in 2011), of which 168 were combined with insurance agencies (174 in 2011), 27 financial outlets (28 in 2011) and 237 financial advisors (239 in 2011).

Premafin Group: during 2012, business was generated by a network of 3,097 agencies, and 2,459 agency mandates, that represent the group's traditional distribution channel. This channel includes 1,195 exclusive and non-exclusive Fondiaria Sai's agencies (1,236 at 31/12/2011) as well as 1,902 additional agencies that work with other group companies. Agencies with Finitalia mandates amounted to 2,682 at the end of 2012, compared to 2,559 in 2011.
In total, BancaSai's network amounted to 151 financial advisors and 4 bank branches.

Information systems

Insurance business

Unipol Group's IT operations during the year were aligned to the Business Plan 2010-2012 and revolved around two key objectives:

1) IT support in the implementation of "Business lines" included in the Business Plan and already disclosed in the 2011 financial statements;
2) Support in updating Group's information systems and in the management of new technology.

As part of the transformation of agencies' new IT platform, stipulated by the new integration agreement, hardware was replaced, telecommunication infrastructures were upgraded and the new agency commercial portal was combined with Customer Relationship Management (CRM).

In the second half of 2012 planning of the integration processes with Fondiaria-SAI Group commenced. For IT, this entailed commitment to both the convergence and integration of systems and applications, as well as to support the integrations operations planned for other business units.

The development of a Solvency II IT system is ongoing (i.e. automation of the capital requirement calculation using the QIS5 Standard Formula and market internal models for Life, non life credit, and operational risks). Also ongoing is planning for the new Group's claims system, which is expected to be launched in 2014.

The IT and telecommunications infrastructure (networks, Voip, videoconferencing, call centre) at the new premises, Torre Unipol at via Larga in Bologna was put in place. The premises have been built using the latest plant and structural technologies.

Work on the technical infrastructure of the CUBO project was also carried out. CUBO is the multi media centre built by the Group on its 50th business anniversary, and on which latest technologies have been used.

As concerns business continuity and service quality, disaster recovery tests were carried out successfully on the two main data centres at San Donato Milanese and Bologna in 2012. Tools to enable monitoring of performance, availability and quality of the information services being provided, continued to be made available.

In the field of social and environmental responsibility, initiatives were aimed at reducing environmental impact and operational costs, by minimising electrical power consumption, reducing staff travelling between offices and decreasing demand for disposal of material. 22 new videoconferencing devices were installed during 2012 and "Unified Communication" software (messaging, conference call, videoconferencing, sharing of documents) was installed on 700 executives' personal computers.

The collaboration with voluntary organisation Biteb ("Banco Informatico Tecnologico e Biomedico", information technology and biomedics bank) continued. Hardware equipment is donated to this organisation upon its disposal by the Group. In this way, hardware scrappage (irreversible data deletion and special refuse disposal) presents an opportunity to better the environment and to show solidarity with non profit organisations (Onlus, hospitals, schools, etc).

Banking segment

As part of innovating electronic channels, a new online mail service, called Multi-channel, was introduced in the beginning of the year. Through this service, individual and business customers receive, free of charge, in their mail box regular correspondence in electronic format from the Bank. The correspondence is consistent with the paper versions provided in the past. The new service enables the elimination of correspondence costs, the immediate consultation of documentation sent and electronic storage of documents.

During the second half of 2012, Unipol Banca migrated its Internet Banking platform to a web application that includes additional features, completely revamped graphics and increased functionality. Among the main service innovations is the ability to trade online in major European and American markets, and the development of a profile, intended for more advanced traders, that enables users to see in real time, for each security, the "book" on five levels, i.e. the five best buying and selling deals on the market in terms of price.

Always in the context of connecting ever more the Bank with its customers through the internet channel, a new mobile banking application was introduced. The application can be used on Apple and Android and is downloadable from dedicated mobile application stores (example: Apple Store, Samsung Apps, Nokia Store, etc). It enables users to access, via smart phone and tablet, the various functionalities already available within internet banking services. In addition, through geo-localisation, it is possible to search for the Bank's ATM nearest to the user's current location.

Related party transactions

Unipol has adopted the "Procedure for the carrying out of transactions with related parties" as approved by the Board of Directors on 11 November 2010 and subsequently approved by the other Unipol group companies. The procedure is available on Unipol's website (www.unipol.it) under the section Corporate Governance/Related party transactions.
The procedure lays down the rules, procedures and policies for ensuring that transactions with related parties carried out by Unipol directly or through subsidiaries are transparent and that correct procedures are followed.

As concerns the information referred to in Consob Regulation 17221 of 12 March 2010, as amended by Resolution 17389 of 23 June 2010, an information document on the subject of "Merger by incorporation of Premafin Finanziaria SpA - Holding di Partecipazioni, Unipol Assicurazioni SpA and possibly, as detailed

further, Milano Assicurazioni SpA in Fondiaria-SAI SpA" ("the Operation", or the "Merger"), was drawn on 27 December 2012 pursuant to Article 5 of the said Regulation (major transactions with related parties). The document was supplemented with an addendum on 13 January 2013.
Both documents are available on Unipol's website www.unipol.it, under the Corporate Governance/Related party transactions, to which reference is made.

Since the merger involves Unipol group companies, the Operation could have been considered exempt for the purposes of applying the Procedure and of the Relates Parties Regulation. Notwithstanding, in view of the Operation's significance and strategic importance, Unipol decided to be as transparent as possible with the market by voluntarily applying, also in this case, the provisions laid down in its Procedure for major transactions with related parties.

A similar document has been drawn up and published by Premafin, Fondiaria-SAI and Milano Assicurazioni pursuant to the Related Parties Regulation and to procedures adopted by each of these companies. The information documents were the result of coordination and comparisons between the companies involved in the Operation, together with their respective advisors in order to ensure that consistent and coherent disclosure was made to the involved companies' shareholders and to the market.

During 2012 there were no other "major" transactions with related parties, nor were there any transactions that had a significant impact on Unipol's statement of financial position and results, as defined in Article 2427, paragraph 2 of the Italian Civil Code.

For the disclosure required by accounting standard IAS 24 and Consob Note DEM/6064293/2006, refer to paragraph 5.5 of the Notes to the consolidated financial statements – Related party transactions.

Report on corporate governance and ownership pursuant to 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 as amended by Article 5 of Legislative Decree 173 of 3 November 2008, is contained in the annual Corporate Governance report, which has been approved by the Board of Directors and has been 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 that are Organised and Managed by the "Borsa Italiana S.p.A." (Italian stock exchange)

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

Significant events after the reporting period

Plan for the Merger with Premafin/Fondiaria-SAI Group

As detailed in the Management report, on 28 January 2013, as defined by and for the purposes of Article 2501-*quater*, first paragraph of the Italian Civil Code, the "Plan for merger by incorporation in Fondiaria-SAI SpA of Premafin Finanziaria – SpA Holding di Partecipazioni, Unipol Assicurazioni SpA and possibly Milano Assicurazioni SpA", was filed at the Group's head office. The plan had been approved by the Boards of Directors of all the companies involved in the merger in meetings dated 20 December 2012.

The plan is available on the websites of the companies involved in the merger, apart from the parent company, Unipol's website.

The registration of the Merger Plan with the relevant Companies' registers is subject to IVASS authorisation, as prescribed by Article 201 of Legislative Decree 209 of 7 September 2005.

On 21 February 2013 IVASS advised that it has suspended the merger authorisation process and required further information and data in relation to the merger. The companies involved in the merger are working on providing the required information to the Authority as early as possible.

Liability action

At the shareholders' meetings of the smaller group companies, held on 7 March 2013, shareholders decided on a liability action against those directors and "sindaci" (members of the board of statutory auditors) identified by the *commissario ad acta.*
On 14 March 2013 the shareholders' meetings of Fondiaria-SAI and Milano Assicurazioni were held. Both meetings (for Fondiaria-SAI with the "yes" votes of Unipol Gruppo Finanziario S.p.A and subsidiary Premafin) resolved for the liability action against certain directors and "sindaci", as recommended by the *commissario ad acta* nominated by the regulatory authority.

Consob Note of 17 April 2013

The Board of Directors, at a meeting held on 21 March 2013, approved the Draft financial statements and Consolidated financial statements as at 31 December 2012, that together with the other information required by Article 154-*ter*, paragraph 1, of Legislative Decree 58 of 24 February 1998, (TUF), were published on 8 April 2013 as prescribed by applicable legislation.
For prudence purposes, starting from financial year end 2012, the Consolidated financial statements have been drawn up on the basis of the observations contained in Consob Resolution 18429 of 21 December 2012, (details of which are included in the section "Management report" of this report). This was announced publicly in the Group's press release dated 27 December 2012, that included supplementary information pursuant to Article 154-*ter*, paragraph 7 of TUF concerning the consolidated financial statements as at 31 December 2011 and the interim condensed Consolidated financial statements as at 30 June 2012. The contents of the press release are attached as an appendix to these 2012 consolidated financial statements.

Subsequent to filing of the documentation, Consob in its Note 13032788 dated 17 April 2013, referred to the aforementioned Resolution 18429 and in accordance with Article 114, paragraph 5 of TUF, asked the Company to specify why the adjustment to recognition and measurement criteria adopted in the consolidated financial statements 2012 were not also reflected in the restatement of comparative data for the 2011 financial year.

As detailed in its press release of 27 December 2012, reproduced in its entirety with these consolidated financial statements, the Company, supported by the opinions of recognised experts in the area, does not agree with the Supervisory Authority's opinion that the Consolidated financial statements 2011 were not in conformity with IAS/IFRS accounting standards and it does not consider the alleged error to be material.
More specifically, the Company does not consider the alleged error to be material for the following reasons: (i) the alleged error is equivalent to 0.017% of total statement of financial position assets at 31 December 2011 (i.e. 7 million euro compared to a total of 39,570.9 million euro), on affected individual line items it represents 1.32% of Loans and Receivables and 1.24% of Financial assets - available for sale and finally it is 1.53% of shareholders' equity (ii) considering the negligent impact of the item, as above, it is considered unlikely that it could influence the economic decisions of users of the consolidated financial statements.
Notwithstanding the above, the Company decided, for prudence purposes, in order to comply to Consob's latest observations, and also considering the immateriality of the effect of the retrospective application of changes in accounting for certain structured securities adopted as at financial year end 2012, to restate 2011 comparative figures consistent with the supplementary information published on 27 December 2012.
The restatement of comparatives resulted, amongst others, in changes in certain line items of the 2012 income statement.
For further details on the changes to comparative figures, refer to the paragraph "Changes in accounting policies and changes in the presentation of comparative information" of the Notes to the consolidated financial statements.

In addition, with the same Note of 17 April 2013, Consob also required the Company, without prejudice to any further assessment or request for information that may be made upon completion of the ongoing investigations on structured securities, to supplement the disclosure in the financial statements in relation to revisions of estimates made in valuing financial assets by specifying the reasons for which revisions were considered to be changes in estimates, the number and carrying value of securities subject to revisions and their financial effect. In relation to this request, the company proceeded to supplement the Notes to the consolidated financial statements, section 3 "Notes to the statement of financial position", "Financial assets paragraphs 4.3, 4.4, 4.5 and 4.6".

Business outlook

The macroeconomic environment continued to be characterised by recessionary trends after the end of financial year 31 December 2012. Also, the political uncertainty brought about by the recent general elections resulted in instability on the financial markets.
The economic background and increased competition, coupled with selective underwriting strategies that continued to divest the group of unprofitable business, had a negative impact on the level of premiums generated, which in Non-life business registered an contraction. When compared to 2012, positive technical results have been registered so far, due to weather claims suffered in the first two months of 2012 which did not repeat themselves up to February 2013.

The Group's Life premium revenue showed positive movements, driven by the decline in market interest rates, which made insurance products more attractive, and strengthening of the relevant Group's companies' commercial proposition.

The current economic crisis, and the resulting deterioration in credit quality impacted also the Group's banking business segment. In the current year, the latter confirmed its focus on retail customers business and on the consolidation of customer deposits sources.

In the light of the overall economic background, when it comes to asset management, the Group's objectives continue to be a prudent investment policy and safeguarding the balance between assets and liabilities.

The Group's operations are focused on the completion of the merger project with the Premafin/Fondiaria-SAI Group that involves the merger of Premafin, Fondiaria-SAI, Unipol Assicurazioni and probably Milano Assicurazioni. The merger is considered to be a significant step in achieving increased simplification of the group's operations, with the objective of leveraging to the full on the synergies identified in the Business Plan.
The reorganisation of structures and processes in preparation for the integration of the information systems, as envisaged in the Business Plan, is also in progress.

Operating results for the year, excluding any unforeseen events such as in reference markets, are expected to be positive and in line with Business Plan objectives.

Bologna, 24 April 2013

The Board of Directors

Tables of Consolidated Financial Statements:

- Statement of financial position
- Income statement and statement of comprehensive income
- Statement of changes in equity
- Statement of cash flows

Consolidated statement of financial position - Assets

	Values in Millions of Euros	31/12/2012	31/12/2011 adjusted
1	INTANGIBLE ASSETS	2,077.1	1,641.0
1.1	Goodwill	1,908.9	1,522.5
1.2	Other intangible assets	168.2	118.5
2	PROPERTY PLANT AND EQUIPMENT	1,413.0	804.1
2.1	Property	1,286.4	746.0
2.2	Other tangible assets	126.6	58.2
3	REINSURERS' SHARE OF TECHNICAL PROVISIONS	1,207.3	396.0
4	INVESTMENTS	70,957.6	33,148.6
4.1	Investment property	3,000.5	314.2
4.2	Investments in subsidiaries, associates and joint ventures	175.6	42.3
4.3	Investments held to maturity	3,050.8	1,689.0
4.4	Loans and receivables	17,489.2	15,048.9
4.5	Available-for-sale financial assets	36,646.6	12,134.6
4.6	Financial assets at fair value through profit or loss	10,594.9	3,919.6
5	OTHER RECEIVABLES	3,663.5	1,761.5
5.1	Receivables arising out of direct insurance operations	2,090.4	820.6
5.2	Receivables arising out of reinsurance operations	110.8	57.9
5.3	Other receivables	1,462.3	883.0
6	OTHER ASSETS	3,082.0	1,580.0
6.1	Non-current assets or disposal groups classified as held-for-sale	7.7	0.0
6.2	Deferred acquisition costs	67.1	18.8
6.3	Deferred tax assets	2,201.2	1,255.7
6.4	Current tax assets	324.6	27.3
6.5	Other assets	481.4	278.2
7	CASH AND CASH EQUIVALENTS	708.2	239.7
	TOTAL ASSETS	83,108.8	39,570.9

Consolidated statement of financial position - Equity and liabilities

	Values in Millions of Euro	31/12/2012	31/12/2011 adjusted
1	EQUITY	7,002.3	3,155.3
1.1	attributable to the owners of the parent	5,321.7	3,029.1
1.1.1	Share capital	3,365.3	2,699.1
1.1.2	Other equity instruments	0.0	0.0
1.1.3	Capital reserves	1,724.5	1,506.3
1.1.4	Retained earnings and other reserves	145.8	91.0
1.1.5	(Own shares)	-0.1	-0.2
1.1.6	Reserve for currency translation differences	2.5	0.0
1.1.7	Gains or losses on available-for-sale financial assets	-164.1	-1,112.5
1.1.8	Other gains or losses recognized directly in equity	-50.7	-19.4
1.1.9	Profit (loss) for the period/year attributable to the owners of the parent	298.6	-135.2
1.2	attributable to non-controlling interests	1,680.6	126.2
1.2.1	Share capital and reserves	1,051.1	140.0
1.2.2	Gains or losses recognized directly in equity	458.8	-27.7
1.2.3	Profit (loss) for the period/year attributable to non-controlling interests	170.7	13.9
2	PROVISIONS	403.4	112.5
3	TECHNICAL PROVISIONS	56,456.0	22,039.3
4	FINANCIAL LIABILITIES	16,233.6	12,871.1
4.1	Financial liabilities at fair value through profit or loss	2,168.9	1,500.6
4.2	Other financial liabilities	14,064.8	11,370.5
5	PAYABLES	1,276.5	439.7
5.1	Payables arising out of direct insurance operations	164.3	67.4
5.2	Payables arising out of reinsurance operations	85.1	43.2
5.3	Other payables	1,027.2	329.0
6	OTHER LIABILITIES	1,736.8	953.2
6.1	Liabilities of a disposal group held for sale	1.6	0.0
6.2	Deferred tax liabilities	587.9	339.2
6.3	Current tax liabilities	178.5	28.6
6.4	Other liabilities	968.9	585.4
	TOTAL EQUITY AND LIABILITIES	83,108.8	39,570.9

Consolidated Income Statement

	Values in Millions of Euros	31/12/2012	31/12/2011 adjusted
1.1	Net premiums	11,623.6	8,679.1
1.1.1	*Gross premiums*	*11,925.3*	*8,836.4*
1.1.2	*Reinsurance premium*	*-301.7*	*-157.3*
1.2	Fee and commission income	133.8	130.9
1.3	Gains and losses on financial instruments at fair value through profit or loss	451.4	-288.3
1.4	Income from investments in subsidiaries, associates and joint ventures	5.9	12.9
1.5	Income from other financial instruments and investment property	2,129.0	1,753.3
1.5.1	*Interest income*	*1,631.1*	*1,380.5*
1.5.2	*Other income*	*134.3*	*110.6*
1.5.3	*Realised gains*	*333.8*	*184.1*
1.5.4	*Unrealised gains*	*29.8*	*78.0*
1.6	Other income	313.3	113.0
1	TOTAL REVENUES	14,657.0	10,400.9
2.1	Net insurance claims	-10,368.9	-7,843.3
2.1.1	*Amounts paid and changes in technical provisions*	*-10,640.3*	*-7,891.8*
2.1.2	*Reinsurers' share*	*271.4*	*48.5*
2.2	Fee and commission expense	-33.8	-28.3
2.3	Losses on investments in subsidiaries, associates and joint ventures	-20.3	-24.2
2.4	Charges from other financial instruments and property	-710.1	-762.5
2.4.1	*Interest expense*	*-344.4*	*-276.5*
2.4.2	*Other charges*	*-51.9*	*-12.1*
2.4.3	*Realised losses*	*-100.7*	*-203.7*
2.4.4	*Changes in fair values*	*-213.0*	*-270.1*
2.5	Management expenses	-2,219.3	-1,382.1
2.5.1	*Commissions and other acquisition costs*	*-1,468.0*	*-864.9*
2.5.2	*Investment management expenses*	*-30.1*	*-16.6*
2.5.3	*Other administration expenses*	*-721.1*	*-500.6*
2.6	Other costs	-550.3	-669.6
2	TOTAL COSTS AND EXPENSES	-13,902.6	-10,709.9
	NET PROFIT BEFORE TAX	754.4	-309.0
3	Tax	-280.7	187.8
	NET PROFIT	473.7	-121.3
4	NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-4.4	0.0
	CONSOLIDATED PROFIT	469.3	-121.3
	attributable to the owners of the parent	*298.6*	*-135.2*
	attributable to non-controlling interests	*170.7*	*13.9*

Consolidated Statement of Comprehensive Income - Net amounts

Values in Million of Euro	31/12/2012	31/12/2011 adjusted
CONSOLIDATED PROFIT (LOSS)	469.3	-121.3
Foreign currency translation differences	5.7	0.0
Net unrealized gains and losses on on available-for-sale financial assets	1,440.8	-473.8
Net unrealized gains and losses on cash flows hedging derivatives	-25.7	-17.1
Net unrealized gains and losses on hedge of a net investment in foreign operations	0.0	0.0
Share of other comprehensive income of associates	0.0	0.0
Reserve for revaluation model on intangible assets	0.0	0.0
Reserve for revaluation model on tangible assets	0.0	0.0
Result of discontinued operations	0.0	0.0
Actuarial gains or losses arising from defined benefit plans	-15.6	-0.8
Other	0.9	0.0
OTHER COMPREHENSIVE INCOME	1,406.1	-491.7
TOTAL COMPREHENSIVE INCOME	1,875.4	-613.0
attributable to the Group	*1,218.1*	*-622.4*
attributable to minority interests	*657.2*	*9.4*

Consolidated Statement of Changes in Equity

	Values in Million of Euro	Amounts at 31/12/2010	Changes to closing balances	Amounts allocated	Reclassification to the Income Statement	Transfers	Amounts at 31/12/2011	Amounts at 31/12/2011	Changes to closing balances	Amounts allocated	Reclassification to the Income Statement	Transfers	Amounts at 31/12/2012
Equity attributable to the owners of the Parent	Share capital	2,698.9	0.0	0.2		0.0	2,699.1	2,699.1	0.0	666.2		0.0	3,365.3
	Other equity instruments	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0		0.0	0.0
	Capital reserves	1,506.3	0.0	0.0		0.0	1,506.3	1,506.3	0.0	218.2		0.0	1,724.5
	Retained earnings and other reserves	56.2	0.0	34.8		0.0	91.0	91.0	0.0	54.8		0.0	145.8
	(Own shares)	-0.2	0.0	0.0		0.0	-0.2	-0.2	0.0	0.0		0.0	-0.1
	Profit (loss) for the year	31.8	0.0	-108.4		-31.8	-108.4	-108.4	-26.8	298.6		135.2	298.6
	Other comprehensive income/expense	-644.7	0.0	-470.2	22.5	-17.0	-1,109.5	-1,109.5	-22.4	661.6	258.0	-0.1	-212.4
	Total attributable to the owners of the Parent	3,648.3	0.0	-543.7	22.5	-48.8	3,078.3	3,078.3	-49.2	1,899.5	258.0	135.1	5,321.7
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interest	356.4	0.0	-216.4		0.0	140.0	140.0	0.0	911.1		0.0	1,051.1
	Profit (loss) for the year	39.4	0.0	14.5		-39.4	14.5	14.5	-0.5	170.7		-13.9	170.7
	Other comprehensive income/expense	-23.3	0.0	-13.9	8.7	0.2	-28.3	-28.3	0.5	479.0	7.4	0.1	458.8
	Total attributable to non-controlling interests	372.5	0.0	-215.9	8.7	-39.2	126.2	126.2	0.0	1,560.8	7.4	-13.8	1,680.6
Total		4,020.8	0.0	-759.5	31.2	-88.0	3,204.5	3,204.5	-49.2	3,460.3	265.4	121.3	7,002.3

STATEMENT OF CASH FLOWS (indirect method)		
Values in Million of Euro	31/12/2012	31/12/2011
Profit (loss) before tax for the year	750.0	-309.0
Change in non-monetary items	-1,100.4	842.4
Change in Non-Life premium provision	-218.1	-30.8
Change in claims provision and other Non-Life technical provisions	-440.4	-135.5
Change in mathematical provisions and other Life technical provisions	653.4	23.7
Change in deferred acquisition costs	-17.1	2.3
Change in provisions	-39.8	27.5
Non-monetary gains and losses on financial instruments, investment property and investments	-178.1	508.5
Other changes	-860.2	446.8
Change in receivables and payables generated by operating activities	255.0	122.2
Change in receivables and payables arising out of direct insurance and reinsurance	21.4	96.1
Change in other receivables and payables	233.6	26.1
Paid taxes	-15.7	-293.5
Net cash flows generated by/used for monetary items from investing and financing activities	1,524.3	-376.4
Liabilities from financial contracts issued by insurance companies	-279.5	-155.3
Payables to bank and interbank customers	786.1	-80.7
Loans and receivables from banks and interbank customers	78.0	91.5
Other financial instruments at fair value through profit or loss	939.7	-231.8
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	1,413.3	-14.3
Net cash flow generated by/used for investment property	0.9	-130.0
Net cash flow generated by/used for investments in subsidiaries, associates and joint ventures	1,496.4	4.1
Net cash flow generated by/used for loans and receivables	-113.1	-443.9
Net cash flow generated by/used for held-to-maturity investments	-563.6	172.4
Net cash flow generated by/used for available-for-sale financial assets	-2,450.8	150.9
Net cash flow generated by/used for property, other tangible assets and intangible assets	-93.0	-182.5
Other net cash flows generated by/used for investing activities (*)	1.9	325.2
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	-1,721.2	-103.8
Net cash flow generated by/used for equity instruments attributable to the owners of the Parent	1,052.7	-0.7
Net cash flow generated by/used for treasury shares	0.0	
Dividends distributed attributable to the owners of the Parent		
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	-4.3	-16.0
Net cash flow generated by/used for subordinated liabilities and equity instruments	6.6	-34.2
Net cash flow generated by/used for other financial liabilities	-278.6	176.9
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	776.5	125.9
Effect of exchange rate gains/losses on cash and cash equivalents	0.0	0.0
CASH AND CASH EQUIVALENTS AT 1 JANUARY (**)	239.7	231.8
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	468.5	7.9
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (**)	708.2	239.7

(*) Includes the difference between the price paid for the purchase of Premafin (EUR 509.7 million) and cash and cash equivalents transferred following the acquisition (€ 2,032.2 million)

(**) At 31/12/2011 corresponds to the amount received from the sale of the investment BNL Vita

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Unipol Group, consisting of the parent company, Unipol Gruppo Finanziario ("Unipol") and its subsidiaries, operates in all Non-Life and Life insurance and reinsurance business, may issue investment contracts and may set up and manage open-ended pension funds. It also operates in the banking business.

The parent company, Unipol, is a joint-stock company, has its registered office in Bologna (Italy) and is listed on the Milan Stock Exchange.

Unipol's consolidated financial statements were drawn up in accordance with Article 154-*ter* of Legislative Decree 58 of 1998 (TUF) and with ISVAP Ruling 7 of 13 July 2007, as amended. In accordance with the provisions of EC Regulation 1606/2002, they have also been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the IASB as adopted by the EU, along with the related interpretations issued by IFRIC, that were in force at the end of the reporting period.

The consolidated financial statements comprise:

- Statement of financial position;
- Income statement and statement of comprehensive income;
- Statement of changes in equity;
- Statement of cash flows;
- Notes to the financial statements;
- Appendices to the Notes to the financial statements.

The layout conforms to the provisions of Part III of ISVAP Ruling 7 of 13 July 2007, as amended, relating to the layout of the consolidated financial statements of insurance and reinsurance companies that must adopt IFRS.

The information requested in CONSOB Communications DEM/6064293 of 28 July 2006 and DEM/11070007 of 5 August 2011 is also provided.

The consolidated financial statements have been prepared on a going concern basis, in accordance with the principles of accrual accounting, relevance and reliability of accounting information, in order to provide an accurate representation of the financial position and results of operations that reflect the economic substance of transactions rather than merely their legal form.
The going concern assumption is considered to be ascertained with reasonable certainty as it is believed that the companies belonging to the Unipol Group have sufficient resources to ensure that they will continue to operate for the foreseeable future. In addition, liquidity risk is deemed to be very remote.

The financial statements include comparative information, and comparative amounts for the previous period are presented. Where necessary as a result of a change in accounting policies, valuation criteria or classification, the comparative figures have been restated and reclassified to provide consistent and comparable information with the current year's presentation format.

The presentation currency is the euro. Unless otherwise stated, all amounts in this report are presented in millions of euro, rounded to one decimal place; accordingly, the sum of individually rounded items might not equal the rounded sum of the actual amounts.

The consolidated financial statements of Unipol Gruppo Finanziario SpA ("Unipol") were audited by PricewaterhouseCoopers SpA ("PwC"), who has been engaged to perform the statutory audit for the period 2012/2020.

Scope of consolidation

At 31 December 2012, the Unipol Group consisted of the parent company, Unipol, together with 112 directly and indirectly controlled subsidiaries (IAS 27), of which 81 form part of the Premafin Group. 31 companies were consolidated as at 31/12/2011. Subsidiaries whose size is considered to be insignificant are excluded from the consolidation.

There are no jointly-controlled interests.

Associates, where the Group has a shareholding of between 20% and 50%, and insignificant subsidiaries (numbering 47 entities, 28 of which form part of the Premafin Group), are measured using the equity method of accounting (IAS 28) or at cost. There were 17 associates and insignificant subsidiaries as at 31/12/2011.

The lists of consolidated subsidiaries and of investments measured using the equity method of accounting are reported in the respective notes to the consolidated financial statements. Details of non-consolidated subsidiaries are included in the following appendices to the Notes to the consolidated financial statements "Consolidation Scope" and "Non consolidated subsidiaries and associated undertakings".

Changes in the scope of consolidation, compared to 31/12/2011, and other transactions

Compared to 31/12/2011, the changes in respect of the scope of consolidation relate to the acquisition of control of the Premafin/Fondiaria-SAI Group, which took place on 19 July 2012 through the subscription by Unipol to a share issue by the company Premafin Finanziaria SpA Holding. As described in detail in the below paragraph, the share issue, which was reserved for subscription by Unipol and amounted to euro 339.5 million, corresponds to a shareholding interest, post-share issue, of 80.93%.

In addition, the following other transactions were effected:
- Acquisition by Smallpart (100% controlled by Unipol Assicurazioni) of 50% of the insurance brokerage company Assicoop Emilia Nord Srl, based in Parma, for a total amount of euro 4.8 million;
- Acquisition by Smallpart (100% controlled by Unipol Assicurazioni) of 50% of the insurance brokerage company Assicoop Romagna Futura Srl, based in Ravenna, for a total amount of euro 4.2 million;
- Striking off, effective 3/2/2013, of the company UGF Private Equity SGR SpA, in liquidation, from the Register of Companies of Bologna.

The following capital transactions during the year 2012 have not had an effect on the scope of consolidation:
- increase of euro 37 million in the share capital of Unifimm, subscribed to by Unipol Assicurazioni;
- advance payment by Unipol Assicurazioni to Midi for a future capital increase of euro 10 million;

- increase of euro 73.7 million in the capital of Punta di Ferro (100% controlled by Unipol Assicurazioni), through the capitalisation of payments effected into the reserve for future capital increases;
- increase of euro 1.5 million in the capital of Centri Medici Unisalute, subscribed to by Unisalute;
- increase of euro 44.4 million in the capital of Arca Vita, through the capitalisation of euro 38.5 million payments effected into the reserve for future capital increases and through an adjustment payment of euro 2.1 million. Unipol has also subscribed to, and paid for, shares arising from unexercised rights amounting to euro 3.8 million. Arca Vita simultaneously cancelled its treasury shares. The shareholding interest increased from 60.84% (61.58% of the share capital in circulation) to 63.39%;
- increase of euro 25 million in the capital of Arca Assicurazioni, also through the capitalisation of payments which had previously been effected by Arca Vita SpA into the reserve for future capital increases. In addition to exercising its right to subscribe to share capital, Arca Vita SpA also exercised its right of first refusal on shares not taken up. Arca Vita SpA's shareholding interest in Arca Assicurazioni SpA increased from 96.99% to 98.09% as a result of the capital increase;
- increase of euro 0.4 million in the capital of Unicard, subscribed to by Unipol Banca which, in addition to exercising its right to subscribe to share capital, exercised its right of first refusal on shares not taken up. As a result of this transaction, Unipol Banca's shareholding interest in Unicard increased from 53.56% to 53.63%;
- increase of euro 25 million in the share capital of Ambra Property, through the partial capitalisation of payments effected into the reserve for future capital increases;
- reduction in the share capital of Unipol Merchant from euro 105.5 million to euro 50 million, following the partial spin-off (with effect from 1 January 2012) of the business of Unipol Merchant to Unipol Banca;
- repayment of euro 2.2 million by Euresa Holding to Unipol Assicurazioni following a reduction in share capital;
- advance payment of euro 15 million by Unipol Assicurazioni to Smallpart for a future capital increase.

Business combination with the Premafin/Fondiaria-SAI Group

Description of the *business combination*

The acquisition of the Premafin/Fondiaria-SAI Group was successfully completed during the third quarter of 2012 by giving effect to the following developments.

On 19 July 2012, Unipol subscribed to the increase in share capital of Premafin Finanziaria SpA Holding ("Premafin"), which was reserved for subscription by Unipol and which had been resolved at an extraordinary meeting of Premafin shareholders on 12 June 2012. The increase amounted to euro 339.5 million, through which Unipol acquired a controlling shareholding interest of 80.93% in Premafin. Premafin and its subsidiary Finadin SpA used the proceeds of euro 339.5 million from the capital increase to subscribe, in proportion to their shareholding interest, to the issue of share capital of Fondiaria-SAI SpA ("Fondiaria-SAI"), which was concluded on 13 September 2012. All shares were subscribed to, with Unipol and banks forming part of the underwriting syndicate also having subscribed to the share issue.

In particular, Unipol has subscribed to, or otherwise acquired, new shares in Fondiaria-SAI as follows:
- an amount of 240,609,096 Class B savings shares for a consideration of euro 135.9 million. These shares had remained unsubscribed on the stock exchange, and were acquired to honour commitments made with Fondiaria-SAI. The shares acquired represent 74.48% of the post-increase savings share capital, and 19.35% of the total share capital of Fondiaria-SAI;
- an amount of 30,853,620 ordinary shares acquired on 10 September 2012 for euro 30.9 million through the exercise of option rights acquired during the offer on the stock exchange, representing

3.35% and 2.48% respectively of the post-increase ordinary share capital and total share capital of Fondiaria-SAI;

- an amount of 14,254,110 ordinary shares that remained unsubscribed on the stock exchange, and acquired at a consideration of euro 14.3 million from the banks forming part of the underwriting syndicate in Fondiaria-SAI's share issue. The shares represent 1.55% and 1.15% respectively of Fondiaria-SAI's post-increase ordinary share capital and total share capital.

As a result of the above transactions, Unipol owns a direct shareholding of 22.97% of Fondiaria-SAI's share capital.

Contractual commissions amounting to euro 10.9 million were paid to Unipol in direct relation to the subscription of ordinary and Class B savings shares of Fondiaria-SAI. These amounts were recorded as a reduction of the cost of acquisition.

As a result of becoming the controlling shareholder of the Premafin Group (which in turn controls the Fondiaria-SAI Group), the Unipol Group has become the leading player in the national non-life business market and the second largest insurer overall.

As at 31/12/2012, the Premafin/Fondiaria-SAI Group comprises 81 subsidiaries which are consolidated using the full consolidation method. The Group's activities are diversified in various segments, including the principle activities relating to life and non-life insurance, real estate and the financial/banking segments. It also operates, through several companies, in the hospitality, agriculture, health and services segments.
The Group also includes 8 subsidiaries which are measured at cost, and 20 associates, of which 15 of are measured using the equity method of accounting and 5 are measured at cost.

The main company within the Group is Fondiaria-SAI which, at the date of the acquisition, was the parent company of one of the leading Italian insurance groups and the second largest Non-life insurer (Source: *Premi del lavoro diretto italiano 2011* - 2012 Edition - April 2012). In particular, Fondiaria-SAI Group operates in the following segments:

a) Non-life insurance: this represents the Group's traditional business and is predominantly carried out by multiline insurers Fondiaria-SAI, Milano Assicurazioni, DDOR, as well as by Dialogo Assicurazioni, Liguria Assicurazioni e SIAT that specialise in one line of business or one distribution channel and by Incontra Assicurazioni for bancassurance within Non-life that is carried out through the joint venture agreement entered into by Fondiaria-SAI with Capitalia (now Unicredit Group);
b) Life insurance, is carried out by the Life divisions of Fondiaria-SAI and Milano Assicurazioni, and by Liguria Vita, whilst bancassurance, developed within Life classes of business, is carried out both on the basis of the partnership agreement between Fondiaria-SAI Group and Banco Popolare Group through Popolare Vita, as well as via the partnership agreement between Fondiaria-SAI Group and Banca Intermobiliare through BIM Vita;
c) Real estate: the Group's real estate activity is primarily conducted through Immobiliare Lombarda, Immobiliarie Fondiaria-SAI, Immobiliare Milano Assicurazioni and other smaller companies, as well as through the closed-ended real estate funds Tikal R.E. Fund and Athens R.E. Fund;
d) Other activities: with particular reference to the financial sector, the Group, through BancaSai, is focused on traditional banking, portfolio management services and other services such as consumer finance, provided through its subsidiary Finitalia. In addition, certain companies operate in the fields of hospitality, healthcare and insurance and real estate diversified funds.

Fondiaria-SAI offers a full and current range of insurance protection products in all areas of risk, savings and pensions.

Activities aimed at completion of the business combination process are ongoing. The merger of Premafin, Fondiaria-SAI and Unipol Assicurazioni, for which an invitation to participate was also extended to Milano Assicurazioni, will create a national operator of primary importance in the insurance sector which will in a position to compete effectively with the main national and European competitors and create value for all shareholders of the companies involved in the project.

Initial recognition of the business combination

In accordance with IFRS 3 – Business combinations, the acquirer has to recognise, separately from goodwill, the identifiable assets acquired and liabilities assumed. These must be classified or designated by taking into account the contractual terms, economic conditions, accounting policies and operational principles and other relevant factors in existence at the acquisition date. The acquirer must furthermore recognise and measure all assets and liabilities at their acquisition date fair value.
IFRS 3 provides for a one year measurement period during which the acquirer may adjust, retrospectively to the acquisition date, the acquired assets' and liabilities' initial provisional fair values on the basis of information that became known after the acquisition date but which relates to facts and circumstances that existed at the acquisition date.

The identification and valuation of assets acquired and liabilities assumed by Unipol as part of the business combination with the Premafin Group is complex due both to the diversification of the business areas within the acquired Group, as well as to the significance of the investment and insurance portfolios acquired. Unipol, in collaboration with Premafin/Fondiaria-SAI, has promptly set up technical working groups with the objective of identifying, classifying and valuing assets acquired and liabilities assumed in the business combination, together with identifying any differences in accounting policies and valuation principles adopted by the two Groups.
Valuations of the majority of the assets acquired and liabilities assumed were completed as at 31/12/2012 and an analysis of accounting principles was performed in order to ensure consistency.
Valuations of identifiable intangible assets that are considered to be immaterial, which principally relate to the economic value of acquired insurance portfolios managed by the Premafin Group, are ongoing.

The following table provides an analysis of the acquisition date values assigned to the identifiable assets acquired and liabilities assumed, compared with the values expressed in Premafin Group's interim consolidated financial statements as at 30/6/2012, as well as with the provisional values ascribed for the business combination as presented in Unipol Group's interim financial statements to 30/9/2012.

Values in millions of Euros	Premafin HY 2012 consolidated financial statements (*)	provisional amounts recognised as at 31/12/2012	differences with Premafin HY 2012 FS.	provisional amounts recognised as at 30/09/2012 (*)	differences between 31/12/2012 provisional amounts and 30/9/2012 ones
Intangible assets	1,481.2	70.1	-1,411.2	80.8	-10.8
Goodwill	*1,400.4*	*0.0*	*-1,400.4*		
Other Intangible assets	*80.8*	*70.1*	*-10.8*		
Property plant and equipment	397.9	578.1	180.2	397.9	180.2
Property	*316.3*	*496.8*	*180.5*		
Other tangible assets	*81.6*	*81.3*	*-0.3*		
Reinsurer's share of technical provisions	759.5	759.5	0.0	759.5	0.0
Investments	32,428.0	32,564.1	136.1	32,428.0	136.1
Investment property	*2,536.2*	*2,734.9*	*198.7*		
Investments in subsidiaries, associates and joint ventures	*109.0*	*107.4*	*-1.6*		
Investments held to maturity	*725.8*	*770.9*	*45.2*		
Loans and receivables	*3,875.9*	*3,016.2*	*-859.8*		
Available for sale financial assets	*18,039.8*	*18,775.6*	*735.8*		
Financial assets at fair value through profit or loss	*7,141.4*	*7,159.1*	*17.7*		
Other assets and receivables	3,712.1	4,444.1	732.0	3,960.2	483.9
of which Deferred Tax Assets	*889.8*	*1,631.1*	*741.3*		
Cash and cash equivalents	994.9	2,032.2	1,037.4	2,015.5	16.7
Provisions	-320.5	-331.3	-10.8	-320.5	-10.8
Technical provisions	-33,535.3	-34,370.0	-834.6	-33,535.3	-834.6
Financial liabilities	-2,935.0	-2,898.8	36.1	-2,935.0	36.2
Financial liabilities at fair value through profit or loss	*-760.6*	*-723.9*	*36.7*		
Other Financial liabilities	*-2,174.3*	*-2,174.9*	*-0.6*		
Payable and other liabilities	-1,442.3	-1,829.9	-387.6	-1,442.3	-387.6
of which Deferred Tax Liabilities	*-126.3*	*-501.3*	*-375.0*		
Total identifiable net assets	1,540.3	1,018.0	-522.2	1,408.8	-390.8

(*) compared to the half-year figures have been restated published by line the assets and liabilities of discontinued operations, in accordance with the methods adopted by the Group Premafin in the preparation of the Consolidated Financial Statements 2012. Were similarly aligne values of the initial provisional to 30/9/2012. These are values that are not subject to audit by PwC

Values in millions of Euros	31/12/2012	30/9/2012	*change*
Consideration paid at the date of acquisition	509.7	509.7	0.0
Value of the non-controlling interest in Gruppo Premafin	895.1	1,187.1	-292.0
Net value of identifiable assets and liabilities	-1,018.0	-1,408.8	390.8
Goodwill	386.8	288.0	98.8

– The following matters are in relation to the main variances in the above figures:
– goodwill recognised in Premafin's interim consolidated financial statements has been eliminated in its entirety as it does not meet IFRS 3.11's recognition criteria for identifiable assets;

- the value of immovable property, both those held for own use as well as for investment purposes, was adjusted to the value as determined in recent valuation reports that were issued by architects appointed for this purpose;
- changes in technical reserves amounting to euro 710.1 million are attributable to non-life business, and euro 124.5 million to life business; variances in respect of non-life business are the result of valuation adjustments resulting from information obtained after the date of acquisition, as also presented in Fondiaria-SAI's consolidated financial statements at 31 December 2012, which Unipol as the acquirer is required to apply retrospectively in accordance with paragraph 45 of IFRS 3; variances in respect of life business are the result of the recalculation, in accordance with Unipol Group's criteria and taking into account the different carrying values of financial instruments, of the impact on policyholder liabilities arising from shadow accounting and from LAT test;
- in accordance with paragraph 23 of IFRS 3, provisions reflect the most recent valuation, estimated on the basis of information currently available, of contingent liabilities arising from events and circumstances existing at the acquisition date. They relate in particular to risks associated with tax investigations in respect of the former OPA SAI and the collapse of the Imco-Sinergia Group; this assessment, which was applied retrospectively to the acquisition date, is consistent with the values expressed by Premafin in its consolidated financial statements as at 31/12/2012. In addition, provisions related to investment property have been derecognised in so far as these are included in the fair value of the properties;
- financial assets have been classified in accordance with practice applied by the Unipol Group; this mostly impacted the loans and receivables and available-for-sale categories of financial assets;
- financial assets and financial liabilities have all been recorded at fair value at the acquisition date; consequential movements in value mainly relate to the categories of financial assets that are measured in Premafin's consolidated financial statements at amortised cost; the latest estimates of recoverability of credit exposures against Imco and Sinergia companies have also been adjusted for retrospectively;
- upon acquisition, an evaluation was performed in respect of the effects of the termination of the equity swap agreement in place between Premafin and Unicredit and of the restructuring of debts of Premafin, information in respect of which was provided in the Management Report. This resulted in changes to the values of financial liabilities and provisions;
- deferred tax assets and liabilities have been adjusted as a result of the different values attributed to the other identified assets and liabilities.

The consideration transferred at the acquisition date, amounting to euro 509.7 million, was paid in cash and corresponds to the price paid by Unipol for the acquisition of Premafin shares (euro 339.5 million) and of Fondiaria-SAI shares, which is stated net of the commissions received as a result of assumed underwriting commitments (euro 170.2 million).
Unipol's direct acquisitions of Premafin and Fondiaria-SAI shares, as previously described, have been considered together for the purposes of accounting for the business combination as all shares were acquired as part of the same transaction to acquire control over the Premafin/Fondiaria-SAI Group.

Non-controlling interests have been recognised at their proportionate share (direct and indirect holding) of the net assets acquired.

The value of goodwill, albeit provisionally measured, has been determined by reference only to the portion attributable to the Unipol Group. This has been calculated on the basis of the net assets acquired, after elimination of goodwill as reported in Premafin Group's consolidated financial statements, and after taking into account any related tax implications.

Transaction costs related to the acquisition amounted to euro 12 million. These include expenses for legal, advisory and various consultancy services and they have been fully recognised in financial year 2012, which is the financial year in which those costs were incurred.

The Premafin Group has contributed euro 200 million, representing the period 1/7/2012 - 31/12/2012, to the results for the year. These results are significantly different from those reported in Premafin Group's consolidated financial statements to 31/12/2012 as they refer only to the second half of 2012. The difference in amount between the results for the period is a direct consequence of the different values recognised by Unipol, as required by IFRS 3, upon initial recognition of the business combination. More information on this transaction, as well as information concerning the results achieved by the Premafin Group during the financial year 2012, is included in the review of operations included in the 2012 Management Report.

Accounting reference date

The consolidated financial statements have an accounting reference date of 31/12/2012, which is Unipol's, the parent company, end of the reporting period. All the consolidated entities have a 31 December accounting reference date, with the exception of the associate Pegaso Finanziaria SpA, which has an accounting reference date of 30 June and for which use was made of interim financial statements drawn up to the date of the consolidated financial statements.
With the exception of the companies operating in the banking segments, which are subject to supervision by the Bank of Italy, the consolidated financial statements have been drawn up using the adjusted and restated individual financial statements of the consolidated companies, as approved by the Boards of Directors of the respective companies. Adjustments to the individual financial statements have been made to comply with IAS/IFRS as applied by Unipol, the parent company. Companies in the Unipol Banca Group draw up separate financial statements that already comply with IAS/IFRS.

Basis of consolidation

Companies consolidated on a line-by-line basis

The line-by-line consolidation method requires full consolidation, from the date that control is acquired, of assets, liabilities, income and expenses of consolidated subsidiaries together with the elimination of the carrying amount of the investment against a corresponding amount of the equity of each individual subsidiary and, in the case of investments not wholly owned, the separate recognition of the amount of the equity and the profit or loss for the year attributable to non-controlling interests.
The amount of equity attributable to non-controlling interests is recognised within equity as "Share capital and reserves attributable to non-controlling interests", whilst the respective amount of the consolidated profit or loss is presented as "Profit (loss) for the year attributable to non-controlling interests".
The financial statements of the subsidiaries are consolidated on a line-by-line basis with the exception of those subsidiaries that are small; these subsidiaries are measured using the equity method of accounting. Four special-purpose entities are also consolidated on a line-by-line basis. These vehicles are used by Unipol Banca for securitisations and, whilst not being subsidiaries, are consolidated as laid down in SIC 12.

Goodwill

The excess of the cost of acquiring investments in subsidiaries and associates over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities, is recognised as goodwill and is presented within intangible assets.
This goodwill represents a payment made in the expectation of future economic benefits arising from assets that cannot be identified individually and recognised separately.
Subsequent to the year of acquisition, goodwill is measured at cost net of any accumulated impairment losses.
Since 2010 (new IFRS 3), transaction costs incurred in respect of acquisitions have been recognised in profit or loss during the year in which they are incurred or the services provided.

In accordance with the new IAS 27 (paragraphs 30-31), changes in ownership interest in a subsidiary that do not lead to loss of control are recognised as equity transactions. Any difference between the acquired or disposed proportion of the subsidiary's equity and the fair value of the consideration paid or received is recognised directly in equity and allocated to the members of the holding company.

Companies consolidated on a proportionate basis

There were no jointly-controlled interests as at 31/12/2012.

Companies measured using the equity method of accounting

Under the equity method of accounting, the carrying amount of the investment is adjusted to reflect the corresponding portion of movements in equity, including the profit/loss for the year and all the adjustments necessary when consolidation is on a line-by-line basis. Any difference between the portion of equity acquired and the fair value of the consideration paid (goodwill) is recognised within the carrying amount of the investment.

Elimination of intercompany transactions

In drawing up the consolidated financial statements, amounts receivable and payable between companies included in the scope of consolidation are eliminated. Income and expenses relating to transactions carried out between these companies, together with profits and losses resulting from transactions carried out between these companies and not yet realised through transactions with parties external to the Group, are also eliminated.

Segment reporting

Segment reporting is based on the major types of business in which the Group operates:

- Non-life insurance
- Life insurance
- Banking business
- Real estate (new segment)
- Holding and Services business and other activities

Segment reporting based on geographical areas has not been produced since the Group mainly operates on a national level and, by type of business activity carried out, there appears to be no significant difference in the risks and benefits that can be correlated with the economic situation in the individual regions.

The composition of the segments has been changed compared to the previous year. For information on the changes made, refer to the next paragraph.

The presentation of segmental information is in conformity with the provisions of ISVAP Regulation 7 of 2007.

2. ACCOUNTING POLICIES

New standards and other documents

Amendments to IFRS 7 – Financial instruments: Disclosures

Certain amendments to IFRS 7 relating to the disclosure of transfers of financial assets became effective, as from this year, following their implementation at Community level (Commission Regulation (EU) No 1205/2011).
The amendments to IFRS 7 are intended to promote greater transparency in relation to the risks associated with transactions in which, following a transfer of financial assets, the transferor retains exposure, within certain limits, to risks associated with the transferred financial assets ('residual involvement').
In order to ensure greater transparency in respect of transactions whose motivation may have been an improvement in the financial position (window dressing), they also require additional disclosures in the event of transfers of financial assets at particular times of the year (for example, close to the end of the reporting period).

These amendments have not had a significant effect on the consolidated financial statements as at 31/12/2012.

ESMA document 725/2012 – European common enforcement priorities for 2012 financial statements

On 12 November 2012, ESMA published document 725/2012 which, taking into account the current economic situation, sets out priorities in the preparation of financial statements for 2012.
ESMA encourages listed companies and their auditors to pay particular attention, in their preparation of financial statements for 2012 and in the related audit, to the following topics:
- Financial instruments;
- Impairment of non-financial assets;
- Defined benefit obligations;
- Provisions that fall within the scope of IAS 37.

ESMA expects that the national supervisory authorities will take the above priorities into account in their supervision of financial statements for 2012.

New accounting standards that are not yet effective

In accordance with paragraph 30 of IAS 8, the principal standards published by the International Accounting Standards Board, which could be relevant for the Group but which are not yet effective, are detailed below.

IFRS 10, 11, 12, amendments to IAS 27 and to IAS 28

On 12 May 2011 the IASB published the following standards:

- IFRS 10 “Consolidated financial statements”, which replaces IAS 27 and SIC 12 interpretation;
- IFRS 11 “Joint arrangements”, which replaces IAS 31;
- IFRS 12 “Disclosure of interests in other entities”, which contains the disclosure requirements of IFRS 10 and 11;
- IAS 27 “Separate financial statements”;
- IAS 28 “Investments in associates and joint ventures”.

Under IFRS 10, an investor has control over another company when it simultaneously has:
- decision-making power to direct the “relevant activities” (which affect the economic returns);
- exposure or rights to variable returns from its involvement with the investee;
- has the ability to affect those returns through its power over the investee.

IFRS 11 defines a joint venture as an arrangement of which two or more parties have joint control. It distinguishes between joint operations and joint ventures:
- a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. From an accounting point of view, the assets and liabilities subject to the arrangement are recognised and measured in the statement of financial position in accordance with the relevant standards;
- a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are defined as joint ventures. From an accounting point of view, a joint venture is measured using the equity method of accounting.

The objective of IFRS 12 is to require an entity to disclose information that enables users of financial statements to evaluate:
- the nature of, and risks associated with, its interests in other entities;
- the effects of those interests on its financial position, financial performance and cash flows.

The objective of IAS 27 “Separate financial statements” (revised) is to require an entity to disclose information that enables users of financial statements to evaluate:
- the nature of, and risks associated with, its interests in other entities;
- the effects of those interests on its financial position, financial performance and cash flows.

IAS 28 “Investments in associates and joint ventures” (revised) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 10, 11, 12, IAS 28 and IAS 27 were adopted by Commission Regulation (EU) No 1254 of 11 December 2012, and becomes effective on 1 January 2014.

IFRS 13 – Fair value measurement

The IASB published IFRS 13 “Fair value measurement” on 12 May 2011. IFRS 13:
- defines fair value;
- sets out in a single IFRS a framework for measuring fair value; and
- requires disclosures about fair value measurements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principle (or most advantageous) market at the measurement date, under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or is estimated by using another technique of assessment.

Assets and liabilities measured at fair value are classified for accounting presentation purposes according to a fair value hierarchy into 3 levels:
1 – quoted prices in active markets for identical financial instruments;
2 – inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (for example prices quoted for similar instruments in active markets) or indirectly (i.e. derived from prices);
3 – inputs related to the asset or liability that are not based on market observable data.
The new standard was adopted by Commission Regulation (EU) No 1255 of 11 December 2012, and becomes effective for financial periods commencing on 1 January 2013.

IAS 1 – Presentation of financial statements

The IASB amended IAS 1 "Presentation of financial statements" on 16 June 2011.
The objective of the amendments to IAS 1 is to provide more clarity on the growing number of items of other comprehensive income and help users of financial statements to distinguish between the components of other comprehensive income that may or may not be subsequently reclassified to profit (loss) for the year. The amendments require entities to group together in other comprehensive income all items that will be reclassified to the income statement (profits and losses from the translation of foreign currency balances, the effective portion of cash flow hedges).
This amendment was adopted by the European Union through Commission Regulation (EU) No 475 of 5 June 2012, and becomes effective for financial periods commencing on 1 January 2013.

IAS 32 – Financial instruments: Presentation

On 16 December 2011, the IASB published amendments to IFRS 7 "Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities" and IAS 32 "Financial Instruments: Presentation - Offsetting financial assets and financial liabilities". The amendments to IFRS 7 are intended to prescribe additional quantitative information to enable users to compare and reconcile information under IFRS and those resulting from the application of Generally Accepted Accounting Principles (GAAP) in the US. In addition, the IASB amended IAS 32 to provide additional guidance to reduce inconsistencies in the practical application of the Standard.
These amendments become effective for financial periods commencing on or after 1 January 2014, and were adopted by Commission Regulation (EU) No 1256 of 13 December 2012.

Changes in accounting policies and changes in the presentation of comparative information

Change in the recognition of accounting gains and losses relating to defined benefit plans (IAS 19)

In preparing the 2012 financial statements, the Unipol Group has changed the method of recognition of actuarial gains and losses relating to employee defined benefit plan obligations. With effect from these financial statements, actuarial gains and losses are recognised as components of other comprehensive income rather than in the separate income statement. The selected accounting policy is one of the policy choices permitted by IAS 19 as currently in force. The change in accounting policy, which in fact anticipates the accounting treatment that will be mandated in 2013 by IAS 19 (revised), was necessary in order to harmonise the accounting policies applied within the Unipol Group following the acquisition of the Premafin/Fondiaria-SAI Group.

As a result, comparative figures of the previous year have been restated and reclassified as if the new policy had been applied from 1 January 2011. The reclassification has had a positive impact of euro 1 million on the income statement for 2011 and a negative impact of the same amount on the components of other comprehensive income for 2011, thus resulting in a different composition of, but a neutral effect on, the total value of shareholders' equity at end of the period.

The economic and financial effects of the above change in accounting policy are as follows, as analysed by business segment:

- in the Non-life business segment, actuarial losses of euro 2 million relating to defined benefit plans, as a result of lower management fees recognised in other comprehensive income;
- in the Banking segment, actuarial gains of euro 1 million relating to defined benefit plans, as a result of higher management fees recognised in other comprehensive income;
- in the Life business segment, and Holding/Services and other activities segment, the effect of costs transferred from operating expenses to actuarial gains and losses relating to defined benefit plans recognised in other comprehensive income are not significant;
- the consolidated results in the income statement, gross of tax, increased from euro -267 million to euro -266 million, while net results increased from euro -94 million to euro -93 million.

Changes in the classification and measurement of certain structured securities as a result of the Consob Note of 17 April 2013

The Company has, following and in accordance with the Consob Note of 17 April 2013 protocol 13032788, retrospectively adjusted the classification and measurement of certain structured securities as disclosed in the "Significant events after the reporting period" section of the Management Report. In particular, the adjustments relate to financial instruments that have embedded credit or interest rate derivatives, or so-called tax event clauses and for which contractual arrangements in pre-existing agreements do not clarify the nature of the contract, in terms of accounting classification to be adopted. For more details see the press release issued by the Company on 27 December 2012, annexed to this Annual Report, relating to the publication of supplementary information to the Consolidated financial statements as at 31 December 2011 and the Interim condensed consolidated financial statements as at 30 June 2012. The additional information is in accordance with a request by Consob pursuant to Article 154-*ter* of Legislative Decree 58 of 1998.

The main effects on the statement of financial position and income statement of 2011 are as follows:

- reduction of euro 201.4 million in Loans and receivables due to the transfer of securities previously classified in this heading;
- increase of euro 15.6 million in Financial assets at fair value through profit or loss as a result of incoming transfer of securities with embedded derivatives which are not closely related and which cannot be valued separately;
- separate recognition of certain embedded derivatives amounting to euro 3.7 million under Financial assets at fair value through profit or loss and euro 42.4 million under Financial liabilities held at fair value through profit or loss;
- increase of euro 149.5 million in Available-for-sale financial assets as a result of the combined effect of the transfer in and out of securities and the separation of embedded derivatives deemed to be not closely related;
- increase of euro 32 million (euro 21 million net of tax) in fair value losses on securities classified as Available-for-sale financial assets, recognised in the reserve for gains and losses on revaluation of Available-for-sale financial assets;
- increase, in the non-life business, of euro 10.2 million in net losses from the valuation of financial instruments at fair value through profit or loss;

– increase, in the life business, of euro 33 million in net losses from the valuation of financial instruments at fair value through profit or loss;
– decrease of euro 14.7 million in the tax expense.

Restatement of comparative figures

The statement of financial position, income statement and statement of comprehensive income as of 31/12/2011, which incorporate the effect of changes in accounting for certain financial instruments as requested in the Note from Consob, and the effects of the change in accounting policy for the recognition of actuarial gains and losses relating to defined benefit plans (IAS 19), compared with the data as of 31/12/2011 as published in the consolidated financial statements of 2011, are presented below together with the resulting differences.

Consolidated Statement of Financial Position - Assets

	Values in Millions of Euros	31/12/2011	adjustments		31/12/2011
		originally approved	financial instruments	IAS 19	adjusted
1	Intangible assets	1,641.0			1,641.0
2	Property, plant and equipment	804.1			804.1
3	Reinsurers' share of technical provisions	396.0			396.0
4	Investments	33,181.1	-32.6		33,148.6
4.1	Investment property	314.2			314.2
4.2	Investments in subsidiaries, associates and joint ventures	42.3			42.3
4.3	Investments held to maturity	1,689.0			1,689.0
4.4	Loand and receivables	15,250.3	-201.4		15,048.9
4.5	Available-for-sale financial assets	11,985.1	149.5		12,134.6
4.6	Financial assets at fair value through profit or loss	3,900.3	19.3		3,919.6
5	Other receivables	1,761.5	0.0		1,761.5
6	Other assets	1,554.3	25.7		1,580.0
6.1	Non-current assets or disposal groups classified as held-for-sale	0.0			0.0
6.2	Deferred acquisition costs	18.8			18.8
6.3	Deferred tax assets	1,230.0	25.7		1,255.7
6.4	Current tax assets	27.3			27.3
6.5	Other assets	278.2			278.2
7	Cash and cash equivalent	239.7			239.7
	TOTAL ASSETS	39,577.8	-6.8	0.0	39,570.9

Consolidated Statement of Financial Position Equity and Liabilities

	Values in Millions of Euros	31/12/2011	adjustments		31/12/2011
		originally approved	financial instruments	IAS 19	adjusted
1	Equity	3,204.5	-49.2	0.0	3,155.3
1.1	attributable to the owners of the Parent	3,078.3	-49.2	0.0	3,029.1
1.1.1	Share capital	2,699.1			2,699.1
1.1.2	Other equity instruments	0.0			0.0
1.1.3	Capital reserves	1,506.3			1,506.3
1.1.4	Retained earnings and other reserves	91.0			91.0
1.1.5	(Own shares)	-0.2			-0.2
1.1.6	Reserve for currency translation differences	0.0			0.0
1.1.7	Gains or losses on available-for-sale financial assets	-1,090.9	-21.7	0.0	-1,112.5
1.1.8	Other gains or losses recognised directly in equity	-18.6	0.0	-0.8	-19.4
1.1.9	Profit (loss) for the period/year attributable to the owners of the Parent	-108.4	-27.6	0.8	-135.2
1.2	attributable to non-controlling interests	126.2	0.0	0.0	126.2
1.2.1	Share capital and reserves	140.0			140.0
1.2.2	Gains or losses recognised directly in equity	-28.3	0.6	-0.1	-27.7
1.2.3	Profit (loss) for the period/year attributable to non-controlling interests	14.5	-0.6	0.1	13.9
2	Provisions	112.5			112.5
3	Technical provisions	22,039.3			22,039.3
4	Financial liabilities	12,828.7	42.4		12,871.1
4.1	Financial liabilities at fair value through profit or loss	1,458.2	42.4		1,500.6
4.2	Other financial liabilities	11,370.5			11,370.5
5	Payables	439.7			439.7
6	Other liabilities	953.2			953.2
	TOTAL EQUITY AND LIABILITIES	39,577.8	-6.8	0.0	39,570.9

Consolidated Income Statement

	Values in Millions of Euros	31/12/2011	adjustments		31/12/2011
		originally approved	financial instruments	IAS 19	adjusted
1.1	Net premiums	8,679.1			8,679.1
1.2	Fee and commission income	130.9			130.9
1.3	Gains and losses on financial instruments at fair value through profit or loss	-245.3	-42.9		-288.3
1.4	Income from investments in subsidiaries, associates and joint ventures	12.9			12.9
1.5	Income from other financial instruments and investment property	1,753.3			1,753.3
1.6	Other income	113.0			113.0
1	TOTAL REVENUES	10,443.8	-42.9		10,400.9
2.1	Net insurance claims	-7,843.3			-7,843.3
2.1.1	*Amounts paid and changes in technical provisions*	*-7,891.8*			*-7,891.8*
2.1.2	*Reinsurers' share*	*48.5*			*48.5*
2.2	Fee and commission expense	-28.3			-28.3
2.3	Losses on investments in subsidiaries, associates and joint venture	-24.2			-24.2
2.4	Charges from other financial instruments and investment property	-762.5			-762.5
2.5	Management expenses	-1,383.2		1.2	-1,382.1
2.5.1	*Commissions and other acquisition costs*	*-864.9*			*-864.9*
2.5.2	*Investment management expenses*	*-16.6*			*-16.6*
2.5.3	*Other administrative expenses*	*-501.7*		*1.2*	*-500.6*
2.6	Other costs	-669.6			-669.6
2	TOTAL COSTS AND EXPENSES	-10,711.1	0.0	1.2	-10,709.9
	NET PROFIT BEFORE TAX	-267.3	-42.9	1.2	-309.0
3	Tax	173.3	14.7	-0.3	187.8
	NET PROFIT	-93.9	-28.2	0.8	-121.3
4	NET PROFIT (LOSS) FROM DISCOUNTED OPERATIONS	0.0			0.0
	CONSOLIDATED PROFIT	-93.9	-28.2	0.8	-121.3
	attributable to the owners of the Parent	*-108.4*	*-27.6*	*0.8*	*-135.2*
	attributable to non-controlling interests	*14.5*	*-0.6*	*0.1*	*13.9*

Consolidated Statement of Comprehensive Income - Net amounts

Values in Millions of Euros	31/12/2011	adjustments		31/12/2011
	originally approved	financial instruments	IAS 19	adjusted
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	-93.9	-28.2	0.8	-121.3
Gains or losses on available-for-sale financial assets	-452.7	-21.0		-473.8
Gains or losses on hedging instruments in a cash flow	-17.1			-17.1
Actuarial gains and losses and adjustments related to defined benefit plans			-0.8	-0.8
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	-469.8	-21.0	-0.8	-491.7
TOTAL COMPREHENSIVE INCOME	-563.7	-49.2	0.0	-613.0
attributable to the owners of the parent	*-573.2*	*-49.2*	*0.0*	*-622.4*
attributable to non-controlling interests	*9.4*	*0.0*	*0.0*	*9.4*

These adjustments were consistently reflected in the other consolidated statements (statement of cash flows and statement of changes in equity), as well as in the tables contained in the notes and information in the management report.

Changes to reporting segments

The acquisition on 19 July 2012 of a controlling interest in the Premafin/Fondiaria-SAI Group has resulted in the real estate operations becoming a strategic operating segment for the Unipol Group. Accordingly, and in view of the requirements of IFRS 8, the Group has identified the following financial reporting segments with effect from the interim financial statements to 30/9/2012:

- Non-life insurance
- Life insurance
- Banking
- Real estate (new reporting segment)
- Holding/Service companies and other activities

The real estate companies Unifimm, Midi, Comsider, Covent Garden Bo and Punta di Ferro, which until 30/6/2012 fell within the non-life insurance segment (subsidiaries of the company Unipol Assicurazioni), have been included in the new real estate segment. Comparative figures for the corresponding period have been adjusted accordingly.

Centri Medici Unisalute, a company 100% owned by the company Unisalute, was transferred from the non-life insurance segment to the Holding/Service and other activities segment as from 31/12/2012.

Each segment's information is compiled by separately consolidating the accounting records of the individual subsidiaries and associates into each reportable segment, eliminating intercompany balances and transactions between companies within the same segment and offsetting, where applicable, the value of the investments against the corresponding portion of shareholders' equity.

Intercompany balances and transactions between companies falling within different segments are eliminated in the "Intersegment eliminations" column.
As from financial year 2012 the rules for intersegment elimination of the following items have changed as follows:

– investments in companies belonging to different business segments: elimination of the investment is effected in the investor's business segment whilst resulting differences on consolidation are attributed to the investee's segment;
– dividends received: elimination is effected in the business segment of the company receiving the dividends;
– realised gains and losses are carried out directly in the business segment of the company where the gains or losses are realised.

Comparative information has been represented in conformity with these new rules.

Impact of the changes on business segment reporting

The technical ratios, expense ratio and combined ratio, changed from 22.3% to 22.2%, and from 95.5% to 95.4% respectively, due to the reclassification of operating expenses amounting to 1 million euro (line item 2.5 of the statement of comprehensive income) from the Non-life insurance business segment to the

Real estate business segment. The costs that were reclassified pertain to companies that now form part of the new reporting segment, real estate.
The impact on results before tax was insignificant.

As concerns the Balance sheet, Group occupied Property of euro 270 million (Assets item 2.1) and Investment property amounting to euro 124 million (Assets item 4.1) have been reclassified from the Non-life to Real estate segment.

Impact of changes in intersegment elimination rules

The changes in intersegment elimination rules affected segment reporting of results in the 2011 comparatives as follows:

– reclassification from the "Intersegment eliminations" sector of dividends totalling euro 17 million to the Life insurance business segment (euro 5 million) and the Holding/Services and other activities segment (euro 12 million);
– reclassification of euro 119 million goodwill impairment losses reclassified from the Intersegment eliminations segment to the to the Banking business segment. The losses before tax in this segment were restated from -280 million euro to -401 million euro (also including euro 1 million arising on the reclassification of actuarial gains and losses on defined benefit plans for employees).

The effects on segment reporting of the Statement of financial position were as follows:

– in the Non-life business segment, the item "Investments in subsidiaries, associates and interests in joint ventures was restated from euro 221 million to euro 35 million whilst Intangible assets increased by Goodwill of euro 870 million;
– in the Life business segment, the item "Investments in subsidiaries, associates and interests in joint ventures was restated to zero from euro 233 million, and Intangible assets increased by Goodwill of euro 219 million;
– in the Holding/Services and other activities segment, the item "Investments in subsidiaries, associates and interests in joint ventures" amounting to euro 4,650 million was completely reclassified to other segments bringing the balance down to zero;
– in the Intersegment elimination sector, "Investments in subsidiaries, associates and interests in joint ventures was restated from 5,068 million to Nil, and Intangible assets decreased by Goodwill of 1,089 million.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.
Paragraph numbers reflect the line item numbers in the Statement of financial position and the Income Statement prescribed by ISVAP Regulation 7 of 2007.

Statement of financial position

Assets

1 Intangible assets - IAS 38

In accordance with the provisions of IAS 38, only identifiable intangible assets that are controlled by the company and from which the company will derive future economic benefits can be capitalised.

The following assets are recognised as intangible assets with a finite useful life:

- goodwill paid for the acquisition of Life portfolios: the value of the policies acquired is determined by estimating the present value of the future cash flows of the in-force policies. The Group amortises this value throughout the average expected residual life. This valuation is reviewed annually;
- costs incurred for the acquisition of software licences, amortised over three years;
- costs incurred for consultancy on major projects for developing and implementing IT systems, including customisation of the relative software, amortised over five or ten years depending on their estimated useful life;
- expenses relating to construction work on third party assets, amortised over the term of the rental agreements concerned.

Projects under development are not amortised until the year in which they are first used.

Goodwill (including provisional amounts determined in accordance with the requirements of IFRS 3) paid when companies are acquired or merged is also included within intangible assets, as already mentioned in paragraph 1.2. As this goodwill has an indefinite useful life it is not amortised but is tested for impairment at least once a year, or each time there is any indication of impairment; in the event that impairment losses are identified, they are recognised in the income statement and cannot be reversed in subsequent years.

2 Property, plant and equipment - IAS 16 and 17

This item includes property used for corporate business, plant, other machinery and equipment. The Group measures this category of assets using the cost model, which requires the systematic depreciation of the asset's depreciable amount over its useful life. Depreciation, which is charged each year on a straight-line basis, begins when the asset is available and ready for use and ends when the asset reaches the end of its useful life (which in the case of buildings is estimated to be 33.4 years).
In the case of wholly-owned property (land and buildings) depreciation is only charged on the building.

Consolidated real estate companies include, within the carrying amount, the borrowing costs incurred on loans specifically obtained for acquiring and renovating property, if this can be justified.

The costs of improvements and conversions are capitalised if they result in an increase in the useful life or in the value of the assets.

Assets that suffer impairment losses are impaired.
The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the acquisition date fair value.

Finance leases relating to movable property (company cars, IT equipment and miscellaneous equipment) are recognised in accordance with the provisions of IAS 17 under which, in the case of finance lease agreements, the cost of the leased items is recognised as property, plant and equipment, whereas the principal and end-of-lease purchase payments are recognised as financial liabilities.

3 Reinsurers' share of technical provisions – IFRS 4

This item includes reinsurers' liabilities arising from reinsurance contracts governed by IFRS 4.

4 Investments

4.1 Investment property – IAS 40

This item includes property held either to earn rental income or for capital appreciation or for both.
As allowed by IAS 40, investment property is measured by applying the cost method (an alternative to the fair value method).
If the terminal value of a property is estimated to be less than the carrying amount (or zero) it is depreciated annually on a straight-line basis, based on the recoverable amount and the estimated useful life (33.4 years). These properties generally include property whose use is restricted by their nature, such as hotels, shopping malls, and office buildings.
No depreciation is charged if the recoverable amount of the property is estimated to exceed the carrying amount; in the case of the Group, this applies to residential property.
In the case of wholly-owned property (land and buildings) depreciation is only charged on the building.

The costs of improvements and conversions are capitalised if they result in an increase in value, the useful life or the profitability of the assets.

Assets that suffer impairment losses are impaired. The market value is determined at least once a year by means of expert appraisals conducted by external companies.

The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the acquisition date fair value.

4.2 Investments in subsidiaries, associates and joint ventures – IAS 28 and 31

This item includes investments in associates as defined in IAS 28 and investments in subsidiaries that are considered immaterial due to their size. These are measured using the equity method or at cost.

Financial assets - IAS 32 and 39 - IFRS 7

IAS 39 provides that debt and equity instruments, receivables, payables and derivatives must be classified according to the purposes for which they are held. The following categories are provided for:
- Held-to-maturity financial assets;
- Loans and receivables;
- Available-for-sale financial assets;
- Financial assets at fair value through profit or loss.

There is a specific criterion for recognising and measuring each of these categories.

It should be mentioned that the Group recognises financial transactions on the date they are measured.

4.3 Investments held-to-maturity

Investments in securities that are held to maturity are measured at amortised cost, net of any impairment losses.

This category includes debt securities that the Group has the positive intention and the financial ability to hold to maturity, for example most of the fixed income debt securities acquired to match specific Life products.

If a more than insignificant number of securities in this category are sold (or reclassified) before maturity, all the remaining securities must be reclassified as Available-for-sale financial assets. The Held-to-maturity category may not be used for the next two financial years.

4.4 Loans and receivables

Receivables in this category consist of contractual amounts for which the Group holds a right to the cash flows arising from the agreement. They are characterised by fixed or determinable payments and are not quoted in an active market.
This item consists mainly of loans to customers and banks of the Group's banking arm.
This category also includes loans and credit facilities issued by the insurance companies, reinsurers' deposits, loan repurchase agreements, term deposits exceeding 15 days, receivables for net balances du from agents, unlisted debt securities largely subscribed by the Group and bonds reclassified following the application of paragraphs 50D and 50E of IAS 39.
Subject to unbundling of the embedded derivatives, it also includes convertible debt securities that can be converted into unlisted shares, which are held for the purposes of Unipol Merchant's (a subsidiary) merchant banking activities.

In accordance with the provisions of IAS 39, loans and receivables are initially recognised at their fair value, which corresponds to the amount granted including the transaction costs and directly related commissions and fees. Subsequent to initial recognition, receivables are measured at amortised cost, which is represented by the initial carrying amount net of repayments, plus or minus amortisation of any difference between the initial amount and the maturity amount, and less any impairment loss or reduction due to irrecoverability. Amortisation is calculated using the effective interest method.

Applying the effective interest method enables the financial effect of a loan transaction to be spread evenly over its expected life, which makes financial sense. In fact, the effective interest rate is the rate that exactly discounts all the future cash flows of the loan to a present value that corresponds to the amount granted including all transaction costs and income pertaining to it. The cash flows and the contractual term of a loan are estimated by taking into account all the contractual terms that can affect the amounts and the maturity dates (for instance, prepayment options and the various other options that may be exercised) but not the expected losses on the loan. Subsequent to initial recognition, the loan's amortised cost is determined throughout the loan's term by continuing to apply the original effective interest rate as determined at initial recognition. This original effective interest rate does not vary over time and is also used in the event of any contractual amendments to the interest rate or events which result in the loan becoming non-interest bearing (for instance, due to insolvency proceedings).

The amortised cost method is applied only to loan contracts with an original term of at least eighteen months, on the assumption that application of this method in the case of shorter contracts would not result in significant changes in measurement. Loans with a term of less than eighteen months and those that have no fixed maturity date or are revocable are therefore measured at their historical cost.

Loans are assessed, at each financial statement or interim financial statement reporting date, in order to identify those for which there is objective evidence of impairment owing to events that have occurred after the loans were initially recognised.
In particular, in the case of loans and receivables in the banking sector, which make up a large part of this category, measurement procedures differ depending on whether the loans are performing or non-performing.
Loans are considered to be non-performing if they are deemed to be bad and doubtful, substandard or restructured loans, or if they are past due by more than 180 days, in accordance with current "Banca d'Italia" (Bank of Italy) instructions. These non-performing loans are subjected to a process of analytical valuation consisting in discounting (at the original effective interest rate) the cash flows expected by way of principal and interest, taking account of any guarantees obtained in respect of the loan. Any negative difference between the present value of the loan as determined following these rules, and its carrying amount (amortised cost) at the time of the valuation, is adjusted as an impairment charge and is recognised in profit or loss.

The original value of the loans is reinstated in subsequent years only in the event that the reasons that led to the impairment in question no longer exist. Impairment losses can be reversed up to the extent that the financial asset's carrying amount does not exceed the carrying amount that it would have had if the amortised cost had been applied without any prior impairment.
Receivables for which there is no individual objective evidence of impairment (in general performing loans, including receivables from counterparties resident in risky countries and loans past due by no more than 180 days) are included within a group of assets with similar credit risk characteristics based on type of customer and type of product, and are collectively assessed for impairment.
The underlying loss, by and for each group of homogenous assets, is calculated by applying percentage loss indices ascertained by analysing the performance of each group over previous periods of at least three years.
Impairment losses determined through the collective assessment are recognised in the income statement. Any additional impairment losses or reversals of impairment losses are determined in subsequent periods using the differential method by reference to the entire loan portfolio that is subject to the collective assessment.

Transferred receivables are derecognised only if substantially all risks and rewards pertaining to receivables are also transferred. If this is not the case, the receivables continue to be recognised in the statement of financial position even though their ownership has been legally transferred.
The presumption is that substantially all the risks and rewards are transferred if the assignment involves transferring at least 90% of them. On the other hand, the presumption is that substantially all the risks and rewards are retained if the assignment involves transferring no more than 10% of them.
If, as a result of a transfer, substantially all risks and rewards are neither transferred nor retained (in which case the Group retains more than 10% but less than 90% of the risks/rewards), the receivables are derecognised provided the Group retains no control over them. Otherwise, where some control over the transferred receivables is retained, the receivables continue to be recognised in the financial statements to the extent of the continuing involvement.

4.5 Available-for-sale financial assets

Investments classified as available-for-sale financial assets are measured at fair value. Differences from the carrying amount are recognised in equity in a specific reserve for unrealised gains/losses (net of tax). In the event of a disposal or impairment losses established as a result of impairment testing, unrealised gains or losses accumulated in equity until that time are transferred to the income statement.

Information on how the fair value is determined is given under Fair value hierarchy below.

The amortised cost of debt securities in this category, calculated using the effective rate of return, is recognised in profit or loss. The comparison with the fair value is made after the proportion of the amortised cost for the year has been recognised.

This category includes debt instruments, equity instruments and units in UCITS funds, investments deemed to be of strategic importance (less than 20% of the share capital, of commercial or company strategic importance) and Unipol Merchant's investments held for merchant banking purposes.

Investments in equity instruments not listed on active markets for which it is not possible to make a reliable assessment of the fair value are measured at cost (net of any impairment loss).

Impairment policy for financial assets adopted by the Unipol Group

Paragraph 58 of IAS 39 provides that companies must assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.
Financial assets or groups of financial assets must be assessed periodically for potential impairment in order to determine whether they have suffered an impairment loss.
Indicators of a possible impairment include, for instance, issuers facing significant financial difficulties, defaults or delinquency in payment of interest or principal, the possibility of the beneficiary entering bankruptcy or entering into another insolvency proceeding, and the disappearance of an active market for the asset.
In addition, in accordance with paragraph 61 of IAS 39, a ‘significant or prolonged’ decline in the fair value of an investment in an equity instrument below its cost must be considered to be ‘objective evidence of impairment’.
IAS 39 does not define the two terms ‘significant’ and ‘prolonged’ but implies, partly on the basis of an IFRIC guideline, that their meaning should be left to the directors whenever they have to draw up annual or interim financial statements under IFRS, provided that the meaning is determined in a reasonable manner and which does not avoid compliance with paragraph 61 of IAS 39.

In respect of equity instruments classified as Available-for-sale (AFS) financial assets, the Group defines as significant a reduction of 50% in the market value when compared to the initial recognition amount, and deems as prolonged a market value remaining below the initially recognised amount for more than 36 months.

An impairment test is carried out, in the case of equity instruments, on all the instruments to which at least one of the following conditions applies:

a) the market price has remained below the initially recognised amount for the last 36 months;
b) the decrease in value on the reporting date is more than 50% of the initial recognition amount.

The impairment of these instruments is deemed to be confirmed, and any accumulated fair value movements related to these instruments are transferred from the Reserve for gains and losses on the revaluation of available-for-sale financial assets, the total fair value movements are recognised in profit or loss.

In the case of **debt instruments**, whenever there is a delay or a default in payment of a coupon or principal repayment and this is confirmed by the custodian bank, the Group Finance Department immediately notifies the Risk Management Department for their evaluation of the need to recognise any impairment losses on these instruments.

4.6 Financial assets at fair value through profit or loss

Investments in this category are recognised at fair value and the differences (positive or negative) between fair value and carrying amount are recognised in profit or loss.
Information on how the fair value is determined is given under Fair value hierarchy below.

There are two subheadings:

- financial assets held for trading, which includes debt and equity instruments, mainly listed, derivative contracts with a positive fair value, and structured financial instruments where the embedded derivative would have to be separated in the event that the instruments were classified in a different category;
- financial assets designated at fair value through profit or loss, mainly consisting of assets linked to financial liabilities at fair value such as investments relating to policies issued by insurance companies where the investment risk is borne by the policyholders, and those arising from pension fund management.

Derivatives

Derivatives are initially recognised at the purchase cost, representing fair value, and are subsequently measured at fair value. The determination of derivatives' fair value is based on prices gathered from regulated markets or provided by operators, on option pricing models (utilising hypotheses based on market and economic conditions), or on discounted future cash flow valuation techniques.

Derivatives may be acquired for "trading" or "hedging" purposes. In the case of hedging transactions IAS 39 contains administratively onerous and complex rules for drawing up appropriate hedge accounting documentation to be used to check the effectiveness of the hedge from its commencement, and throughout its entire term.

As at 31/12/2012 there are open derivative contracts for the hedging of both fair value changes (fair value hedges) as well as variability in cash flows (cash flow hedges).

All financial derivatives are classified as Financial assets at fair value through profit or loss.

Fair value hierarchy

IFRS 7 requires an entity to disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. If there has been a change in the valuation technique, information must be provided on this change and on the reasons that led to it.

Fair value measurements must be classified using a fair value hierarchy, comprising three levels, that reflects the significance of the inputs used in making the measurements.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following information must also be provided, inter alia, for each class of financial instrument (contained in the two appendices to these Notes, "Details of financial assets and liabilities by level" and "Details of change in financial assets and liabilities at Level 3)":

- the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the three levels defined above;
- all transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers;
- for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances.

The Group classifies assets and liabilities according to the level of fair value as follows:

- Level 1: financial assets or liabilities listed on regulated markets or contributions with a sufficient level of liquidity;
- Level 2: financial assets or liabilities not belonging to Level 1 that are not valued on the market and for which the input parameters used in the valuation are observable on the market;
- Level 3: financial assets or liabilities not belonging to Level 1 that are not valued according to the market and for which the input parameters used in the valuation are not observable on the market.

Financial assets and liabilities not belonging to Level 1 are further distinguished on the basis of the inputs used for the purpose of measurement.

In the case of debt instruments, the below parameters are analysed in order to ascertain their origin from markets or from cash instruments identifiable in no uncertain manner on the market by means of an information provider:

- Credit curves, considered observable if extrapolated from CDS or asset swap curves with a sufficient level of liquidity and not valued internally or by means of benchmarks;
- Rate curves;
- Rate volatility: instruments valued by means of implicit volatilities for Cap, Floor and Swaption contracts that are observable on the market and have a sufficient level of liquidity are classified as Level 2; instruments valued by means of interest rate volatility calculated on historical bases are classified as Level 3;
- Correlations between rates: if the models used for measuring financial instruments require the use of correlation between rates, they are considered as belonging to Level 3, since this parameter is always an internal estimate.

Equity instruments listed on regulated markets are classified as Level 1 while the remaining instruments are classified as Level 3.

Reclassifications of financial assets

In the event that an Available-for-sale financial asset is transferred to the category of Held-to-maturity investments, the fair value recognised on the date of transfer becomes its new cost or amortisable cost. Any previous gain or loss on this asset that had been recognised directly in equity is amortised through profit or loss throughout the remaining term of the Held-to-maturity investment using the effective interest method.

If a financial asset is no longer held for sale or repurchase in the short term (although the financial asset may have been acquired or held mainly for sale or repurchase in the short term), it may be transferred from fair value through profit or loss if the following requirements are met:

- the circumstances must be very rare (paragraph 50B), or
- the asset to be reclassified would have met the definition of "loans and receivables" (if the financial asset had not had to be classified as held for trading when initially recognised) and the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (paragraph 50D).

A financial asset classified as Available-for-sale that would have met the definition of Loans and receivables (if it had not been designated as Available-for-sale) may be transferred from "Available-for-sale" to "Loans and receivables" if the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (paragraph 50E).

If an entity reclassifies a financial asset from Fair value through profit or loss or from "Available-for-sale" it must reclassify the financial asset at its fair value on the date of reclassification and the gain or loss already recognised in the income statement must not be reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost (paragraphs 50C and 50F).

In the case of a financial asset reclassified from "Available-for-sale", the previous gain or loss on the asset recognised directly in equity must be amortised in the income statement throughout the asset's remaining term using the effective interest method.

If the entity has reclassified a financial asset from Fair value through profit or loss or from "Available-for-sale", the following information must, amongst others, be disclosed (IFRS 7):

- the amount reclassified into and out of each category;
- for each reporting period until derecognition, the carrying amounts and fair values of all financial assets that have been reclassified in the current and previous reporting periods;
- if a financial asset was reclassified in accordance with paragraph 50B, the rare situation, and the facts and circumstances indicating that the situation was rare;
- for the reporting period when the financial asset was reclassified, the fair value gain or loss on the financial asset;
- for each reporting period following the reclassification (including the reporting period in which the financial asset was reclassified) until derecognition of the financial asset, the fair value gain or loss that would have been recognised if the financial asset had not been reclassified.

Accounting for structured securities issued by special purpose vehicles ("SPVs")

The Group's investment in financial instruments (notes) issued by SPVs have similar objectives to, and are managed similarly to its investments in structured and unstructured debt securities, Such investments are, in fact, carried out as part of the Group's financial management of funds derived from its particular trading activities. The industry sector in which the Group operates is characterised by particular complexities in terms of financial management in that, in certain circumstances, investment in financial assets with specific characteristics (for example, maturity date, credit rating, and payoff period) are necessary. Such instruments are not always readily available on financial markets. Given their specific nature, SPVs offer a wide range of investment opportunities in the form of financial investments with specific characteristics.

Irrespective of the fact that they have been issued by SPVs(10), Unipol Group classifies and accounts for securities issued by SPVs in accordance with IAS 39. This is due the fact that an SPV is considered to be a mere technical tool through which to structure complex financial instruments. In substance, the latter's risk/performance is evaluated by reference to the agreements governing their issue through the SPVs, the associated derivative contracts (usually swap agreements), any additional contractual arrangements such as financial or similar guarantees, as well as other "ancillary" terms that, in theory and under certain conditions, can provide for the possible settlement of securities. SPVs whose securities are held by Unipol Group replicate the obligations that they assume in favour of the noteholders with the arranger, in a way that the SPV does not retain the risks or benefits of the transaction.

Insofar as disclosed above, investments in notes issued by SPVs are accounted for in accordance with IAS 39, with the same criteria applied as for investments in debt securities, structured and unstructured. Particular regard is given to the presence of embedded derivatives and to the assessment of possible separation of the derivatives. In fact, in accordance with SIC 12, an entity should consolidate a SPV only in cases where the entity exercises control over the vehicle in accordance with paragraph 13 of IAS 27, i.e. the entity enjoys most of the benefits and bears most of the risks associated with the activities carried out by the SPV.

With respect to securities issued by SPVs and held by Unipol Group as at 31/12/2012, the Group does not exercise any form of control over the SPVs in that it is not able to govern the management process of the SPV (which is in fact determined by the arranger of the investment transaction, in which the Group only participates through subscription to the notes and to other relevant contracts). Also, the Group does not get any benefits from the SPVs that are different from those which are strictly related to the financial instrument invested in. The Group holds the notes issued by the vehicle and only has the power to dispose of those notes. It does not have power to dispose of the financial instruments held by the vehicle. It follows from these considerations that the Group does not have any form of control over the SPVs as per the provisions of paragraph 13 of IAS 27.
As at 31/12/2012, there was only one SPV within the Group's portfolio of securities issued by SPVs, in which the Group has subscribed to notes to such an extent that the Group had the majority of the risks/benefits associated with the SPV's activities. In all other cases, in fact, the Group did not enjoy the majority of the risks/benefits related to the SPVs' activities and consequently the control indicators established by SIC 12 are not satisfied.

In cases where the risks and benefits of the SPV's note issues are segregated through internal "silos" and the majority of such risks and benefits are transferred to Unipol Group by means of an SPV's , the SPV silos are consolidated. This effectively results in the Group's investment in the SPV notes being eliminated

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[10] An exception is made in case of notes issued by SPVs in securitisation transactions originated by the subsidiary Unipol Banca, in the context of which Unipol Banca subscribed in whole or in part to the notes issued by the securitisation SPVs originated by itself ("securitisation SPVs"), all of which were consolidated in the consolidated financial statements of the Unipol Group, including all assets, liabilities, income and expenses of the securitisation SPVs. To the extent that they were eliminated with the corresponding notes issued by the securitisation SPVs, the notes issued and subscribed by Unipol Banca are not recorded as assets in the financial statements.

upon consolidation to be replaced by a financial asset which, in terms of performance and associated risks, identically replicates the financial profile of the notes eliminated upon consolidation.
Since the SPV cannot retain risks or benefits of the transaction, an SPV silo would replicate, with the arranger, the obligations assumed with the noteholders. It follows that the financial asset to be recognised upon consolidation of the silo would, in substance, and for the purposes of classification and measurement under IAS 39, have the same characteristics as the investment in the notes eliminated upon consolidation of the silo itself. It also follows that, in the case of consolidation of silos where the risks/benefits of the SPV activities are entirely borne by the Unipol Group, there would be no material difference in the accounting treatment of the transaction. This substantially confirms the fact that effectively SPVs are technical instruments used for investing in financial assets with characteristics that in substance are equivalent to those of the notes issued by the SPVs and segregated in silos.

5 Other Receivables

Other receivables are recognised at their nominal amount and subsequently assessed at their estimated realisable value.

The item other receivables includes receivables due within twelve months, in particular Receivables arising out of direct insurance business, Receivables arising out of reinsurance operations and Other receivables, such as trade receivables and tax receivables.

6 Other assets

6.1 Non current assets or disposal group classified as held-for-sale – IFRS 5

This item includes Non-current assets held for sale and any discontinued operations as defined by IFRS 5.

Assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell.
If an investment in a subsidiary consolidated using the line-by-line method is to be sold within the time limit laid down by IFRS 5, all the assets of the company to be sold are reclassified as "Non-current assets held for sale or disposal groups" in the consolidated statement of financial position (item 6.1 of the Assets) and the liabilities are similarly reclassified under the single item "Liabilities associated with disposal groups" (item 6.1 of the Liabilities). Both items appear in the consolidated financial statements net of intercompany transactions with the company to be sold.

If the group continues to operate in the line of business of the company to be sold, income statement items relating to the assets held for sale or disposal groups are recognised in accordance with the normal rules of consolidation on a line-by-line basis.

6.2 Deferred acquisition costs

This item includes acquisition costs for multiyear insurance contracts, paid in advance and amortised on a straight-line basis over the maximum life of the contracts.

6.3 Deferred tax assets – IAS 12

This item includes deferred tax assets based on the deductible temporary differences between the carrying amounts and the tax base of the assets and liabilities of the individual consolidated companies, and on the consolidation adjustments. If there are any tax losses, deferred tax assets are recognised to the extent that there is a probability that there will be future taxable income against which they can be utilised.

Deferred tax assets are measured using the tax rates that have been enacted by the end of the reporting period or are expected to apply when the tax liability is settled, and are based on information available at the end of reporting period.

If assets are revalued solely for tax purposes, and the revaluation relates neither to an accounting revaluation of a previous year nor to one that is to be carried out in a subsequent year, the tax effects of the adjustment for tax purposes must be recognised in the income statement.

6.4 Current tax assets – IAS 12

This item includes assets relating to current taxation.

6.5 Other assets

Among other things, this item includes prepayments and accrued income and deferred commissions payable relating to investment contracts without discretionary participation features. Since deferred commissions payable are additional costs incurred to acquire the contract, they are amortised on a straight-line basis over the whole life of the contract.

7 Cash and cash equivalents – IAS 7

Cash and cash equivalents include cash on hand, cash in current accounts available on demand and term deposits for periods not exceeding 15 days.

Liabilities

1 Equity – IAS 32

1.1.1 Share capital

This item includes the parent company's share capital.

1.1.3 Capital reserves

This item includes in particular the share premium reserve of the company that carries out the consolidation. It includes the direct costs of issuing equity instruments, net of tax, and any commission income, net of tax, received for the sale of option rights not exercised by shareholders.

1.1.4 Retained earnings and other reserves

In particular this item includes gains or losses arising from the first-time application of IAS/IFRS (IFRS 1), gains or losses resulting from changes in accounting policies or accounting estimates (IAS 8), equalisation and catastrophe provisions eliminated under IFRS 4, provisions arising from equity-settled share-based payment transactions (IFRS 2) and the consolidation reserves.

1.1.5 Own shares

This item includes the equity instruments of the undertaking that draws up the consolidated financial statements owned by the undertaking itself and the consolidated companies. The item has a negative balance. The gains or losses resulting from their subsequent sale are recognised as changes in equity.

1.1.7 Gains or losses on available-for-sale financial assets

This item includes gains or losses on Available-for-sale financial assets, net of tax and amounts attributable to policyholders as a result of the application of shadow accounting.

1.1.8 Other gains or losses recognised directly in equity

This item includes, inter alia, gains or losses on cash flow hedges and the revaluation reserves of property, plant & equipment and intangible assets.

2 Provisions – IAS 37

Provisions are made for risks and charges only when there is a present obligation as a result of a past event for which it is probable that an outflow of resources will be required and a reliable estimate can be made.

3 Technical provisions – IFRS 4

Classification of insurance contracts

According to IFRS 4 insurance contracts are contracts that transfer significant insurance risk. Such contracts may also transfer financial risks.
An insurance risk is significant if, and only if, there is a reasonable possibility that the occurrence of an insured event will cause a significant change in the present value of the insurer's net cash flows.
Investment contracts are contracts that transfer financial risks with no significant insurance risk. Some insurance and investment contracts may include discretionary participation features.
All the policies in the Non-Life portfolio at 31 December 2012 were classified as insurance contracts.

The principal criteria used for classifying Life products as insurance contracts were modified over the previous year and are as follows:

- the presence of significant insurance risk, i.e. reasonable possibility that the occurrence of an insured event gives rise to significant 'additional benefits' being paid, compared with the benefits that would have been paid if the insured event had not taken place. The criteria for determining whether significant insurance risk is present in a contract are as follows:
  - a contract with insurance risk greater than 10% is an insurance contract;
  - a contract with insurance risk less than 5% is an investment contract;
  - for contracts with insurance risk of between 5% and 10%, the assessment is performed on a product by product basis.
- the presence of options or guarantees, such as the coefficient of conversion into a guaranteed rate annuity.

The different articulation of the identification of significant insurance risk did not result in any changes in the classification of contracts over the previous year.

Some contracts contain discretionary participation features (DPF) i.e. the policyholder is entitled to receive additional benefits, as a supplement to guaranteed benefits. The additional benefits should fulfil specific contractual conditions and must represent a significant part of the total benefits paid. In particular, with-profit contracts linked to managed asset funds have been classified as investment products with DPF and were therefore recognised and measured in the same way as insurance contracts.

A contract that has been classified as an insurance contract has to remain so classified until it is terminated, whereas under certain circumstances an investment contract may be subsequently classified as an insurance contract.

However, the following types of contract were classified as investment contracts without DPF. In accordance with IFRS 4, paragraph 3, the following types of contracts do not generate premiums and are recognised and measured in accordance with IAS 39:

- index-linked, where capital in the event of death corresponds to the value of the linked asset plus a non significant percentage;
- unit-linked, where capital in the event of death corresponds to the NAV plus a non significant percentage;
- endowment, with fixed guaranteed capital and risk-free interest rate;
- capital redemption, with fixed guaranteed capital and risk-free interest rate ;
- pension funds with guaranteed benefits upon maturity or upon the occurrence of predefined events.

In the case of unit-linked products, commission costs and service charges related to asset management are recognised and amortised separately over the life of the contract. In the case of index-linked products, given that these do not involve asset management over the life of the contract, (but only administration), such deferral is not considered necessary.

Non-life business technical provisions

Premiums provision

The provision for unearned direct premium is established analytically on a policy by policy basis using the pro rata temporis method on gross premiums accounted less commissions payable and other directly chargeable acquisition costs. In the case of multi-year contracts, only acquisition costs charged in the financial year are deducted.
Under certain conditions the provision for premiums also includes a provision for unexpired risks, calculated in accordance with the simplified method laid down in Article 10 of ISVAP Ruling 16 of 4 March 2008, which is based on the loss ratio for the financial year, adjusted on a prospective basis.
In the case of Credit insurance the flat-rate method prescribed by the Ministerial Decree dated 23 May 1981 was applied to premiums generated before 1992, whilst the pro rata temporis method has been applied to contracts issued from 1992 onwards.
As concerns suretyship insurance, the provision for unearned premiums has been calculated using the pro rata temporis method combined with the criteria laid down by ISVAP Ruling 16.
The total amounts allocated to this provision are considered adequate to meet the costs arising from the portion of risk pertaining to subsequent years.
The reinsurers' share of the premiums provision is calculated by applying the same criteria as those used for calculating the gross direct premiums provision, to premiums ceded and on the basis of applicable contractual agreements.

Ageing provision

The ageing provision is calculated at a flat rate of 10% on Health policies containing the features provided for by Article 46 of ISVAP Ruling 16 (multiyear health policies when the premium is not calculated as a function of increasing age).

Claims provision

The claims provision is ascertained analytically by estimating the expected cost of all the claims outstanding at the year end and on the basis of prudent technical valuations carried out with reference to objective criteria, in order to ensure that the total amounts set aside are adequate to meet the claims costs and the relative direct and indirect settlement expenses.
Outstanding claims reserves ascertained in this way are subject to Head Office's analysis and controls. Subsequently, in order to take account of all reasonably foreseeable future charges, actuarial statistical methods are used to determine the ultimate level of the claims provision.
The claims provision also includes amounts set aside for claims incurred but not reported (IBNR), based on IBNR experience in previous years.
The reinsurers' share of the claims provision reflects the sums expected to be recovered from reinsurers on outstanding claims reserves, determined in accordance with individual treaties or contractual agreements.

Provision arising from the adequacy test on Non-life technical provisions

Non-life technical provisions have been subjected to the test prescribed by IFRS 4 (Liability Adequacy Test – LAT).

In order to ensure the adequacy of the provision for unearned premiums, a supplementary provision for unexpired risks is calculated, using the simplified method provided for in ISVAP Ruling 16, Article 11, for each individual company and each class of business. Since claims for the year are measured at ultimate cost and are not discounted, future payment flows can be deemed to have been implicitly tested (LAT on the claims provision).

Life business technical provisions

Amounts recognised are calculated in accordance with the provisions of Article 36 of Legislative Decree 209 of 7 September 2005 (of the Insurance Code) and ISVAP Ruling 21 of 28 March 2008.

Mathematical provision

The mathematical provision on direct assurance contracts is calculated analytically on a contract by contract basis on the basis of pure premiums, without deducting policy acquisition costs, and by reference to actuarial assumptions (investment income, demographic assumptions for death or disability) that are established at the time the contracts are issued to calculate premiums.
The mathematical provision includes only the portion of pure premiums that is relative to premiums recognised during the year. It also includes all the revaluations made under the terms of the policy and is never less than the policy's surrender value.
In accordance with the provisions of Article 38 of Legislative Decree 173/1997, technical provisions, that are set up to cover liabilities arising from investment or index linked insurance policies where the investment risk is borne by the policyholder, and arising from pension fund management, are calculated by reference to commitments made under such policies and to the provisions of Article 41 of Legislative

Decree 209 of 7 September 2005. In the case of index-linked policies in particular the mathematical provision is calculated on the basis of the price of the underlying securities, whilst in the case of unit-linked policies the mathematical provision is calculated by multiplying the number of units by the price of the relevant funds on the date that they are calculated.
As concerns Pension Funds, and particularly, those policies that offer a guaranteed minimum return on contributions upon maturity or retirement, death or disability, the mathematical provision is increased by a further provision to cover the risk of including the value of the underlying assets. This additional provision is calculated as the difference between future guaranteed minimum values and future estimated values of the underlying assets during the guaranteed period. Amounts are determined using stochastic methods and are discounted as at the date of calculation.
The mathematical provision is calculated on policies in force at the reporting date analytically for each individual contract and takes into account contracts' start dates and all the obligations assumed under the policies.
As laid down in Article 36, paragraph 3, of Legislative Decree 209 of 7 September 2005, the provision for payable amounts includes the total amounts required to cover payment of benefits that are due but outstanding, surrenders and outstanding claims.
The provision for bonuses and rebates was set up to cover the Group's commitment to allocate to certain term policies technical profits for the year on the individual contracts, upon death and/or disability.
Other technical provisions consist almost entirely of amounts set aside for operating expenses and are calculated on the basis of the provisions of Articles 31 and 34 of ISVAP Ruling 21 of 28 March 2008.

In accordance with specific provisions issued by the Supervisory Authority the mathematical provision is supplemented by the following additional provisions:

Supplementary provisions based on demographics (Article 50 of ISVAP Ruling 21)
An additional provision has been set up to supplement the provision for liabilities to policyholders whose benefits are in the form of life annuities or in the form of lump sums with guaranteed coefficients of annuity conversions.
This supplementary provision is calculated at the Group's companies by comparing the demographic data used in setting premium rates against latest demographic tables such as the RG48, which shows details by gender separately, the IPS55 for men and the SIMPS71. Coefficients, that reflect each company's propensity to choose annuities offered, are applied to the levels of provision determined in the manner above.

Additional provisions
Under Article 38, paragraph 3, of Legislative Decree 173 of 1997, the mathematical provision is to include provisions set up to hedge mortality risks on Class III insurance contracts (as defined in Article 2, paragraph 1, of Legislative Decree 209 of 7/9/2005), which guarantee benefits in the event of the insured's death during the term of the contract. In the case of insurance contracts in Class III and Class VI the mathematical provision also includes provisions set up in relation to guaranteed benefits upon maturity or upon the occurrence of certain events (as laid down in Article 2, paragraph 1, of Legislative Decree 209 of 7/9/2005).

Provision for expenses
In the case of policies where premium payments are over a period shorter than the term of insurance (single premium, low annual premium, reduced) a provision is set aside for expenses that is calculated on the basis of estimated future management expenses.

In the case of index-linked, the provision for management expenses has been set up as the difference between net premium value and the initial value of the policy less the initial marketing cost incurred by the company. This amount, which remains valid throughout the life of the contract, has been set aside for the remaining term of each individual contract.

Additional provisions for temporary mismatching (Article 37 of ISVAP Ruling 21)
These provisions are used to cover against the financial effects of fluctuations in the returns on separately managed funds. The provisions account for returns due to policyholders that are not expected to be covered by expected investment returns over the same period, due to temporary mismatches.
This provision is particularly significant in the case of separately managed funds that provide for a single annual rate of return to be paid to policyholders for the following twelve months.

Additional provision for financial risks (Articles 47 and 48 of ISVAP Ruling 21)
The mathematical provision is supplemented by an item held as a hedge against possible discrepancies between the expected investment returns on managed funds backing technical provisions, and the obligations to policyholder in the form of financial guarantees and adjustments to benefits provided under the contracts.
In addition, the liability adequacy test was carried out in accordance with IFRS 4 to ensure the adequacy of the technical reserves in meeting future contractual cash flows.
The test involves projection of future cash flows taking into account the following:
– guaranteed benefits divided by type of guarantee, projected on the basis of contractual terms;
– characteristics of in-force policies such as premium recurrence, maturity, mortality and persistency;
– investment return and management expenses.

Provision for shadow accounting

The shadow accounting technique set out in IFRS 4 enables unrealised losses and/or gains on underlying assets to be recognised in technical provisions for insurance or investment contracts with DPF, as if they had been realised. This adjustment is taken to the income statement or recognised directly in equity depending on whether the valuation differences on the assets are recognised in equity or in the income statement.
Net losses are only recognised in the provision for deferred financial liabilities attributable to policyholders only if the guaranteed minimum has been reached, otherwise the company continues to bear the losses in full. Losses are quantified using a financial prospective method in line with Chapter I of ISVAP Regulation 21 dated 28 March 2008.
The application of shadow accounting enables value mismatches between technical provisions and assets backing them to be mitigated and is therefore considered to be more representative of the economic substance of the transactions in question.

4 Financial liabilities - IAS 39

This item includes Financial liabilities at fair value through profit or loss and Financial liabilities measured at amortised cost.

4.1 Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subdivided into two further sub-items:
- financial liabilities held for trading, which include derivatives with negative fair values;

- financial liabilities designated at fair value through profit or loss, which include financial liabilities relating to contracts issued by insurance companies where the investment risk is borne by the policyholders, when the insurance risk is not significant and where there is no discretionary participation feature.

4.2 Other financial liabilities

This item includes interbank payables and payables to bank customers, deposits received from reinsurers, debt securities issued, other loans obtained and liabilities on Life policies with a financial content where the insurance risk is less than 10% and there is no discretionary participation feature (certain types of product matched by specific pools of assets).

5 Payables

Payables includes Payables from direct insurance business, Payables from reinsurance operations and Other payables, such as trade payables, payables for policyholders' tax due, payables for employees' severance payments, payables for miscellaneous tax charges and social security contributions.

Payables are recognised at their nominal amount.

Employee benefits – IAS 19

The post-employment benefits accrued by 31/12/2006 that have not been transferred to external bodies in accordance with the provisions of Legislative Decree 252/05 relating to supplementary pension schemes fall under the category of employee benefits which is classified as a defined benefits plan. The amount due to employees is therefore calculated using actuarial techniques and discounted at the reporting date, using the "Projected unit credit method" (a method based on benefits accrued in proportion to the length of employment).
The effects of the other defined benefit plans in favour of employees following termination of employment are determined by using the same method.

Actuarial gains or losses relating to the obligations arising from defined benefit plans are recognised as a component of other comprehensive income rather than in the income statement.
The discounting of future cash flows is carried out on a basis determined by reference to market yields on high quality corporate bonds as at the end of the reporting period.

The service cost and net interest income are recognised in the income statement.

Net interest expense is calculated by applying the 1 year interest rate, as inferred from the yield curve used for discounting the liability at the end of the previous year, to the net provision for defined benefit obligations that existed at the beginning of the year.

6 Other liabilities

6.1 Liabilities of a disposal group held for sale – IFRS 5

Please see above for the corresponding asset item.

6.2 Deferred tax liabilities – IAS 12

Deferred tax liabilities are recognised whenever there is a taxable temporary difference, except in the cases provided for in paragraph 15 of IAS 12.
Deferred tax liabilities are measured using the tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the tax liability is settled.
In the event of changes in tax rates, deferred taxes relating to prior years are recalculated according to the new rates and are recognised under Taxes in the income statement or under equity reserves by reference to the related temporary differences.

6.3 Current tax liabilities

This item includes current Tax payables.

6.4 Other liabilities

This item includes, inter alia, accrued expenses and deferred income, accruals for commissions on premiums in the course of collection and deferred commission receivable relating to investment contracts with no discretionary participation feature required in advance for the contract administration service or for the investment management service. These are amortised on a straight-line basis over the life of the contract or, in the case of whole-life contracts, over the “expected” life of the contract.

Income Statement

1 Revenue and income

1.1 Net premiums

This item includes the earned premiums relating to insurance contracts and financial instruments that include discretionary participation features, net of ceded reinsurance premiums.
Premiums written are recognised at the time they are due. Earned premiums for the year are determined following the recognition of a provision for unearned premiums.

1.2 Fee and commission income

This item includes commission income for financial services provided. It includes commission income arising from banking activities and the loadings for the year relating to Life policies where insurance risk is below 10% and there is no discretionary participation feature. In the case of unit-linked policies, in particular, the acquisition loadings relating to the asset management service provided have been recognised and deferred over the term of the asset management contract.

1.3 Gains on financial instruments at fair value through profit or loss

This item includes realised gains and losses, interest, dividends, charges and positive and negative fair value movements on financial assets and liabilities at fair value through profit or loss.

1.4 Income from investments in subsidiaries, associates and joint ventures

This item comprises gains on investments in subsidiaries, associates and interests in joint ventures, with a corresponding amount recognised against the related asset.

1.5 Income from other financial instruments and investment property

This item includes gains on investments that do not fall under the previous two categories. These mainly include interest income on “Loans and receivables” and on securities classified as Available-for-sale financial assets and Held-to-maturity, other investment income, comprising dividends and rental income from investment property, and realised gains on the sale of financial assets or liabilities and investment property.

1.6 Other income

This item includes income arising from the sale of goods, the provision of services other than those of a financial nature and the use by third parties of the company’s property, plant and equipment and other assets. It also includes other net technical income on insurance contracts, exchange rate differences allocated to the income statement under IAS 21, realised gains, and reversals of impairment losses on property, plant and equipment and other assets.

2 Costs and expenses

2.1 Net insurance claims

This item includes the sums paid out during the year for claims, matured policies and surrendered policies and the amount of variations in the technical provisions relating to contracts that fall within the scope of IFRS 4, net of amounts recovered and of outwards reinsurance.

2.2 Fee and commission expense

This item includes commission expenses for financial services received. It includes commission expense arising from banking activities and commissions on Life assurance contracts classified as financial liabilities. In particular, acquisition commissions paid for the placement of unit-linked policies are amortised throughout the term of the contract to match deferred acquisition costs.

2.3 Losses on investments in subsidiaries, associates joint ventures

This item comprises losses on investments in subsidiaries, associates and interests in joint ventures, with a corresponding amount recognised against the related asset.

2.4 Charges from other financial instruments and property

This item includes losses on investment property and financial instruments other than equity investments and financial instruments classified as “Assets at fair value through profit or loss”. It mainly includes interest expense on financial liabilities, other investment expenses, costs related to investment property such as condominium expenses and maintenance expenses that do not increase the value of the investment property, realised losses made upon the derecognition of financial assets or liabilities and investment property, depreciation and impairment losses.

2.5 Management expenses

This item includes commissions and other acquisition expenses relating to insurance contracts, investment management expenses, other administrative expenses and depreciation (overheads and personnel expenses that are not allocated to losses relating to claims, insurance contract acquisition costs and investment management expenses).

2.6 Other costs

This item mainly includes other net technical charges relating to insurance contracts, additional provisions made during the year, exchange rate differences allocated to the income statement under IAS 21, realised losses, and depreciation and amortisation relating to property, plant and equipment, investment property and intangible assets that have not been allocated to other cost items.

3 Tax

In their capacity as consolidated companies, and in accordance with Article 117 *et seq.* of Presidential Decree 917/86 and Ministerial Decree of 9 June 2004, Unipol and the other subsidiaries that fulfil the requirements (Unipol Assicurazioni, Linear, Linear Life, Midi, Smallpart and, since 2012, Unisalute) have opted for the system of consolidated Group taxation (in respect of IRES). The direct parent for taxation purposes is Finsoe. The companies listed above have signed an agreement with this company regulating the economic, financial and procedural aspects governing the option in question.

Charges/income linked to the transfer to the parent of the taxable income for IRES purposes, are calculated in accordance with the provisions of the law, taking into account the applicable exemptions and tax credits as well as the provisions of the agreement with the parent company. They are recognised under taxation in the income statement. IRAP for the year is also recognised under taxation.

Taxation includes deferred tax assets and liabilities, which are calculated on the basis of the temporary differences (that have arisen or been deducted during the year) between the individual consolidated companies' accounting profit (loss) and taxable profit (loss) for the year, and on the consolidation adjustments. If there are any tax losses, deferred tax assets are recognised to the extent that there is a probability that there will be future taxable income against which they can be utilised.

Foreign currency transactions – IAS 21

Amounts denominated in foreign currencies are dealt with in accordance with the principles of multicurrency accounting.
Monetary items denominated in a foreign currency (units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency) are translated using the exchange rate applicable at the end of the year.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.
Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.
Exchange rate differences arising from the settlement of monetary items are recognised in the income statement. Exchange rate differences arising when non-monetary elements are remeasured are allocated to the profit (or loss) for the year or to components of other comprehensive income depending on whether

the profit (or loss) to which they relate is recognised in the profit (or loss) for the year or as components of other comprehensive income, respectively.

Share-based payments – IFRS 2

The Group pays additional benefits to senior executives under a closed share-based payment plan under which Unipol ordinary shares are granted if specific targets are achieved (performance shares). As laid down by IFRS 2 – Share-based payments, these plans form part of the beneficiaries' remuneration. The related charge, calculated on the basis of the grant date fair value, is recognised in profit or loss over the vesting period with a corresponding credit recognised directly in equity (in the equity-settled share-based payment reserve).

Earnings per share – IAS 33

Basic earnings per share is calculated by dividing the profit attributed to ordinary shareholders of the parent company Unipol by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share is calculated by dividing the profit attributed to ordinary shareholders of the parent company Unipol by the weighted average number of any additional ordinary shares that would be outstanding if all the potential ordinary shares with a dilutive effect were to be converted.
If the results for the year are negative, a loss (basic and diluted) per share is calculated.

Use of estimates

In drawing up the financial statements, Management has had to formulate valuations, estimates and judgements that affect the way that accounting standards are applied and amounts of assets, liabilities, costs and revenue are recognised in the financial statements. Although reliability is not affected, given that these are estimates, the results obtained may not necessarily be the same as estimated in these financial statements. These estimates and assumptions are reviewed regularly. Any variations arising from revisions to the estimates are recognised during the period in which the review is carried out and in relevant subsequent periods.

Estimates principally relate to:

- Life and Non-life insurance technical reserves;
- assets and liabilities measured at fair value (in particular, financial instruments at a fair value level lower than Level 1);
- impairment analyses and tests for intangible assets recognised in the financial statements (eg. goodwill).

For information about the methods used in the determination of the above items and the main risk factors, please refer to the previous paragraphs containing a description of the criteria used in carrying out valuations.
Please refer to the paragraph “Initial recognition of the business combination” for information regarding the assets and liabilities arising from the acquisition of the Premafin Group.

3. NOTES TO THE STATEMENT OF FINANCIAL POSITION

Comments and further information on the statement of financial position items and the variations when compared to the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the statement of financial position).

Disclosure of statement of financial position items on a comparable basis

Variations, compared with the corresponding figures of the previous year, in the main statement of financial position items are shown on a comparable basis that excludes Premafin Group's balances as at 31/12/2012.

ASSETS

1. Intangible assets

				on a comparable basis
Values in millions of Euros	31/12/2012	31/12/2011	*change*	31/12/2012
Goodwill	1,908.9	1,522.5	*386.4*	1,522.2
resulting from business combinations	1,789.3	1,403.2	*386.0*	1,402.5
from acquisition of bank branches	119.3	118.9	*0.4*	119.3
other	0.3	0.3	*0.0*	0.3
Other intangible assets	168.2	118.5	*49.7*	117.3
VoBA	30.9	35.9	*-5.0*	30.9
software and user licenses	69.1	56.1	*13.0*	63.6
other intangible assets	68.1	26.5	*41.6*	22.8
Total intangible assets	2,077.1	1,641.0	*436.1*	1,639.5

Amounts included in this item that arise from the acquisition of the Premafin Group are still provisional, as described above in the section "Initial recognition of the business combination." In fact, valuations relating to identifiable intangible assets, attributable in particular to the acquired insurance portfolios, are still ongoing and can result in significant variations in the recognised intangible assets.

1.1 Goodwill

This item amounted to euro 1,908.9 million (euro 1,522.5 million in 2011) and comprises goodwill resulting from business combinations, amounting to euro 1,789.3 million (euro 1,403.2 million in 2011) and other goodwill amounting to euro 119.6 million (euro 119.2 million in 2011).

Details of **goodwill arising from business combinations** are as follows:

Values in millions of Euros	31/12/2012	31/12/2011	change
Compagnia Assicuratrice Linear Spa	17.1	17.1	0.0
Unisalute Spa	3.9	3.9	0.0
Unipol Banca Spa	6.2	7.0	-0.7
Unipol Assicurazioni Spa	1,238.6	1,238.6	0.0
Arca Vita Spa	136.6	136.6	0.0
Premafin	386.8	0.0	386.8
Total goodwill resulting from business combinations	1,789.3	1,403.2	386.0

The increase of euro 386.8 million is due to the acquisition of the Prefamin Group in July 2012.

Goodwill with an indefinite useful life, as recognised in the financial statements, has been subjected to an impairment test in accordance with the procedure specifically approved by the Board of Directors of the parent company Unipol, as has not suffered impairment losses. Refer to paragraph 5.9 of Chapter 5 of this document, “Other information”, for information on the criteria used for the tests.

1.2 Other intangible assets

This item, amounting to euro 168.2 million (euro 118.5 million in 2011), comprises the value of in-force Life portfolios acquired (with a finite useful life), expenses for renovating leased property, and the cost of software, licences, consultancy and customisation of software.

2. Property, plant and equipment

Property, plant and equipment, net of depreciation, amounted to euro 1,413 million as at 31 December 2012 (euro 804.1 million in 2011), of which euro 1,286.4 million was owner-occupied property (euro 746 million in 2011) and euro 126.6 million was other property, plant and equipment (euro 58.2 million in 2011).

Property

Values in millions of Euros	Gross carrying amount	Accumulated depreciation and impairment losses	Net carrying amount
Balance at 31/12/2011	835.9	-89.9	746.0
Increases	645.3		645.3
Decreases	-92.9		-92.9
Depreciation for the year		-18.8	-18.8
Other changes		6.9	6.9
Balance at 31/12/2012	1,388.3	-101.9	1,286.4
On comparable basis	877.6	-84.3	793.3

The increase in Property is due to the acquisition of the Premafin Group, amounting to euro 493 million, as well as to the activity of the Group’s two real estate companies, Midi, amounting to euro 1.6 million, and Unifimm, amounting to euro 36 million, and to Ambra Property, amounting to euro 5.1 million. The company Unifimm has completed the construction of Unipol Tower in via Larga in Bologna, and the companies Unisalute and Linear moved in during August. Work has continued on the shopping mall and the hotel, completion of which is expected in 2013. The company Midi has continued to work on an auditorium located in the Group's new Administration centre, called Porta Europa, in via Stalingrado 37, which will host up to 500 people. In addition, work continued on the premises that will be used to house the Centro Unipol Bologna (C.U.BO.), the Group's multi media centre whose opening is imminent, and whose purpose is to take visitors through the Group's 50 years history, and to experience its heritage and achievements.

Other tangible assets

Values in millions of Euros	*Office furniture and machinery*	*Movables entered in public registers*	*Plant and equipment*	Total
Balance at 31/12/2011	208.4	4.5	82.1	295.0
Increases	113.6	5.8	108.3	227.8
Decreases	-2.3	-1.2	-0.9	-4.5
Balance at 31/12/2012	319.7	9.1	189.5	518.3
Accumulated depreciation at 31/12/2011	167.3	1.8	67.7	236.8
Increases	77.4	4.5	75.0	156.8
Decreases	-1.1	-0.7	-0.1	-2.0
Accumulated depreciation at 31/12/2012	243.5	5.6	142.5	391.6
Net amount at 31/12/2011	41.1	2.7	14.3	58.2
Net amount at 31/12/2012	76.2	3.5	46.9	126.6
Net amount at 31/12/2012 - on a comparable basis	7.3	3.5	46.9	57.7

3. Reinsurers' share of technical provisions

This item amounts to euro 1,207.3 million, an increase of euro 811.3 million compared to 2011, mainly due to the acquisition of Premafin Group. Details are set out in the relevant appendix.

4. Investments

As at 31/12/2012, total investments (investment property, equity investments and financial assets) amounted to euro 70,957.6 million (euro 33,148.6 million in 2011).

4.1 Investment property

Values in millions of Euros	Gross carrying amount	Accumulated depreciation and impairment losses	Net carrying amount
Balance at 31/12/2011	338.5	-24.3	314.2
Increases	2,739.1		2,739.1
Decreases	-14.9		-14.9
Depreciation for the year		-31.1	-31.1
Other variations		-6.8	-6.8
Balance at 31/12/2012	3,062.7	-62.2	3,000.5
On a comparable basis	307.6	-9.4	298.2

This increase was mainly due to the acquisition by Unipol of Premafin Group which owns buildings amounting to euro 2,702.3 million, net of depreciation.
The fair value of investment property, amounting to euro 3,037.5 million, was determined on the basis of independent expert appraisals.

4.2 Investments in subsidiaries, associates and joint ventures

As at 31/12/2012 investments in subsidiaries, associates and interests in joint ventures amounted to euro 175.6 million (euro 42.3 million in 2011). The movement in comparison with the previous year was mainly due to investments in subsidiaries as a result of the acquisition of Premafin Group, amounting to euro 126 million.

Financial assets - items 4.3, 4.4, 4.5 e 4.6 (excluding financial assets designated at fair value through profit or loss)

					on a comparable basis		Premafin Group
Values in millions of Euros	31/12/2012	*Fair Value at 31/12/2012*	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Investments held to maturity	3,050.8	*3,135.6*	1,689.0	*80.6*	2,312.8	*36.9*	738.0
Listed debt securities	2,483.8		1,096.1	*126.6*	1,818.0	*65.9*	665.8
Unlisted debt securities	567.0		592.8	*-4.4*	494.8	*-16.5*	72.2
Loans and receivables	17,489.2	*17,099.7*	15,048.9	*16.2*	14,799.0	*-1.7*	2,690.2
Listed debt securities	0.0		410.7	*-100.0*	0.0	*-100.0*	0.0
Unlisted debt securities	5,764.0		4,142.1	*39.2*	4,179.4	*0.9*	1,584.6
Loans and receivables from bank customers	10,495.4		9,924.4	*5.8*	9,976.7	*0.5*	518.7
Interbank loans and receivables	397.3		324.9	*22.3*	394.4	*21.4*	2.9
Deposits with ceding companies	37.7		18.0	*110.0*	15.4	*-14.5*	22.4
Other loans and receivables	768.5		228.8	*235.9*	233.2	*1.9*	535.3
Other financial assets	26.3		0.0		0.0	*-100.0*	26.3
Available-for-sale financial assets	36,646.6	*36,646.6*	12,134.6	*202.0*	14,966.9	*23.3*	21,679.6
Equity instruments at cost	88.9		216.0	*-58.8*	88.9	*-58.8*	0.0
Listed equity instruments at fair value	1,396.2		948.3	*47.2*	721.3	*-23.9*	674.9
Unlisted equity instruments at fair value	482.4		3.1		246.4		235.9
Listed debt securities	32,368.4		9,526.5	*239.8*	12,302.0	*29.1*	20,066.5
Unlisted debt securities	1,333.5		1,164.3	*14.5*	1,283.8	*10.3*	49.7
UCITS	977.2		276.3	*253.7*	324.5	*17.4*	652.7
Financial assets held for trading	578.8	*578.8*	469.9	*23.2*	453.4	*-3.5*	125.5
Equity instruments at cost	10.9		1.0		10.8	*997.6*	0.0
Listed debt securities	213.8		89.9	*138.0*	167.9	*86.8*	46.0
Unlisted debt securities	196.8		222.6	*-11.6*	134.4	*-39.6*	62.5
UCITS	77.2		86.6	*-10.8*	77.2	*-10.8*	0.0
Derivatives	80.1		69.9	*14.5*	63.1	*-9.7*	17.0
Total financial assets	57,765.4	*57,460.7*	29,342.4	*96.9*	32,532.1	*10.9*	25,233.3

It is noted that, following the stabilisation of the liquidity position in the debt markets and in order to achieve a fairer representation in the financial statements, debt securities which were categorised as Loans and receivables as at 31/12/2011 at an amount of euro 322.2 million have now been reclassified to Available-for-sale financial assets, which is deemed a more appropriate category. The effects of the reclassification on equity are insignificant.

As already mentioned in “Use of estimates” section of Chapter 2, “Accounting policies” of these Notes to the financial statements, the determination and measurement of financial assets and liabilities at fair value, in particular for financial instruments falling below Level 1 within the fair value hierarchy, is made through a process of estimation.
Within the context of valuation methodologies, refinements were identified in 2012 during the process of reassessing estimates used in the determination of financial assets’ fair values. These refinements were identified as a result of further analyses performed on the securities within the portfolio, as well as through having obtained other relevant information directly from counterparty issuers. In particular, and with the objective of using criteria that is more consistent with best market practices, a modification was made to the fair valuation methodologies applied for certain types of structured securities.

This adjustment, which in particular involved the securities issued by Special Purpose Vehicles (SPV) and credit linked notes (CLN), is a result of the need to:

- separately determine the fair value of the disaggregated basic components of cash flows expected from notes; these are subsequently aggregated to determine the total fair value;
- deepen considerations of credit risk related to Italian sovereign securities, as a result of the sovereign debt crisis which commenced in the latter months of 2011 and led to continuing tensions in the course of 2012.

There were no changes in the pricing models, the calibration of the models themselves, and in the market parameters used; the applied changes relate exclusively to a different association of the credit spread curve attributed to certain types of structured securities, as well as an update of the estimated effects of the crisis on the sovereign debt issued by the Italian government, in the light of the continuation of the crisis.
Since these variations represent changes in accounting estimates, restatement of the comparative figures of the previous year is not necessary.

It is noted that the above-referred adjustments to estimates impacted 48 securities whose carrying amount at 31 December 2012 amounted to euro 2.8 billion. The refinement of the estimates in 2012 resulted in a reduction in 2012 of approximately euro 240 million in fair value.

Financial assets analysed by class of investment

				on a comparable basis		Premafin Group
Values in millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Equity instruments	1,978.3	1,168.5	*69.3*	1,067.5	*-8.6*	910.9
Debt securities	42,927.4	17,245.0	*148.9*	20,380.2	*18.2*	22,547.2
UCITS	1,054.4	362.9	*190.6*	401.7	*10.7*	652.7
Other financial instruments	912.6	316.7	*188.2*	311.6	*-1.6*	600.9
Loans and receivables from bank customers	10,495.4	9,924.4	*5.8*	9,976.7	*0.5*	518.7
Interbank loans and receivables	397.3	324.9	*22.3*	394.4	*21.4*	2.9
Total financial assets	57,765.4	29,342.4	*96.9*	32,532.1	*10.9*	25,233.3

Financial assets designated at fair value through profit or loss

				on a comparable basis		Premafin Group
Values in millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Financial assets designated at fair value through P or L	10,016.1	3,449.7	*190.3*	3,681.0	*6.7*	6,335.1
Listed equity instruments at fair value	104.8	55.0	*90.7*	54.8	*-0.2*	50.0
Listed debt securities	3,299.1	1,983.5	*66.3*	2,500.2	*66.3*	798.9
Unlisted debt securities	4,349.3	369.3	*1,077.8*	72.2	*1077.8*	4,277.1
UCITS	2,045.2	896.1	*128.2*	959.7	*128.2*	1,085.5
Derivatives	95.0	3.4	*2,715.9*	0.3	*2715.9*	94.8
Other financial assets	122.6	142.5	*-13.9*	93.8	*-13.9*	28.8

Financial assets designated by the Group at fair value through profit or loss include financial assets held to cover insurance or investment contracts issued by the Group, where the investment risk is borne by policyholders, and those arising from pension fund management.

Information on reclassified financial assets (paragraph 12 - 12A of IFRS 7)

The information required by paragraphs 12 and 12A of IFRS 7 is contained in the appendix "Details of reclassification of financial assets and effect on the income statement and the statement of comprehensive income".

5. Other receivables

				on a comparable basis		Premafin Group
Values in millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Receivables relating to direct insurance business	2,090.4	820.6	*154.8*	767.6	*-6.5*	1,322.8
Receivables relating to reinsurance business	110.8	57.9	*91.2*	46.0	*-20.6*	64.7
Other receivables (miscellaneus)	1,462.3	883.0	*65.6*	756.3	*-14.4*	706.0
Other receivables	3,663.5	1,761.5	*108.0*	1,569.9	*-10.9*	2,093.5

Other receivables include, in particular, tax receivables amounting euro 577.9 million, of which euro 309.8 million are due to the Premafin Group, and amounts due from Finsoe, the parent for taxation purposes, amounting to euro 336.9 million. Considering also the debts recognised within liabilities, amounting to euro 125.8 million, the net receivable from Finsoe, the parent for taxation purposes, amounts to euro 211.1 million, of which euro 88.7 million relate to tax losses of previous years. These will become due when there is sufficient taxable income at the level of the fiscal consolidatation.

6. Other assets

				on a comparable basis		Premafin Group
Values in millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Non-current assets or disposal groups classified as held-for-sale	7.7	0.0		4.3	*0.0*	3.3
Deferred acquisition costs	67.1	18.8	*256.3*	14.9	*-21.1*	52.3
Deferred tax assets	2,201.2	1,255.7	*75.3*	1,098.1	*-12.6*	1,103.1
Current tax assets	324.6	27.3	*1089.0*	20.4	*-25.1*	304.1
Other assets	481.4	278.2	*73.0*	271.2	*-2.5*	210.2
Total other assets	3,082.0	1,580.0	*95.1*	1,408.9	*-10.8*	1,673.1

Details of deferred tax assets are given in the note on income tax.

Non-current assets and assets of a disposal group classified as held for sale include euro 4.3 million relating to the company Unicard, while euro 3.3 million refer to a property of the subsidiary Auto Presto e Bene.

Other assets include, amongst others, deferred commission expense, prepayments and accrued income and other miscellaneous items.

7. Cash and cash equivalents

Cash and cash equivalents at the reporting date amounted to euro 708.2 million (euro 239.7 million in 2011), of which euro 491.1 million are attributable to the Premafin Group.

LIABILITIES

1. Equity

Equity attributable to the owners of the Parent			
Values in Millions of Euros	31/12/2012	31/12/2011	*change*
Share capital	3,365.3	2,699.1	*666.2*
Capital reserves	1,724.5	1,506.3	*218.2*
Retained earnings and other reserves	145.8	91.0	*54.8*
(Own shares)	-0.1	-0.2	*0.0*
Reserve for currency translation differences	2.5	0.0	*2.5*
Gains or losses on available-for-sale financial assets	-164.1	-1,112.5	*948.4*
Other gains and losses recognized directly in equity	-50.7	-19.4	*-31.4*
Profit (loss) for the period/year	298.6	-135.2	*433.8*
Total equity attributable to the owners of the Parent	5,321.7	3,029.1	*2,292.6*

Total equity attributable to the owners of the parent, including profit for the year, amounts to euro 5,321.7 million (euro 3,029.1 million at 2011). The increase is due to:

- an increase in capital, net of related issue costs, amounting to euro 1,053 million;
- an increase of euro 948.4 million arising from gains recognised in the reserve for Gains and losses on the revaluation of available-for-sale financial assets, which improved from euro -1,112.5 million as at 31/12/2011 to euro -164.1 million as at 31/12/2012;
- a decrease of euro 31.4 million arising from negative movements recognised directly in equity within the Income-related and other reserves;
- the Group's profit for the year, amounting to euro 298.6 million.

Amongst others, Income-related and other reserves includes differences arising between the carrying amount of investments in subsidiaries and the corresponding proportion of equity of the consolidated companies, after allocations to these companies' assets and to goodwill. This item also includes the consolidation adjustments required by the parent company's accounting policies and those made as a result of the elimination of intra-group dividends. The reserve relating to the equity-settled share based payments scheme, amounting to euro 11.8 million, is also included within this reserve (euro 8.3 million in 2011).

Shareholders' equity attributable to non-controlling interests amounts to euro 1,680.6 million (euro 126.2 million as at 31/12/2011). The increase is primarily attributable to the consolidation of the Premafin Group.

Following the reverse split of ordinary and preference shares and the subsequent capital increase, Unipol Gruppo Finanziario's share capital as at 31/12/2012 amounted to euro 3,365,292,295.47 represented by 717,473,484 shares, of which euro 2,082,543,243.71 are represented by 443,993,991 ordinary shares and euro 1,282,749,051.76 are represented by 273,479,493 preferred shares, all with no par value.

	Share Capital al 31/12/2011		Grouping Shares	
	Number of Share	Euro	Number of Share	Euro
Ordinary Shares	2,114,257,106	1,670,263,113.95	21,142,571	1,670,263,109.21
Preference Shares	1,302,283,310	1,028,803,816.16	13,022,833	1,028,803,808.26
Total	3,416,540,416	2,699,066,930.11	34,165,404	2,699,066,917.47

	Increase in Share Capital		Share Capital al 31/12/2012	
	Number of Share	Euro	Number of Share	Euro
Ordinary Shares	422,851,420	412,280,134.50	443,993,991	2,082,543,243.71
Preference Shares	260,456,660	253,945,243.50	273,479,493	1,282,749,051.76
Total	683,308,080	666,225,378.00	717,473,484	3,365,292,295.47

634,236,765 Unipol 2010-2013 ordinary share warrants and 390,660,132 Unipol 2010-2013 preference share warrants are also in issue.

The movements registered during the year, compared to the previous year, are shown in the attached statement of changes in shareholders' equity.

Own share

The 300,000 treasury preference shares were cancelled during the first half of 2012, resulting in a positive effect of euro 55.3 thousand on the Group's net assets. As at 31/12/2011 these shares were in issue at an amount of euro 173.1 thousand.

Following the acquisition of the Premafin Group, 40,000 treasury shares are held by the subsidiaries Fondiaria-SAI (24,000) and Milano Assicurazioni (16,000). There were no purchase or sale transactions of treasury shares during 2012.

Reverse split of Unipol ordinary and preference shares

A reverse split of ordinary and preference shares was approved in the Unipol Gruppo Finanziario shareholders' Extraordinary General Meeting held on 19 March 2012. The reverse split was carried out in the ratio of 1 new ordinary share for every 100 ordinary shares held, and 1 new preference share for every 100 preference shares held, resulting in the cancellation of ordinary and preference shares in the minimum number of shares required for the transaction to take place, with a corresponding reduction in capital. The transaction resulted in the elimination of 6 ordinary shares and 10 preferred shares. The certificate of execution of a change in share capital was registered in the Register of Companies of Bologna on 27 March 2012.

The ratio and exercise price of Unipol's 2010-2013 ordinary share warrants and preference share warrants were also proportionately adjusted as a result of the reverse stock split:

- the number of Unipol ordinary share warrants to be exercised for the subscription of 2ordinary conversion shares was adjusted from 13 to 1,300;
- the number of Unipol preference share warrants to be exercised for the subscription of 2 preference conversion shares was adjusted from 13 to 1,300;
- the subscription price of each ordinary conversion share was adjusted from euro 0.72 to euro 72.00;
- the subscription price of each preference conversion share was adjusted from euro 0.48 to euro 48.00.

Increase in share capital of Unipol Gruppo Finanziario

The offer to shareholders for the acquisition, for cash proceeds, of 422,851,420 ordinary shares and 260,456,660 preference shares of Unipol closed on 1 August 2012. The increase in share capital had been resolved by the Board of Directors on 21 June and 12 July 2012, in accordance with the powers conferred by the Extraordinary General Meeting of 19 March 2012.

The following warrants were exercised during the period between 16 July 2012 and 1 August 2012:
- 15,407,311 warrants for the subscription of 308,146,220 newly issued ordinary shares of Unipol, equivalent to 72.87% of the total ordinary shares offered, and
- 5,614,776 warrants for the subscription of 112,295,520 newly issued preference shares of Unipol, equivalent to 43.11% of the total preference shares offered,

for total proceeds of euro 725,780,572.00.

In accordance with the commitments made, Finsoe SpA (Unipol's parent company), Novacoop Scarl, Coop Adriatica Scarl, Lima Srl, MACIF – Société d'assurance mutuelle à cotisations variables and MAIF – Société d'assurance mutuelle à cotisations variables subscribed to 55.50% of the ordinary shares offered, and to 5.49% of the preference shares offered.

At closure of the offer period, 5,735,260 warrants to subscribe for a total of 114,705,200 ordinary shares (equivalent to 27.13% of the ordinary shares offered) remained unexercised, together with 7,408,057 warrants to subscribe for a total of 148,161,140 preference shares (equivalent to 56.89% of the preference shares offered). These shares amounted to a total of euro 373,867,511.50.

Unipol offered the unexercised warrants to the market from 3 to 7 September 2012. Following the closure of the offer on the Stock Exchange, on 13 September 2012 banks forming part of the underwriting syndicate (Barclays, Credit Suisse, Deutsche Bank, Mediobanca, Nomura, UBS Limited, UniCredit Bank AG Succursale di Milano, Banca Akros, Banca Aletti, Banca Carige and Centrobanca) subscribed, pursuant to the underwriting agreement entered into on 13 July 2012, to all the 86,021,240 unsubscribed ordinary shares (equivalent to 20.34% of the newly issued ordinary shares) and to the 90,210,600 unsubscribed preference shares (equivalemnt to 34.64% of the newly issued preference shares) for a total of euro 259,997,815.00.

Unipol's Capital Increase was therefore completed with the full subscription of 422,851,420 ordinary shares and 260,456,660 preference shares, for a total amount of euro 1,099,648,083.50. The related issue costs amounted to euro 46.7 million, net of tax.

The certificate of execution has been filed in the Register of Companies of Bologna, pursuant to Article 2444, first paragraph, of the Civil Code, on 17/9/2012.

2. Provisions

Provisions amount to euro 403.4 million as at 31/12/2012 (euro 112.5 million in 2011) and mainly consisted of provisions for litigation, disputes with agencies and other charges relating to the sales network and staff termination incentives.
The increase is primarily due to the consolidation of the Premafin Group, which contributed an amount of euro 323.6 million to the Group's consolidated figures.

Contingent liabilities

Execution of financial transaction orders carried out by Unipol Banca

In November 2007 and July 2009, customers of Unipol Banca instituted criminal and civil proceedings relating to alleged irregularities and illicit activities carried out by Unipol Banca while executing transactions in OTC derivative contracts. The claimants submitted claims for damages amounting to euro 67 million. The preliminary investigations in the criminal proceedings were concluded in April 2009 with the Public Prosecutor applying for the case to be dismissed, which the claimants opposed. Deeming the claimants' opposition to have no foundation, Unipol Banca also applied for the civil case to be dismissed and made a counterclaim for payment back of the loans advanced to the claimants by Unipol Banca. In November 2009, the counterparties made further counterclaims for damages totalling euro 145 million. Unipol Banca disputed, in court, the late submission and inadmissibility of the new claims, claiming that they were totally unfounded. In August 2011, it became known that the "GIP del Tribunale d Bologna" (Judge of the Court of Bologna) ordered the dismissal of the criminal proceedings instigated as a result of the private claim presented by these customers.
In respect of the civil proceedings, the judge ordered the appointment of a court expert to ascertain, amongst other things, volumes and results of derivative trading over the years. The court expert's report in respect of cases involving smaller claims was submitted in April 2012: in all cases, the court expert confirmed, also with reference to the extent of income realised by clients over the years, that the transactions recognised and submitted to the court by the Bank fairly present the results of the executed orders. A similar conclusion was reached in the adjuster's report, submitted in September 2012, in relation to claims involving signicant amounts: even in this case, the court expert quantified the magnitude of the significant gains made by customers over time, which was substantially equal to the amount submitted to the court by the Bank. Amongst others, the court expert's reports did not substantially alter the risks of the case identified at the beginning of the dispute. Based on its opinion, however, that the court expert's report had to be supplemented with further documentary evidence that emerged after the conclusion of the expert's report, the Bank has requested that the court reconvenes the court expert for an additional report. There was no further development in 2012.
After the end of the reporting period, as from 8 February 2013, articles were published in the press and on websites with news that the same customers were seeking to reopen investigations in relation to the claims subject to the criminal case that had been dismissed in 2011. Unipol Group considers the news to be false and highly damaging to its reputation and interests and therefore appointed trusted lawyers to assess all legal options available to it in front of court.

Dealings with the Inland Revenue

Litigation is ongoing in relation to investigations carried out in 2010 by the "Ufficio Grandi Contribuenti della Direzione Regionale della Lombardia", (major taxpayers office of Lombardia's regional directorate) in relation to 2006 taxes of the former insurer Aurora Assicurazioni. Aurora Assicurazioni, merged ny incorporation into Unipol in 2007. During the course of the investigations, their scope was extended to also include 2005 expense items. The dispute was partially settled through a conciliation agreement signed on 13 November 2012 and through the simultaneous payment of the requested amount of tax, amounting to euro 7.2 million. In this respect, a release of the equivalent amount was made from the existing provision for risks.

The litigation in relation to 2005 is ongoing in the court of second instance, as a result of the Inland Revenue's appeal against the court of first instance's judgment in favour of the taxpayer. Meanwhile, in the litigation instituted at the "Commissione Tributaria Provinciale di Milano" (tax commission of Milan) in respect of 2006 unreconciled reliefs claimed, an appeal will be submitted by the Company following the dismissal of the action in the early months of 2013.

IRAP and IRES assessment notices were delivered, between December 2012 and January 2013, to both Unipol and Assicurazioni Unipol. The assessment notices relate to the 2007 tax year, and contain similar findings to those drawn on 2005 and 2006 tax years. All assessments ar being contested through appeals submitted in terms of law. No provision has been made in respect of the litigation for the periods 2005 to 2007, as the Inland Revenue's claims are considered to be unsubstantiated.

An appeal was filed in terms of law in respect of assessment notices, delivered to Unipol in December 2010, relating to two real estate property sales carried out in 2005. The notices, citing reasons with which the Group does not agree, inferred that capital gains were higher than declared. No provision has been recognised in respect of this litigation, as claims made by the Direzione Regionale dell'Emilia Romagna (Emilia Romagna regional directorate) are considered to be unfounded.

Several assessment notices relating to VAT on coinsurance contracts entered into with other companies throughout 2007 were served upon Unipol Gruppo Finanziario, Unipol Assicurazioni and Unisalute up to the end of 2012. Appeals have been made through the competent authorities. Taking account of the fact that most of the relevant case law was favourable, and of the favourable decisions that the Company had already obtained at the court of first instance, no provisions have been made.

During 2012, the following were settled through compliance to the tax assessment reports:

a) proceedings issued against Unipol Assicurazioni as a result of the tax audit, relating to the 2009 tax year, delivered in June 2012;
b) proceedings issued against Arca Assicurazioni as a result of the tax audit, covering the year 2007, delivered in April 2012

A reasonable provision for the future tax charges has been recognised in the financial statements in relation to the tax audit of Arca Vita for the year 2008.

Ambra Property initiated appropriate defensive actions in respect of an assessment received in respect of registration and mortgage taxes.

The "Ufficio Grandi Contribuenti della Direzione Regionale della Toscana dell'Agenzia delle Entrate", (major taxpayers office of Toscana's Inland Revenue regional directorate) served five assessment notices to Fondiaria-SAI in December 2012. These followed tax investigations instigated in 2009 by the Toscana regional directorate (or Toscana DRE) upon request of the Prosecutor of Florence. The notices contest the tax deductibility of compensation made to Mr. Ligresti in the period 2003-2008, on the basis of the vagueness of his position, the lack of proof of him providing the services and of the consistency of the fees paid. These considerations are also supported by the report pursuant to Article 2408 of the Civil Code of 16/3/2012, and the auditor's report prepared by the Board of Statutory Auditors of Fondiaria-SAI on 26/10/2012.
In consideration of the seriousness of the alleged violations and the resultant doubling of the period of assessment in accordance with Article 43, paragraph 3, of Presidential Decree 600/73, Toscana's DRE also assessed tax periods that had been time-barred.
Further to assessments performed with the help of external consultants, it was concluded that due to the lack of evidence to support the carrying out and consistency of services rendered, there is not adequate support to back an appeal to the tax authorities. Due consideration was also given to findings of the internal control function, supervisory sanctions imposed by regulators in whose opinion the company could

not prove benefits from the costs incurred, and the possibility of instituting liability claims or claims for damages.
The amounts claimed in the assessment notices exceeded euro 15 million including additional taxes, interest and penalties (applied at 150%) and were settled through a tax recourse known as “istituto dell’acquiescenza” at reduced amounts of euro 8 million even taking into account the significant double taxation imposed on both the employer and the service provider.

‘Antonveneta’ proceedings

It is noted that in respect of the so-called “Antonveneta” proceedings, on 28/5/2012 the Court of Appeal of Milan reduced the administrative penalty charged on Unipol from euro 900,000 to euro 230,000 and, pursuant to Article 19 of Legislative 231 of 2001, revoked the confiscation of of “profits” of euro 39.6 million.

Risks related to potential cancellation by shareholders of Premafin

Within the context of the merger previously referred to, and taking into account Consob Note 12042821 of 22 May 2012, Unipol and Premafin agreed on 25 June 2012 to limit cancellation rights. This agreement excluded former shareholders of Premafin, without prejudice to assessments as to the exclusion of all Premafin shareholders from cancellation rights that may be made in the future.
In these circumstances, the Group does not believe it necessary to provide for the potential risk of disbursements to dissenting shareholders as a result of the rights of cancellation.

Writs of summons by shareholders of the subsidiary Fondiaria-SAI

Since 2003 certain shareholders of La Fondiaria Assicurazioni SpA intiated legal proceedings to seek, albeit on the basis of different assumptions and for different legal reasons, compensation for damages which, they claim, relate to the failure by SAI Società Assicuratrice Industriale SpA to launch a public offer upon the incorporation of La Fondiaria Assicurazioni SpA (December 2002).
To date, a total of thirteen proceedings are pending against Fondiaria-SAI and Mediobanca Banca di credito Finanziario SpA as defendants. Premafin is also a defendent in nine of the proceddings.

At present (the last writ of summons was delivered on 15 February 2012), the following is an analysis of degree of judgment:
- one claim is at first instance before the Court of Milan;
- five judgements are awaiting judgement in the Court of Appeal of Milan, two of which have been deferred;
- one judgement is pending in the Court of Appeal of Florence;
- one proceeding is pending the termination of the period within which the counterparty may appeal to the “Corte di Cassazione”;
- four judgements are pending before the Supreme Court;
- one judgement must be resumed in the Court of Appeal following a ruling of the Supreme Court.

In respect of the judgements it is noted that:
- all first-instance decsions (with the exception of the one issued by the Court of Florence in favour of the defendant companies) have, for different reasons, upheld the plaintiffs’ claims and ordered the defendants to pay substantial sums in damages. On appeal, execution of sentences was suspended for all (except two) sentences;

- at present, all decisions issued by the Court of Appeal of Milan upheld the appeals lodged by Fondiaria-SAI, MedioBanca and Premafin, overturning the first-instance judgments and ordering the counterparties to cover costs and, in the two cases in which the sentences had not been suspended, the restitution of the sums received;
- the "Corte di Cassazione" in the three judgements given in August 2012, upheld the appeals, quashed the judgment of second instance, and referred the cases to the Court of Appeal of Milan to reconsider their merits and decides on costs of proceedings.

The three recent judgements of the "Corte di Cassazione" mark a new and different approach in respect of the Supreme Court's rights with regard to the arguments brought about by the defendant companies, which to date had been consistently shared by the Court of Appeal. The three judgements of the Corte di Cassazione" have in fact established the principle of law that, in the event of breach of the obligation to make a public offer by those who - as a result of acquisitions – become a shareholder of more than of the share capital, responsibility rests with the shareholders to whom the public offer should have been addressed to prove that they missed an opportunity to make a gain.
Despite the uncertainty that typically characterises the outcome of judgements laid before the Court of Appeal of Milan, which must reconsider the merits of the claim, both by establishing whether in February 2002, the three defendants acted together and had cumulatively exceeded the public offer threshold of 30%, as well as assessing if appropriate, the existence and amount of damages; Premafin has considered it appropriate to strengthen the provision for contractual risks. The increase was decided upon after taking into consideration the pronouncement of the Supreme Court as well as results of assessments to quantify the degree of risk of an adverse outcome together with claims that have not resulted in litigation to date.

Dispute with the "Comune di Milano" (municipality of Milan)

Premafin is in dispute with the "Comune di Milano" in relation to a commitment to sell land at predetermined prices. In May 2008, the Court of Appeal partially reversed the judgment of first instance, which had condemned Premafin to compensate the damage caused by the failure to acquire the land, recognising only two of the agreements as being binding preliminary purchase agreements for the respective areas under dispute, and confirming the criterion for the quantification of damages to be paid in a separate trial. In this regard, again in 2008, Premafin proceeded to lodge an appeal to the "Corte di Cassazione" for which, at present, a hearing is awaited.
Having said that, given that the judgment of the Court of Appeal is provisionally enforceable - in October 2012 the "Comune di Miano" summoned Premafin before the Court of Milan for the quantification and assessment of damages suffered.
Also in relation to this case, considering the appeal is pending before the Supreme Court and the uncertainty of its possible outcome, considering also the writ of summons delivered by the "Comune di Milano" on the basis of studies by independent real estate experts in order to quantify the possible damages, as well as considering the risks of inoperability of sureties issued by Im.Co. Immobiliare Costruzioni SpA in liquidation ("Im.Co."), (a company recently declared bankrupt), and its subsidiaries, and notwithstanding the objection to Premafin's non-admission of Im.Co's bankruptcy liabilities, it was considered appropriate to strengthen the provision for contractual risks.

3. Technical provisions

Values in Millions of Euros	31/12/2012	31/12/2011	change %	on a comparable basis 31/12/2012	change %	Premafin Group 31/12/2012
Non-Life premiums	4,012.3	1,592.4		1,517.6	-4.7	2,494.7
Non-Life claims	15,780.4	5,765.4		5,762.2	-0.1	10,018.2
Other Non-Life techincal provisions	22.9	14.3		13.6	-5.4	9.3
Total Non-Life provisions	19,815.6	7,372.1	168.8	7,293.4	-1.1	12,522.2
Life mathematical provisions	27,725.5	12,830.0		12,780.1	-0.4	14,945.4
Provision for payable amounts (Life business)	447.7	132.1		199.5	50.9	248.2
Technical provisions where the investment risk is borne by policyholders and arising from pension fund management	8,486.2	2,330.8		2,625.1	12.6	5,861.1
Other Life technical provisions	-19.0	-625.8		-92.8	-85.2	73.8
Total Life provisions	36,640.4	14,667.1	149.8	15,511.9	5.8	21,128.5
Total technical provisions	56,456.0	22,039.3	156.2	22,805.3	3.5	33,650.7

Strengthening of prior years claims' reserves: disclosure required by Consob

In its Note 13021373 dated 18 March 2013, Consob asked Unipol, in accordance with Article 114, paragraph 5, of Legislative Decree 58 of 1998, to disclose in the Notes to the 2012 balance sheet information and disclosure relating to:

- quantitative and qualitative development of prior year claim reserves of the Group's insurance companies during 2012, analysed by company and by line of business and also showing a comparison of strengthening adjustments on such reserves compared to the amounts projected in the Joint Business Plan 2013-2015 and reported in the supplement to the information document drawn pursuant to Article 5 of Consob Regulation 17221 of 2010 published on 10 January 2013;
- the reasons underlying the change in reserving policies adopted to date by Fondiaria-SAI Group insurance companies;
- homogenisation of reserving policies with proof of changes made on an operational and methodological level;
- the classification, presentation and accounting of strengthening of prior years claims reserves in the 2012 Consolidated financial statements.

The following information is provided with reference to the Supervisory Authority's request.

Increases in Fondiaria-SAI Group's prior years' claims reserves and changes to reserving policies

As communicated in the press release dated 21 December 2012, in the Business Plan 2013-2015 ("the Plan") it was assumed that upon consolidation of Fondiaria-SAI, prior year claim reserves[11] be strengthened by circa euro 650 million in the financial year ended 31 December 2012.

[11] Measured as the sum of claims reserves at the end of the financial year preceding the reference financial year ("the financial year"), less prior year claims paid in the financial year, less prior year claims reserves at the end of the financial year and

The reasons behind the increases in reserves were based on the following main circumstances and assessments:

A) <u>actual data as at 30 September 2012</u>: upon approval on 13 November 2012, by the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni of the interim management report as at 30 September 2012, and as proposed by the Companies' previous technical unit, increases in prior year reserves totalling euro 342 million for Fondiaria-SAI were identified, mainly attributable to:

   – MV TPL: an analysis of management data on the savings made upon settlement of prior year claims at 30 September 2012, as assessed by previous technical units, showed that this indicator in Fondiaria-SAI and Milano Assicurazioni was 4% and 10% respectively less than the corresponding indicator at Unipol Assicurazioni (equivalent to 25.8% of the "closed" reserves), even if an improvement was registered over the previous year. In the absence of more precise data, obtainable through actuarial modelling and that is only performed in the preparation of the annual financial statements, this management indicator provides an indication of the level of prudence in estimating claim reserves. It was deemed necessary by the said staff, in applying appropriately prudent reserving criteria, to strengthen the open prior year claims reserves of the two Companies. Therefore, at 30 September 2012, at Fondiaria-SAI consolidated level, adjustment upwards on MV TPL claims reserves amounting to euro 219 million were considered necessary;

   – General TPL: on the basis of recommendations made by ISVAP (now IVASS), Fondiaria-SAI and Milano Assicurazioni had to increase these claims reserves by a total of euro 125 million and also had to develop actuarial methodologies for the development of ultimate cost reserving in lieu of the simplified methodologies adopted up to financial year end 2011. Accordingly, at 30 September 2012, upon recommendation by the same technical structures, General TPL claims reserves in Fondiaria-SAI and Milano Assicurazioni were increased by euro 150 million (euro 156 million including other Fondiaria-SAI Group companies);

   – Other classes: registered a positive balance of euro 33 million at 30 September 2012.

B) <u>Annual claims reserve valuation process</u>: during the annual review of outstanding claims reserves, Fondiaria-SAI's technical experts identified the need for significant increases in reserves, especially on third party liability claims (both MV TPL and General TPL). Also as instructed by the Supervisory Authority, claim adjustors' estimates are to be assessed through an actuarial valuation in order to determine the estimated ultimate cost[12] of outstanding claims, inclusive of all future costs and charges. Such an actuarial valuation could result in further increases in reserves compared to the reserves set by claim adjustors on the basis of information available to them.

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plus/minus amounts recovered/recoverable fro reinsurers and third parties.

[12] Loss adjustors' estimates are subjected to actuarial valuation that may result in further reserve increases from the determination of "ultimate claims' cost", as defined by Article 27 of ISVAP Regulation 16 of 4 March 2008 which in paragraph 1, h states that: "*undertakings shall determine claims reserves based on analytical valuations for each outstanding claim('il metodo dell'inventario')*" and in paragraph 4, stipulates that "*for longer tail classes of business or classes for which the method specified in paragraph 4 does not allow for the consideration of all future charges, statistical-actuarial methods or methods to methodologies to estimate cost development will be applied together with the valuation in paragraph 1".*

Since during preparation of “the Plan”, the Companies did not have finalised actual data for 2012, actuarial methodologies could not be used to determine ultimate costs of outstanding reserves. This is because actuarial models requrie historic data series. In the light of the lack of actuarial valuation, it was decided for prudence purposes to increase loss adjustors’ estimates on prior year claims reserves by further euro 653 million.

Therefore, as part of the process of harmonisation of assumptions underlying the preparation of the financial projections in the Plan, estimates of increases in prior year claims reserves referred to:

i) performance and claims reserve adjustment data prepared by loss adjustors in determining claims outstanding figures,

ii) a flat-rate conservative estimate of the increase in the amounts so determined, to take account of any further increases arising from the use of actuarial valuation models.

As concerns the harmonisation of claims reserving policies in Fondiaria-SAI Group companies with those adopted by Unipol, in the first months of the new ownership structure it was ensured that reserving processes were aligned to the abovementioned regulations.

At the conclusion of the separate claims reserving process carried out by the claims department, and after having included an estimate for claim settlement costs different actuarial statistical methods were used in order to determine the ultimate costs of claim reserves and that resulted in the figures presented below.

More specifically, with regards to General TPL actuarial statistical models such as Chain-Ladder Paid and GLM ODP (based on historic series classified by homogenous risk categories) were used as opposed to simplified methods adopted in previous financial reporting years. On the basis of the results of the these methods and in preparation of the 2012 consolidated financial statements, an assessment was made of ultimate cost of prior year outstanding claims that resulted in increases to claims reserves estimates as set by claims departments on MV TPL of approximately euro 200 million. In total, strengthening of prior year claims reserves amounted to euro 808 million, of which euro 709 million related to MV TPL and 187 million euro to General TPL claims, whilst other classes were over reserved by 88 million euro.

Increases in Unipol Assicurazioni’s prior year claims reserves

The following is noted with reference to increases in claim reserves of Unipol Assicurazioni, as projected in “the Plan” for 2012 and is included in the 2012 consolidated financial statements:

– ISVAP Note: on 3 July 2012, ISVAP communicated with Unipol Assicurazioni in relation to MV TPL 2011 claims reserves. The Supervisory Authority informed the Company that it had actuarially assessed its MV TPL claim reserves, using Chain-Ladder stochastic method for claims reserves of less than 100,000 euro and statistical methodologies, having regard to the number and characteristics of these claims, for claims reserves higher than 100,000 euro. ISVAP’s findings indicated a deficiency in reserves of circa euro 210 million for claims reserved at less than euro 100,000. On claim reserves of more than euro 100,000, the Supervisory Authority did not quantify deficiencies in reserves but outlined critical issues in relation to the significant number of claims, reserved at less than euro 100,000, that are then subsequently settled at higher amounts;

– Actions taken: in its reply, Unipol Assicurazioni stated that it did not agree with the Supervisory Authority’s conclusions and made its considerations. In particular, it communicated its disagreement with the separate projection of claims on the basis of reserved amount thresholds, and ISVAP's use of stochastic models that typically results in overestimation of reserves in case of acceleration in claim settlement periods. This has been confirmed to be the case in the reviewing actuary's report. The latter discarded this model for this reason. The limited historical data for CARD managed claims (only 5 years) was also contested.

Without prejudice to the considerations above, Unipol Assicurazioni increased its TPL prior year claim reserves by euro 141 million in its 2012 consolidated financial statements, (approximately euro 164 million excluding reinsurance recoveries). Adjustments were made on the basis of claim results registered during the financial year and the results of actuarial models adopted. As per the Company's assessment, claim reserves are at the centre of the range of estimates calculated by the TPL actuary. In "the Plan" an adverse impact of euro 132 million on the income statement had been estimated for financial year 2012.

The 2012 income statement was also negatively impacted by euro 92 million on General TPL reserves whilst the movement was of positive euro 78 million for other classes. Consequently, Non-life prior year claim reserves increased by a total of euro 154 million. The forecast impact on the 2012 income statement, as included in the Plan, totalled negative 100 million euro.

Development of increases in prior year reserves

The following table provides an analysis by the principal classes of business (MV TPL, General TPL and Other classes) and by the main Group companies of the development in 2012 of prior year claim reserves, reported in aggregate with reference to reserve assessment carried out as at 30 June, 30 September and 31 December 2012, as well as with reference to assumptions included in the Plan in relation to financial year 2012[13].

[13] Figures as at 30 June and 30 September as well as those included in the Plan have not been subject to independent audit procedures by PricewaterhouseCoopers S.p.A., whereas 30 June 2012 figures but only those pertaining to Unipol Group on a comparable basis have been subject to limited assurance procedures.

Values in Millions of Euros		30/06/2012	30/09/2012	31/12/2012	Plan 2012
Fondiaria-SAI	Motor vehicle third-party liability	10.3	30.0	289.5	250.0
	General third party liability	40.4	113.0	113.1	105.0
	Other classes	-14.1	-29.8	-77.5	-86.0
	Total	36.6	113.1	325.1	269.0
Milano Assicurazioni	Motor vehicle third-party liability	70.6	164.1	321.2	300.0
	General third party liability	36.0	37.1	61.8	65.0
	Other classes	11.3	-6.5	-23.0	-46.0
	Total	118.0	194.7	360.1	319.0
Other Fondiaria-SAI Group companies	Motor vehicle third-party liability	15.4	25.1	98.3	48.0
	General third party liability	3.2	5.8	11.6	10.0
	Other classes	-5.7	3.2	12.5	7.0
	Total	12.9	34.1	122.5	65.0
Total Fondiaria-SAI Group	Motor vehicle third-party liabil	96.2	219.1	709.1	598.0
	General third party liability	79.6	155.9	186.5	180.0
	Other classes	-8.5	-33.1	-88.0	-125.0
	Total	167.4	341.9	807.6	653.0
Unipol Assicurazioni	Motor vehicle third-party liability	31.4	64.7	140.8	132.0
	General third party liability	0.4	14.4	91.7	40.0
	Other classes	-32.9	-39.7	-78.3	-72.0
	Total	-1.1	39.4	154.2	100.0
Other Unipol Group companies	Motor vehicle third-party liability	-5.2	-6.7	-13.5	-11.2
	General third party liability	0.2	0.3	0.2	0.0
	Other classes	-9.3	-15.5	-18.6	-18.0
	Total	-14.3	-21.9	-31.8	-29.2
Unipol Group (on a comparable basis)	Motor vehicle third-party liabil	26.2	58.0	127.3	120.8
	General third party liability	0.6	14.8	91.9	40.0
	Other classes	-42.2	-55.2	-96.8	-90.0
	Total	-15.5	17.5	122.4	70.8
Unipol Group + Fondiaria-SAI Group	Motor vehicle third-party liabil	122.4	277.1	836.4	718.8
	General third party liability	80.2	170.6	278.4	220.0
	Other classes	-50.7	-88.3	-184.8	-215.0
	Total	151.9	359.4	930.0	723.8

As noted earlier, the increases were predominantly effected in the last months of 2012, driven by assessments of individual claim reserves, which commenced in September 2012, and by results of actuarial modelling performed on year end data.

As concerns the Business plan in relation to the post-merger company from the planned merger (UnipolSai) the projections included therein have been substantially confirmed, since prior year claims reserves included, for prudence purposes, an increase of 150 million euro over the 2013-2015 plan.

Recognition and presentation of increases in claims provisions

The increases in prior year claim provisions , mainly on MV TPL and general TPL classes, recognised in companies consolidated as part of the Fondiaria-SAI Group have been classified as adjustments to estimates of acquired insurance liabilities and are accordingly included in the valuation of these liabilities in the business combination valuation at the date of acquisition in accordance with IFRS 3 "Business combinations."

The adjustments to claim reserves were made upon information that was obtained, or that became available, subsequent to the date of acquisition of the indirect controlling interest in Fondiaria-SAI but during the measurement period referred to in paragraph 45 of IFRS 3, and that related to facts and circumstances that existed at the acquisition date, such as prior year claim reserves. As per the said paragraph 45, "During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date." On this subject, also refer to Business combination with the Premafin/Fondiaria-SAI Group" included in Chapter1, "Basis of preparation" of the Notes to the consolidated financial statements.

The increases in claims reserves were therefore reflected in an increase in item 3 - Technical Provisions (Statement of financial position – equity and liabilities), and an increase in item 1.1 – Goodwill (Statement of financial position – Assets) equivalent to the group's share of the increases and a decrease in item 1.2.1 – Share capital and reserves attributable to non-controlling interests (Statement of financial position – Equity and liabilities) equivalent to the share attributable to non-controlling interests.

The adjustment to claims reserves of Unipol Assicurazioni is also considered an estimate adjustment and has been recognised as losses incurred in the financial year end 2012 in Unipol's consolidated financial statements, under item 2.1.1 – Amounts paid and changes in technical provisions (Consolidated income statement), and an increase in item 3 – Technical Provisions (Statement of financial position – equity and liabilities).

4. Financial liabilities

Financial liabilities amounted to euro 16,233.6 million (euro 12,871.1 million as at 31/12/2011), of which euro 2,683.9 million relate to the Premafin Group. Details are set out in the relevant annex.

4.1 Financial liabilities at fair value through profit or loss

This item amounts to euro 2,168.9 million (euro 1,500.6 million in 2011) of which euro 574.2 million relate to the Prefamin Group. It comprises financial liabilities held for trading that amounted to euro 620.3 million, (euro 366.2 million in 2011) of which euro 90.6 million relate to the Prefamin Group, and financial liabilities designated at fair value through profit or loss that amount to euro 1,548.6 million (euro 1,134.4 million in 2011), of which euro 483.6 million relate to the Prefamin Group. The latter category includes investment contracts issued by insurance companies where the investment risk is borne by the policyholders and the insurance risk is borne by the Group (several types of Class III, Class V and Class VI contracts).

4.2 Other financial liabilities

				on a comparable basis		Premafin Group
Values in Millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Subordinated liabilities	2,563.2	1,545.8	*65.8*	1,552.5	*0.4*	1,010.7
Liabilities from financial contracts issued by insurance companies	26.8	30.9	*-13.5*	26.8	*-13.5*	0.0
Deposits received from reinsurers	301.3	149.8	*101.1*	148.1	*-1.2*	153.2
Debt instruments issued	2,715.4	2,871.4	*-5.4*	2,630.7	*-8.4*	84.8
Payables to banking customers	6,253.3	5,771.7	*8.3*	6,087.5	*5.5*	165.8
Interbank payables	1,509.0	999.8	*50.9*	1,509.0	*50.9*	
Other loans	123.8	0.5		0.1	*-89.8*	123.7
Other financial liabilities (miscellaneus)	571.9	0.5		0.5	*8.8*	571.4
Total other financial liabilities	14,064.8	11,370.5	*23.7*	11,955.1	*5.1*	2,109.6

Subordinated liabilities issued by Group companies amount to euro 2,563.2 million as at 31 December 2012 (euro 1,545.8 million at 31/12/2011). Of this amount, liabilities with a nominal amount of euro 1,000 million were issued by Unipol Assicurazioni (of which liabilities with a nominal amount of euro 38 million were held by the company itself), liabilities with a nominal amount of euro 595 million were issued by Unipol Banca (of which euro 584.7 million are outstanding), and liabilities with a nominal amount of euro 1,050 million were issued by companies of the Premafin Group (Fondiaria-SAI and Milano Assicurazioni).

Details of the subordinated liabilities are disclosed in the following table:

Issuer	Nominal Amount Outstanding	Subord. Level	Year of maturity	call	Rate	L/NL
Unipol Assicurazioni	300.0 millions	tier II	2021	every 3 months from 15/6/2011	euribor 3m + 250 b.p.	L
Unipol Assicurazioni	261.7 millions	tier II	2023	from 2013	fisso 5,66% (*)	L
Unipol Assicurazioni	200.0 millions	tier I	perpetual	from 2018	euribor 6m + 250 b.p. (**)	NL
Unipol Assicurazioni	200.0 millions	tier I	perpetual	from 2018	euribor 6m + 250 b.p. (**)	NL
Unipol Banca	50.0 millions	tier II	2015		fisso 3,6%	NL
Unipol Banca	15.0 millions	tier II	2017		fisso 4,4%	NL
Unipol Banca	78.9 millions	tier II	2017		euribor 3m + 200 b.p.	NL
Unipol Banca	7.0 millions	tier II	2017		fisso 4,8%	NL
Unipol Banca	58.8 millions	tier II	2017		euribor 3m + 300 b.p.	NL
Unipol Banca	25.0 millions	tier II	2019		fisso 4,5%	NL
Unipol Banca	50.0 millions	tier II	2019		fisso 4,5%	NL
Unipol Banca	300.0 millions	tier II	2019		media trim.le euribor 3m + 640 b.p.	NL
Fondiaria-SAI	400.0 millions	tier II	2023	every 6 months from24/07/2013	euribor 6m + 180 b.p. (***)	NL
Fondiaria-SAI	100.0 millions	tier II	2025	every 6 months from 30/12/2015	euribor 6m + 180 b.p. (***)	NL
Fondiaria-SAI	150.0 millions	tier II	2026	every 6 months dal 14/07/2016	euribor 6m + 180 b.p. (***)	NL
Milano Assicurazioni	50.0 millions	tier II	2026	every 6 months from 14/07/2016	euribor 6m + 180 b.p. (***)	NL
Fondiaria-SAI	250.0 millions	tier I	perpetual	from 2018	euribor 6m + 350 b.p. (***) (1)	NL
Milano Assicurazioni	100.0 millions	tier I	perpetual	from 2018	euribor 6m + 350 b.p. (***) (1)	NL

(*) from july 2013 variable rate euribor 3m + 250 b.p.

(**) from may 2018 variabile rate euribor 6m + 350 b.p.

Interest rate hedge accounting is in place (maturity May 2018) through an IRS (6.355% floating rate for fixed rate).

(***) IRS (floating for fixed rate) with nominal value equal to 1,050 million euro with same maturity call.

(1) from 2019 euribor 6m + 450 b.p.

Debt securities issued by Unipol, amounting to euro 771.5 million net of intragroup subscriptions (euro 954 million as at 31/12/2011), relate to unsecured senior bond loans 2009-2016, which bear fixed interest at a rate of 5%, are listed on Luxembourg stock exchange, and have a nominal value of euro 750 million.
It is noted that upon expiry on 2 July 2012, Unipol settled the unsecured senior three-year term bond which had been issued on 1/7/2009 and which had nominal value of euro 175 million.

With regards to the debt securities issued by Unipol Banca, amounting to euro 1,858.7 million net of intra-group subscriptions (euro 1,917 million as at 31/12/2011), it is noted that a public exchange offer, on debt securities for an amount of euro 444 million and with maturities between 2013 and 2020, was effected in June 2012; euro 303 million were exchanged as a result of the offer. This has enabled Unipol Banca to improve its liquidity situation in the medium to long-term since, on average, the bonds offered in exchange have a term of 2.8 years longer, and a spread above 1.26%.

The debt of the Premafin Group consists of subordinated debt of euro 1,011million payable to Mediobanca SpA, and other amounts due to banks and lenders, amounting to euro 780 million, which are constituted as follows:

- euro 377.1 million relating to Premafin “Pre-Acquisition Modified Loan Agreement” covered by the restructuring programme, as part of the recovery plan pursuant to Article 67 L.F.;
- euro 111.3 million arising on the financing concluded in the context of the closed real estate Fund Tikal R.E with Mediobanca as Agent Bank. The original euro 119 million financing was granted for the purchase of property and improvement works and as at 31/12/2012 an amount just over euro 5 million had been paid back. The debt bears interest at the 3-month Euribor plus a credit spread of 90 basis points. Since 2008, the Fund has made use of interest rate derivative contracts in implementing a risk management policy of hedging against the risk of increases in interest rates on the loan;
- euro 84.8 million refer to the floating and fixed interest rate bonds issued in 2009 and 2010 by Banca SAI, with maturities ranging from 2012 to 2014;
- euro 53.7 million relate entirely to the subsidiary Immobiliare Fondiaria-SAI, and arise on the loan agreement signed by Marina di Loano with Intesa SanPaolo, as Agent Bank. The loan matures on 17/3/2014 and bears interest at the 3-month Euribor plus a credit spread of 300 basis points. The company has entered into an interest rate derivative contract in implementing a risk management policy of hedging against the risk of increases in interest rates on the loan;
- euro 24.4 million relating to financing given to Finadin, a subsidiary, which is subject to amending agreement clauses.

5. Payables

				on a comparable basis		Premafin Group
	31/12/2012	31/12/2011	change %	31/12/2012	change %	31/12/2012
Payables arising out of direct insurance business	164.3	67.4	*143.6*	68.1	*1.0*	96.1
Payables arising out of reinsurance business	85.1	43.2	*96.7*	17.2	*-60.3*	67.9
Other payables	1,027.2	329.0	*212.2*	421.1	*28.0*	606.2
Policyholders' tax due	165.1	83.1	*98.7*	77.8	*-6.4*	87.3
Other tax payables	155.0	32.2	*381.1*	37.7	*17.1*	117.2
Trade payables	208.8	74.5	*180.5*	65.7	*-11.7*	143.1
Post-employment benefits	113.4	47.8	*137.4*	50.1	*4.9*	63.3
Social security charges payable	38.5	17.6	*117.9*	19.4	*10.0*	19.0
Other payables (miscellaneus)	346.4	73.8	*369.3*	170.3	*130.7*	176.1
Total payables	1,276.5	439.7	*190.3*	506.4	*15.2*	770.2

Sundry payables include euro 125.8 million due to Finsoe, the parent for taxation purposes.

6. Other liabilities

				on a comparable basis		Premafin Group
Values in Millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Current tax liabilities	178.5	28.6	*523.9*	122.2	*327.3*	56.3
Deferred tax liabilities	587.9	339.2	*73.3*	239.5	*-29.4*	348.3
Liabilities associated with disposal groups	1.6	0.0	*0.0*	1.6	*0.0*	
Commissions on premiums under collections	146.4	53.8	*171.8*	48.0	*-11.0*	98.4
Deferred commission income	3.2	4.4	*-27.8*	3.1	*-29.3*	0.1
Accrued expense and deferred income	2.5	2.7	*-6.6*	2.5	*-6.6*	0.0
Other liabilities (miscellaneus)	816.8	524.4	*55.8*	536.8	*2.4*	280.0
Total other liabilities	1,736.8	953.2	*82.2*	953.8	*0.1*	783.0

Details of deferred tax liabilities are given in the section on income tax.

Other liabilities include, among others, euro 171.5 million miscellaneous payables relating to banking business (euro 157.3 million in 2011), euro 79.9 million accruals relating to commission bonuses in favour of agents (euro 101 million in 2011) and euro 45.2 million accruals for various personnel costs (euro 46.1 million in 2011).

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4. NOTES TO THE INCOME STATEMENT

Comments and further information on the items in the income statement and the variations that took place compared with the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the income statement).

Disclosure of income statement data on a comparable basis

Variations, on a comparable basis, in the main income statement items compared with the corresponding figures of the previous year are expressed after excluding the figures as at 31/12/2012 of the Premafin Group relating to the period 1/7-31/12/2012, and excluding the figures as at 31/12/2011 for Bnl Vita, sold at the end of third quarter 2011.

INCOME

1.1 Net premiums

				on a comparable basis		Premafin Group
Values in Millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Non-Life business - premiums	7,491.4	4,388.5	*70.7*	4,323.3	*-1.5*	3,168.1
Non-Life business - recognised premiums	7,265.5	4,358.8		4,248.7		3,016.8
Non-Life business - changes in the provision for premiums	225.9	29.7		74.5		151.4
Life business premiums	4,433.9	4,447.9	*-0.3*	2,413.3	*3.3*	2,020.6
Gross premiums (Non-Life and Life)	11,925.3	8,836.4	*35.0*	6,736.6	*0.2*	5,188.8
Non-Life business - ceded premiums	-280.0	-137.7	*103.3*	-135.2	*-1.8*	-144.8
Non-Life business - ceded premiums	-275.9	-139.2		-129.1		-146.7
Non-Life business - changes in the provisions -reinsurers' share	-4.1	1.5		-6.0		1.9
Life business - ceded premiums	-21.7	-19.6	*11.0*	-18.1	*-6.1*	-3.6
Ceded reinsurance premiums (Non-Life and Life)	-301.7	-157.3	*91.8*	-153.3	*-2.4*	-148.4
Total net premiums	11,623.6	8,679.1	*33.9*	6,583.2	*0.2*	5,040.4

1.2 Fee and commission income

				on a comparable basis		Premafin Group
Values in Millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*	31/12/2012
Commission income from banking business	115.8	106.7	*8.6*	106.0	*-0.7*	9.8
Commission income from investment contracts	14.3	21.3	*-32.7*	13.7	*-24.3*	0.6
Other commission income	3.6	2.9	*24.6*	3.6	*24.6*	
Fee and commission income	133.8	130.9	*2.2*	123.4	*-3.5*	10.4

1.3 Gains and losses financial instruments at fair value through profit or loss

Values in Millions of Euros	31/12/2012	31/12/2011	change %	on a comparable basis 31/12/2012	change %	Premafin Group 31/12/2012
on financial assets held for trade	12.5	-145.4		26.8		-14.3
on financial assets/liabilities designated at fair value through Profit or Loss	437.0	-100.1		184.2		252.8
on financial liabilities held for trading	1.9	-42.7		3.6		-1.7
Net gains and losses	451.4	-288.3	256.6	214.5	207.3	236.9

1.4 Income from investments in subsidiaries, associates and interests in joint ventures

These amount to euro 5.9 million (euro 12.9 million in 2011), of which euro 4.4 million relate to the Premafin Group.

1.5 Income from other financial instruments and investment property

Values in Millions of Euros	31/12/2012	31/12/2011	change %	on a comparable basis 31/12/2012	change %	Premafin Group 31/12/2012
Interest	1,631.1	1,380.5	18.2	1,171.9	1.9	459.2
on investments held to maturity	99.6	72.9		90.2		9.4
on loans and receivables	616.2	613.3		558.7		57.4
on available-for-sale financial assets	906.9	694.2		522.1		384.8
on sundry receivables	3.2	0.2		0.7		2.5
on cash and cash equivalents	5.3	0.0		0.3		5.0
Other income	134.3	110.6	21.3	77.3	-14.3	57.0
on investment property	60.6	10.0		16.9		43.7
on available-for-sale financial assets	73.4	100.6		60.4		13.0
on investments held to maturity	0.1	0.0		0.0		0.1
on sundry receivables	0.2	0.0		0.0		0.2
Realised gains	333.8	184.1	81.3	221.6	36.3	112.1
on investment property	0.1	3.3		0.1		0.0
on investments held to maturity	0.3	2.9		0.0		0.3
on loans and receivables	11.1	3.4		11.1		
on available-for-sale financial assets	291.8	174.5		180.0		111.8
on sundry financial liabilities	30.4	0.0		30.4		0.0
Unrealised gains	29.8	78.0	-61.8	29.7	-62.0	0.1
on available-for-sale financial assets	29.7	78.0		29.7		0.0
on sundry financial activities and liabilities	0.1	0.0		0.0		0.1
Total item 1.5	2,129.0	1,753.3	21.4	1,500.5	1.3	628.5

1.6 Other income

Other income amounted to euro 313.3 million, euro 73.5 million on a comparable basis. As at 31/12/2011, they amounted to euro 113 million.

COSTS AND EXPENSES

2.1 Net insurance claims

				on a comparable basis		Premafin Group
Values in Millions of Euros	31/12/2012	31/12/2011	*change %*	31/3/2012	*change %*	31/12/2012
Net insurance claims - direct and indirect business	10,640.3	7,891.8	*34.8*	6,054.9	*4.4*	4,585.4
Non-Life business	5,090.3	3,212.5	*58.4*	3,053.2	*-5.0*	2,037.1
amounts paid	5,555.8	3,422.0		3,108.4		2,447.5
changes in provision for claims	-357.3	-167.7		-0.9		-356.3
changes in recoveries	-108.0	-41.7		-53.9		-54.1
changes in other technical provisions	-0.3	-0.1		-0.3		0.0
Life business	5,550.0	4,679.2	*18.6*	3,001.7	*16.0*	2,548.3
amounts paid	5,635.9	3,641.2		2,644.3		2,991.6
changes in payable amounts	-151.6	22.7		63.1		-214.7
change in mathematical provisions	61.4	1,029.3		-52.3		113.7
changes in other technical provisions	241.0	-109.6		94.7		146.3
changes in provisions where the investment risk is borne by policyholders and arising from pension fund management	-236.6	95.6		252.0		-488.6
Net charges relating to claims - reinsurers' share	-271.4	-48.5	*459.6*	-124.4	*153.8*	-146.9
Non-Life business	-255.2	-36.9	*591.0*	-112.7	*205.1*	-142.5
amounts paid	-167.6	-70.9		-77.6		-90.1
changes in provisions for claims	-141.4	30.6		-37.8		-103.6
changes in recoveries	53.8	3.4		2.7		51.2
Life business	-16.1	-11.6	*39.7*	-11.7	*-2.9*	-4.4
amounts paid	-27.1	-17.9		-17.8		-9.3
changes in payable amounts	-2.1	1.6		-1.4		-0.7
changes in mathematical provisions	13.1	4.5		7.5		5.6
changes in other technical provisions	0.0	0.3		0.0		
Total net charges relating to claims	10,368.9	7,843.3	*32.2*	5,930.5	*3.1*	4,438.5

2.2 Fee and commission expense

Values in Millions of Euros	31/12/2012	31/12/2011	change %	on a comparable basis 31/12/2012	change %	Premafin Group 31/12/2012
Commission expense from bankng business	17.7	10.5	68.0	15.1	43.6	2.6
Commission expense from investment contracts	8.2	11.5	-28.7	7.9	-10.2	0.4
Other commission expense	7.9	6.3	25.8	7.9	25.8	
Total fee and commission expense	33.8	28.3	19.3	30.9	20.8	2.9

2.3 Losses on investments in subsidiaries, associates and interests in joint ventures

These amount to euro 20.3 million (euro 24.2 million in 2011). They include costs amounting to euro 12 million incurred in the acquisition of control over the Premafin/Fondiaria-SAI Group.

2.4 Losses on other financial instruments and investment property

Values in Millions of Euros	31/12/2012	31/12/2011	change %	on a comparable basis 31/12/2012	change %	Premafin Group 31/12/2012
Interest:	344.4	276.5	24.5	292.9	5.5	51.5
from other financial liabilities	338.5	276.0		292.2		46.3
from payables	5.8	0.5		0.6		5.2
Other charges:	51.9	12.1	327.3	12.8	9.6	39.1
from investment property	37.7	4.0		7.1		30.6
froma held to maturity financial assets	0.2	0.0		0.0		0.2
from loans and receivables	4.4	0.0		0.0		4.4
from available-for-sales financial assets	8.0	6.4		4.3		3.6
from cash and cash equivalents	0.2	0.0		0.0		0.2
from other financial liabilities	1.4	1.6		1.4		0.0
Realised losses:	100.7	203.7	-50.5	82.2	-53.3	18.6
from loans and receivables	3.4	5.0		0.7		2.7
from available-for-sales financial assets	97.0	198.6		81.1		15.9
from other financial liabilities	0.4	0.0		0.4		
Changes in fair value (including impairment)	213.0	270.1	-21.1	183.9	-8.3	29.2
from investment property	47.6	1.6		25.3		22.3
from loans and receivables	126.5	104.3		126.5		
from available-for-sales financial assets	38.9	164.2		32.0		6.9
Total item 2.4	710.0	762.5	-6.9	571.7	-14.1	138.3

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Impairment losses on equity and debt securities classified as Available-for-sale financial assets, amounting to euro 38.9 million, of which euro 23.5 million relate to the securities of the Dutch banking group SNS REAAL which was nationalised by the Dutch government in the first days of February 2013, were recognised in the income statement as at 31/12/2012. As at 31/12/2011 impairment amounted to euro 164.2 million, of which euro 83.7 million related to Greek government debt.

Unrealised losses on Loans and receivables exclusively comprise impairment of receivables from banking clients for an amount of euro 126.5 million (euro 104.3 million in 2011).

2.5 Management expenses

				on a comparable basis	
Values in Millions of Euros	31/12/2012	31/12/2011	*change %*	31/12/2012	*change %*
Insurance	1,873.1	1,092.8	*71.4*	1,094.2	*2.4*
Banking	285.5	266.4	*7.2*	263.8	*-1.0*
Holding and Services	215.7	86.1	*150.4*	82.8	*-3.9*
Real Estate	5.3	0.9	*488.5*	5.1	*465.1*
Intersegment eliminations	-160.3	-64.1	*150.0*	-54.6	*-14.8*
Total management expenses	2,219.3	1,382.1	*60.6*	1,391.3	*2.5*

Below are details of **Operating expenses in the Insurance business**:

	NON-LIFE		*change %*	LIFE		*change %*	TOTAL		*change %*
Values in Millions of Euros	Dec-12	Dec-11		Dec-12	Dec-11		Dec-12	Dec-11	
Acquisition commissions	966.5	583.7	*65.6*	73.0	37.7	*93.7*	1,039.4	621.3	*67.3*
Other acquisition costs	282.0	142.6	*97.7*	43.9	36.6	*20.1*	325.9	179.2	*81.9*
Changes in deferred acquisition costs	-16.9	1.3		-2.6	1.0		-19.6	2.3	
Collection commissions	197.4	109.0	*81.2*	11.1	8.4	*31.9*	208.5	117.3	*77.6*
Profit participation and other commissions from reinsurers	-77.5	-40.1	*93.5*	-3.9	-4.3	*-10.2*	-81.4	-44.4	*83.3*
Investment management expenses	23.8	11.9	*100.8*	22.2	21.2	*4.6*	46.0	33.0	*39.1*
Other administrative expenses	278.6	136.0	*104.9*	75.7	48.0	*57.6*	354.3	184.0	*92.6*
Total	1,653.8	944.3	*75.1*	219.2	148.4	*47.7*	1,873.1	1,092.8	*71.4*

The figures on a comparable basis are the following:

	on a comparable basis								
	NON-LIFE		*change %*	LIFE		*change %*	TOTAL		*change %*
Values in Millions of Euros	Dec-12	Dec-11		Dec-12	Dec-11		Dec-12	Dec-11	
Acquisition commissions	607.3	583.7	*4.0*	20.5	28.2	*-27.1*	627.8	611.8	*2.6*
Other acquisition costs	169.7	142.6	*19.0*	30.4	33.9	*-10.4*	200.1	176.5	*13.3*
Changes in deferred acquisition costs	2.4	1.3	*83.3*	1.5	1.0	*52.1*	3.9	2.3	*70.0*
Collection commissions	77.4	109.0	*-28.9*	7.1	8.3	*-15.0*	84.5	117.3	*-27.9*
Profit participation and other commissions	-40.0	-40.1	*0.0*	-3.8	-3.9	*-3.0*	-43.8	-44.0	*-0.3*
Investment management expenses	18.6	11.9	*57.0*	18.0	16.7	*7.8*	36.6	28.5	*28.3*
Other administrative expenses	147.7	136.0	*8.7*	37.4	39.6	*-5.6*	185.1	175.6	*5.4*
Total	983.2	944.3	*4.1*	111.0	123.7	*-10.3*	1,094.2	1,068.1	*2.4*

2.6 Other costs

Other costs amounted to euro 550.3 million, euro 424 million of which relate to the Premafin Group. As at 31/12/2011 they amounted to euro 669.6 million as a result of impairment losses on intangible assets with an indefinite useful life, amounting to euro 419.3 million, relating to banking activities.

3. Tax

The following table presents the movements recognised in the consolidated income statement, as a result of the recognition of, or provision for, deferred tax assets and liabilities in accordance with IAS 12.

	31/12/2012			31/12/2011		
Values in Millions of Euros	Ires	Irap	Total	Ires	Irap	Total
Current taxes	-285.7	-106.5	-392.2	-191.3	-16.7	-208.0
Deferred assets and liabilities	103.2	8.4	111.5	413.7	-17.9	395.7
Use of deferred tax assets	-288.3	-55.5	-343.8	-80.6	-2.7	-83.3
Use of deferred tax liabilities	287.3	68.9	356.2	44.5	8.2	52.7
Accrual to deferred tax assets	307.9	44.9	352.8	647.5	32.0	679.4
Accrual to deferred tax liabilities	-203.7	-49.9	-253.7	-197.7	-55.4	-253.1
Total	-182.6	-98.1	-280.7	222.4	-34.6	187.7

A profit before tax amounting to euro 754.4 million has given rise to a tax expense of euro 280.7 million, corresponding to a 37.2% tax rate (60.8% as at 31/12/2011). Tax amounting to euro 13 million was recovered in respect of previous years as a result of the deductibility, for the purposes of IRES, of IRAP tax paid on the cost of work provided for in Legislative Decree 201 of 6/12/2011 and of the possibility of filing for reimbursement for prior years under Law Decree 2/3/2012, 16.

Current taxation in 2011 included euro 247.3 million charges for withholding tax paid on 30/11/2011 for goodwill realigned under Law Decree 98/2011.

The following table presents an analysis of deferred tax assets and liabilities, showing the major differences for taxation purposes:

Values in Millions of Euros	31/12/2012	31/12/2011
DEFERRED TAX ASSETS		
Intangible assets and property, plant and equipment	143.8	75.6
Investment property	87.5	39.4
Financial instruments	330.4	480.0
Other receivables and other assets	180.4	0.8
Provisions	192.8	72.0
Technical provisions	239.0	124.3
Financial liabilities	20.1	0.2
Payables and other liabilities	5.0	6.5
Other deferred tax assets	971.1	456.9
Total deferred tax assets	2,201.2	1,255.7
DEFERRED TAX LIABILITIES		
Intangible assets, property, plant and equipment	77.1	15.4
Investment property	77.6	1.9
Financial instruments	359.3	213.7
Other receivables and other assets	0.0	0.2
Provisions	1.1	1.1
Technical provisions	64.5	88.9
Financial liabilities	3.3	0.1
Payables and other liabilities	1.2	0.4
Other deferred tax assets	3.8	17.5
Total deferred tax liabilities	587.9	339.2

The net tax assets are deemed to be recoverable on the basis of the business plans of the companies belonging to the Group, taking into consideration the effects of the consolidated tax scheme as well as recent legislation. These have introduced more advantageous conditions both in terms of carrying tax losses forward to future years, as well as in recovering, as tax receivables, the deferred tax assets based on the amount of tax loss arising from the amortisation of realigned goodwill and impairment losses on receivables.

Other deferred tax includes deferred tax amounting to euro 676.8 million relating to tax paid in 2011 to realign the goodwill recognised in the consolidated financial statements (euro 416.7 million as at 31/12/2011) and euro 272.1 million relating to tax losses carried forward (euro 14.4 million as at 31/12/2011).

5. OTHER INFORMATION

5.1 Hedge Accounting

Fair value and cash flow hedging activities were being carried out as at 31/12/2012.

Fair value hedges

Unipol Assicurazioni
Financial instruments designated as hedging instruments comprise interest rate swaps, the fair value of which was a liability of euro 204.5 million as at 31/12/2012. Fair value movements on the hedged bonds, which are classified as Available-for-sale financial assets, during the effective period of the hedge relationship are represented by increases in value amounting to euro 234.8 million.
The hedging relationship was effective as at 31/12/2012 since the ratio between the respective variations in fair value remains within the 80%-125% range.
During 2012, fair value losses of euro 23.9 million on the IRS were recognised within the income statement, while fair value gains of euro 29.7 million were recognised in respect of the underlying assets, giving rise to net fair value gains of euro 5.8 million recognised in the income statement.

Unipol Banca
Financial instruments designated as hedging instruments comprise interest rate swaps, the fair value of which was an asset of euro 11.4 million as at 31/12/2012. Fair value movements on the hedged bonds issued by Unipol Banca, which are presented within Other financial liabilities, during the effective period of the hedge relationship are represented by increases in value amounting to euro 11.4 million.
The hedging relationship was effective as at 31/12/2012 since the ratio between the respective variations in fair value remains within the 80%-125% range.
During 2012, fair value gains of euro 0.25 million were recognised on the IRS within the income statement, while fair value losses of euro 0.05 million were recognised in respect of the underlying assets, giving rise to net fair value gains of euro 0.2 thousand recognised in the income statement.

Premafin/Fondiaria-SAI Group
As at 31 December 2012 Fondiaria-SAI and Milano Assicurazioni engaged in hedging activities, comprising collars (purchased put options and written call options), to hedge equity securities classified as Available-for-sale financial assets. The put and call option hedging instruments have the same contractual characteristics (underlying, notional , maturity, strike price). The economic effects of these transactions on the consolidated financial statements of Unipol are not significant.

Cash flow hedges

The objective of the existing hedges is to convert the interest rate exposure on financial liabilities from variable to fixed rates of interest, thus fixing the cash flows at a set amount.

Unipol Assicurazioni - cash flow hedge of hybrid perpetual loans through the use of IRS with a notional amount of euro 400 million
The cumulative effect recognised in equity within the Cash flow hedge reserve amounts to a fair value loss of euro 63.5 million (euro 41.7 million net of tax). The effect as at 31/12/2011 was of a loss of euro 46.1 million (euro 30.3 million net of tax).

Unipol Assicurazioni - cash flow hedge of debt securities classified as Available-for-sale financial assets through the use of IRS with a notional amount of euro 217 million
The cumulative effect recognised in equity within the Cash flow hedge reserve amounts to a fair value loss of euro 3.8 million (euro 2.5 million net of tax).

Arca Vita Group - cash flow hedge of debt securities classified as Available-for-sale financial assets through the use of IRS with a notional amount of euro 63 million
The cumulative effect recognised in equity within the Cash flow hedge reserve amounts to a fair value loss of euro 1 million (euro 0.6 million net of tax).

Unipol Banca - cash flow hedge of loans through the use of IRS with a notional amount of euro 152 million
The cumulative effect recognised in equity within the Cash flow hedge reserve amounts to a fair value loss of euro 17.4 million (euro 11.7 million net of tax). The effect as at 31/12/2011 was of a loss of euro 13.5 million (euro 9.1 million net of tax).

Unipol Banca - cash flow hedge of debt securities classified as Available-for-sale financial assets through the use of IRS with a notional amount of euro 240 million
The cumulative effect recognised in equity within the Cash flow hedge reserve amounts to a fair value loss of euro 2.9 million (euro 1.97 million net of tax). No such hedge relationship was present as at 31/12/2011.

Premafin Group - cash flow hedge of loans and advances to banks through the use of IRS with a notional amount of euro 1,125 million
The cumulative effect recognised in equity within the Cash flow hedge reserve amounts to a fair value loss of euro 9.5 million (euro 6.6 million net of tax).

5.2 Share-based payment plans

The Group pays additional benefits to senior executives under a closed share-based payment plan under which Unipol ordinary shares are granted if specific targets are achieved (performance shares).

The plan is for three years, ended in 2012, and provides for benefits to be paid if the following targets are achieved:
– overall in consolidated profit or loss (gross of tax) for the three-year period;
– increase in the value of Unipol's ordinary shares over the three years;
– an indicator of financial stability.

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

A cost of euro 3.4 million was recognised in 2012 with a corresponding increase in equity.

5.3 Earnings/Loss per share

Basic and diluted	31/12/2012	31/12/2011
Earnings/(loss) allocated to ordinary shares (Millions of Euros)	181.5	-83.7
Weighted average of ordinary shares outstanding during the year (amounts in millions)	142.8	21.1
Basic earnings per share (EUR per share)	1.27	-3.96

As already disclosed in the notes to the statement of financial position, it is noted that on 27 March 2012, following a resolution at Unipol's Extraordinary Shareholders' Meeting of 19 March 2012, the ordinary and preference shares were subject to a reverse share split resulting in 1 new ordinary share for every 100 ordinary shares held, and 1 new preference share for every 100 preference shares held.
For the sake of comparison, the number of ordinary shares as at 31/12/2011 was adjusted accordingly, for the effect of the reverse share split.

5.4 Dividends

In view of the loss for the year made by the parent company Unipol SpA as at 31/12/2011 (as shown in the financial statements drawn up in accordance with Italian GAAP), the General Shareholders' Meeting of Unipol SpA held on 30 April 2012 did not vote to pay a dividend.

The financial statements of the parent company Unipol as at 31 December 2012, drawn up in accordance with Italian GAAP, show a profit for the year of euro 195 million.
At the General Shareholders' Meeting, the Board of Directors of Unipol proposes a dividend of euro 0.15 per Ordinary Share and euro 0.17 per Preference Share. The total amount of dividends is euro 113.1 million.

5.5 Non-current assets and assets of a disposal group classified as held for sale

Following the planned sale of the entire shareholding in Unicard held by Unipol Banca, equivalent to 53.63% of the share capital, the related assets and liabilities have been respectively reclassified into the item 6.1 of the consolidated assets and 6.1 of the consolidated liabilities.

Carrying amounts of the subsidiary company Unicard's major classes of assets and liabilities held for sale are presented in the following table.

Non-current assets or of a disposal group	
Values in Millions of Euros	31/12/2012
Intangible assets	2.3
Property plant and equipment	0.0
Reinsurer's share of technical provisions	0.0
Investments	0.8
Other receivables	0.0
Other assets	1.2
Cash and cash equivalents	0.0
Total Non-current assets or of a disposal group	4.3

Liabilities of a disposal group held for sale	
Values in Millions of Euros	31/12/2012
Provisions	0.5
Technical reserves	0.0
Financial liabilities	0.0
Payables	0.0
Other liabilities	1.1
Total Liabilities of a disposal group held for sale	1.6

5.6 Related party transactions

The services supplied by the **parent company Unipol**, which do 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;
- Regulatory compliance and anti-money laundering (legal support services);
- Governance (internal control, risk management and compliance with relevant legislation).

Unipol Assicurazioni provided services relating to the following areas:

- Planning and monitoring;
- Legal affairs and data protection;
- IT services;
- Health and safety at work (Legislative Decree 81 of 08);
- Technical training and organisation;
- Administrative (accounting, tax, administrative and financial statements services);
- Real estate, purchasing and auxiliary services;
- Life product development, reserves analysis, portfolio management and regulatory supervision and life settlements;
- Claims management and settlement;
- Complaints management;
- Marketing;
- Reinsurance;
- Finance.

The following transactions with Group companies are also carried out by Unipol Assicurazioni, including via its subsidiaries:
- normal reinsurance and coinsurance transactions;
- property leases;
- agency mandates.

UniSalute provided the following services to the other companies in the Group
- Service management routing , telephone medical assistance, making reservations, claims handling and claims settlement in relation to specific guarantees/products on behalf of Unipol Assicurazioni and Linear;
- support services for the training and education of employees on behalf of Unipol, Unipol Assicurazioni, Linear and Linear Life.

Services provided by Unisalute to its subsidiary Centri Medici Unisalute were mainly in respect of the following areas:
- Administration and financial statements services;
- Management planning and monitoring;
- Marketing;
- Commercial underwriting;
- IT services.

Unipol Banca provides the following services to the companies in the banking group of which it is the parent company:
- Organisation;
- Administrative and financial statement services;
- Human resources;
- Anti-money laundering;
- Legal services;
- Risk Management;
- Compliance;
- Internal auditing;
- Management planning and monitoring;
- General services.

Both the parent company Unipol and the subsidiaries Unipol Assicurazioni and Unipol Banca second staff to the Group companies.

Fees are based on external costs incurred, for example for products and services acquired from suppliers, and on costs arising from the internal activities of the companies themselves, i.e. generated by their own staff, also 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 levels of service.

In particular, the following components are specifically taken into account:
– staff costs;
– operating costs (logistics, etc.);
– general costs (IT, consultancy, etc.).

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

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

The Fondiaria-SAI Servizi consortium Group provides services to the companies of the Fondiaria-SAI Group in respect of the following:

- Underwriting of non-life and life business;
- Technical assistance with the distribution networks;
- Portafolio management;
- Claims handling and settlement;
- Management of agency networks;
- Brokers and other distribution channels;
- Governance;
- Investor relations;
- Finance;
- Administration and financial statement services;
- Marketing, external relations and communications;
- IT services;
- Acquisitions;
- Human resources;
- Organisation.

The main intra-group transactions within the Fondiaria-SAI Group, set at market prices or according to the criterion of recharging only specific incurred costs, relate to reinsurance transactions, claims settlement, IT services, administration, real estate and securities asset management, the granting of loans and, typically, all support activities to the business that are carried out in a centralised manner.

The above transactions are not atypical or unusual.

It is noted that none of the shareholders of the parent company Unipol SpA carries out, in terms of Article 2497 *et seq.* of the Civil Code, any of its administrative and coordination activities.

Finsoe SpA, which holds an investment equal to 50.75% of the ordinary share capital of Unipol that grants it, in terms of Article 2359. 1. 1, of the Italian Civil Code, control over Unipol, does not manage or coordinate it either in technical or financial terms.

For tax purposes, Finsoe was also the consolidating company of Unipol, Unipol Assicurazioni, Linear, Linear Life, Midi, Smallpart and, since 2012, Unisalute, which, in accordance with Article 117 *et seq.* of Presidential Decree 917/86 and Ministerial Decree of 9 June 2004, have, as consolidated companies, opted for the Group consolidated taxation system (for the purposes of IRES). Receivables from the parent for tax purposes, Finsoe, amounted to euro 336.9 million as at 31/12/2012, while payables amounted to euro 125.8 million.

On 2 July 2012 Unipol repaid, upon its maturity, a euro 50 million bond issue to Finsoe, together with accrued interest amounting to euro 1.6 million.

On 9 February 2012, the Boards of Directors of Unipol and Unipol Assicurazioni resolved the assignment without recourse, in favour of Unipol Assicurazioni, of the receivable with a nominal amount of euro 95 million claimed by Unipol against the Belgian insurer P&V Assurances, which is the parent company of the P&V Group. The receivable subject to the assignment relates to a title to a perpetual subordinated loan with a nominal amount of euro 95 million, which is held by Unipol and which was signed by Unipol and P&V Assurances on 19 December 2008. The transaction was carried out on 20 June 2012.

Credit indemnity agreement between Unipol and the subsidiary Unipol Banca

The partial spin-off of the lending business unit by Unipol Merchant in favour of Unipol Banca, became effective for accounting and legal purposes with effect from 1 January 2012.
Loans subject to the indemnity agreement between Unipol Merchant and Unipol on 3/8/2011 also formed part of the scope of the transfer.
In 2012 Unipol has delivered euro 0.6 million to Unipol Banca following the settlement of one of the loan positions covered by the agreement. As at 31/12/2012 Unipol has allocated euro 50 million to the provision for risks, which amounts to euro 102.4 million.
Unipol earned commissions from Unipol Banca amounting to euro 5.5 million as a result of the indemnity agreement.

The following table shows transactions with related parties (parent company, associates, subsidiaries and other companies) carried out during 2012, as laid down in IAS 24 and in Consob Note DEM/6064293/2006. The information relating to directors, “sindaci”, general managers and key management personnel (recognised under Others) does not include remuneration and fees for their appointments nor for the work they carried out, which are shown separately.

To the extent that transactions with and between Group companies have been eliminated as part of the normal consolidation process using the line-by-line method, those same transactions have not been disclosed.

Related party transactions

Values in Millions of Euros	Parent	Associates	Other (3)	Total	*inc.% (1)*	*inc.% (2)*
Loans and receivables		47.9		47.9	*0.1*	*3.4*
Available for sale financial assets		0.0		0.0	*0.0*	*0.0*
Other receivables	337.0	38.6		375.6	*0.5*	*26.6*
Other assets	0.0	9.3		9.3	*0.0*	*0.7*
TOTAL ASSETS	337.0	95.8		432.8	*0.5*	*30.6*
Other financial liabilities	0.6	31.6		32.2	*0.0*	*2.3*
Other liabilities	125.8	1.2		127.0	*0.2*	*9.0*
TOTAL LIABILITIES	126.4	32.8		159.2	*0.2*	*11.3*
Gains on other financial instruments and investment property	0.2	0.6		0.8	*0.2*	*0.1*
Other income	0.3	2.9		3.2	*0.7*	*0.2*
TOTAL REVENUE AND INCOME	0.5	3.5		4.0	*0.8*	*0.3*
Gain/(losses) on other financial instruments and investment pro	1.7			1.7	*0.4*	*0.1*
Operating expenses	0.1	1.3		1.4	*0.3*	*0.1*
Other costs	0.5	2.2		2.7	*0.6*	*0.2*
TOTAL COSTS AND EXPENSES	2.3	3.5		5.8	*1.2*	*0.4*

(1) Percentage based on total assets in the consolidated statement of financial position for assets, liabilities and equity, and based on consolidated net profit for the period for income statement items.
(2) Percentage based on total net cash flows from operating activities in the statement of cash flows
(3) The column "Other" includes related companies and individuals identified as related parties (directors, statutory auditors, general managers, key management personnel, and their respective family members).

Remuneration paid in 2012 to directors, auditors and key management personnel of the parent company for carrying out their duties to Unipol and in other consolidated companies amounted to euro 11.4 million, details of which are as follows (in millions of euro):

- Directors and General manager	6.8
- "Sindaci" (members on the Board of Statutory auditors)	0.5
- Other key management personnel	4.1 *(*)*

(*) amount includes almost exclusively income from employment

The remuneration of the General Manager and the other key management personnel include an estimated euro 1.3 million of benefits to be granted under the share-based payment plan (performance shares) which, subject to achievement of the targets provided for in the plan, provides Unipol ordinary shares for them to be granted to them in 2014.

During 2012 the companies in the Group paid Unipol the sum of euro 0.9 million as remuneration for the posts held in them by the Chairman, the Chief Executive Officer, the General Manager and the Key Management Personnel.

5.7 Non-recurring significant transactions and events

Non-recurring significant transactions and events carried out during 2012 include the acquisition of control of the Premafin/Fondiaria-SAI Group and its integration project, as already described in the Management Report, to which reference is made.

Timely information of these transactions has been given to the market through press releases.

5.8 Atypical and/or unusual transactions

There were no atypical and/or unusual transactions that, due to their significance, importance, nature of the counterparties, transfer pricing procedures, or occurrence close to the end of the year, could give rise to doubts relating to the accuracy and completeness of the information in these consolidated financial statements, a conflict of interest, the safeguarding of the Group's assets or the protection of non-controlling shareholders.

5.9 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test)

As in previous years, and in accordance with IAS 36.10, which provides for the impairment of intangible assets that have an indefinite useful life, an impairment test was carried out on the goodwill recognised in the consolidated financial statements in relation to insurance and banking subsidiaries.

The weakness of the overall economic situation and the uncertainty that characterises the economy's growth prospects in the coming years have resulted in the need to use prudent criteria in the determination of the parameters used for the evaluation.

Appropriate Sensitivity Analyses were also developed to test the sensitivity of the recoverable amounts of goodwill to variations in the main parameters used, such as the discount rate and the long-term growth rate (g factor).

The Cash Generating Units (CGU) to which goodwill was allocated were the same as the previous year. Given that the measurement of goodwill arising on the acquisition of control over the Premafin/Fondiaria-SAI Group is not yet definitive, the amount of goodwill which has been recorded by Unipol in the financial statements as at 31/12/2012 on a provisional basis has not been allocated to any of the pre-existing CGUs, which therefore retain the same scope as ascribed to them at the end of 2011.

The CGUs as at 31/12/2012 are therefore composed as follows:

- Non-life CGU Unipol Assicurazioni - Non-Life, UniSalute, Linear;
- Life CGU Unipol Assicurazioni - Life, Arca Group;
- Banking business CGU Unipol Banca Group.

It is noted that the figures in the forecasts presented below were approved by the Boards of Directors of the individual companies.

Non-Life CGU	
Measurement methodology used	The methodology used, similar to that carried out last year, was an excess capital type of DDM (Dividend Discount Model) and focused on the future cash flows theoretically available for shareholders, without drawing on the assets needed to support the expected growth and in accordance with the capital requirements imposed by the Supervisory Authority. Under this methodology, the value of the economic capital is the sum of the present value of future cash flows potentially available for distribution and the present value of the terminal value.

Net profits used	Forecast net profits were considered.
Projection period	Five prospective flows were considered.
Discount rate	An approach that considers the country risk implicit in the risk-free rate was followed in the determination of the discount rate. A discount rate of 9.59% was used, analysed as follows: – risk-free rate: 5.36% – beta coefficient: 0.85 – risk premium: 5% The average figure for the 10-year Long-Term Treasury Bond for the period January - December 2012 was used for the risk-free rate. A 5-year adjusted beta coefficient for a sample of companies, listed on the European market and deemed to be comparable, was used. The risk premium risk was deemed to be 5%, in accordance with common practice among financial analysts and the profession in general.
Long term growth rate (g factor)	Several significant growth indicators relating to the reference market and to the macroeconomic situation were taken into account. In particular, the annual average market growth rate for 2013-2017 is expected to be 2.6%. The average variation in GDP is expected to be 3% in nominal terms. The consumer price index is expected to average approximately 1.6%. In view of this it was deemed appropriate to use a g factor of 2%, in line with the professional practice.
Life CGU	
Recoverable amount of goodwill	In the case of Unipol Assicurazioni – Life, the recoverable amount of goodwill was determined by reference to the value of In Force business and the value of New Business on the basis of discounting the related expected cash flows, as derived from the in-house actuarial model. In the case of the Arca Group, Arca Vita’s measurement was determined using the Appraisal Value methodology, while the DDM methodology mentioned above was used for the subsidiary Arca Assicurazioni. The Arca Group was considered as a whole since both companies use the same sales channel (banking).

Banking business CGU	
Measurement method used	The method used was based on discounting expected cash flows.
Discount rate	A discount rate of 9.87% was used, analysed as follows: – risk-free rate: 5.36% – beta coefficient: 0.90 – risk premium: 5% The average figure for the 10-year Long-Term Treasury Bond for the period January - December 2012 was used for the risk-free rate. A 5-year adjusted beta coefficient for a sample of banks, listed on the Italian market and deemed to be comparable, was used. The risk premium risk was deemed to be 5%, in accordance with common practice among

	financial analysts and the profession in general.
Long term growth rate (g factor)	By way of illustration, the annual average growth rate in Banking Business in the period 2013-2017 is expected to be: • 3.8% for lending to customers • 2.1% for funding • 1.8% for interest margin • 2.5% for gross income In view of this it was deemed appropriate to use a g factor of 2%, in line with the professional practices used.
Projection period	Five prospective flows were considered.

On the basis of the simulations carried out, in accordance with the parameters described above, it was not deemed necessary to adjust goodwill recognised as at 31/12/2012.

Below are the results of the impairment tests along with the relevant sensitivity analyses.

Values in Millions of Euros	Allocation of goodwill	Recoverable amount	Surplus
Non-Life CGU	1,047	2,334	1,286
Life CGU	349	405	56
Banking business CGU	127	174	48
Total	1,523	2,913	1,390

Sensitivity analyses

Parameters used	Non-Life	Life
Risk Free	5.36%	5.36%
Beta	0.85	0.90
Risk premium	5%	5%
Short-term discounting rate	9.59%	9.87%
Range	*8,59% - 10,59%*	*8,87% - 10,87%*
Pass	*0.5%*	*0.5%*
g factor	2%	2%
Range	*1% - 3%*	*1% - 3%*
Pass	*0.5%*	*0.5%*

Values in Millions of Euros		Sensitivity (value range)		Delta of recoverable amount - goodwill = 0			
				Hp. 1 (rate g same as rate used for impairment)		Hp. 2 (rate g equal to 0)	
CGU	Differences of recoverable amount - goodwill	Min	Max	g	Short-term discounting rate	g	Short-term discounting rate
Non-Life business							
Non-Life Unipol	1,029	607	1,735	2%	14.3%	0%	13.7%
Unisalute	111	77	167	2%	18.4%	0%	18.0%
Linear	146	104	219	2%	19.9%	0%	19.4%
Banking business	48	(150)	379	2%	10.2%	0%	8.7%

A sensitivity analysis has been performed in relation to the Life CGU, and confirms the recoverability of goodwill recognised.

With regard to Premafin, in light of its nature as a holding company that holds, directly and indirectly (through Finadin) the participation in Fondiaria-SAI, verification of goodwill recognised on a provisional basis to 31/12/2012 was made on the basis of the results of the impairment tests conducted by Premafin and Fondiaria-SAI on their subsidiaries, taking into account the amounts recognised in the financial statements of Unipol in relation to its investment in Premafin.
More specifically, a simple balance sheet valuation methodology was adopted, expressing the value of the investment in Fondiaria-SAI itself on the basis of a “Sum of Parts” methodology that allows adequate assessment of the different areas of business in which the Fondiaria-SAI Group operates (mainly real estate and insurance business). The assessment of the individual divisions of the Fondiaria-SAI Group was carried out having regard to the results of the impairment tests conducted at the level of Fondiaria-SAI, taking into account the value of the Fondiaria-SAI shares in the financial statements of Premafin and the carrying amount of the shares of Premafin and Fondiaria-SAI in the financial statements of Unipol.

5.10 Notes on Non-life business

Note on the process used to determine reserves and to decide on assumptions

The process used to decide on assumptions is intended to result in a neutral valuation (i.e. neither optimistic nor prudent) of liabilities and to produce estimates that are as realistic as possible.
The source of data is internal with trends analysed on the basis of annual statistics and monitored monthly throughout the year.
As far as practicable, assumptions are tested against market statistics.
In instances where information is not available, incomplete or unreliable, estimates of ultimate costs are based on prudent assumptions.
The very nature of insurance business makes it difficult to estimate, with any degree of certainty, the cost of settling a claim. The reserve for each individual claim reported is set by an adjustor and is based on information in his possession and on experience of similar cases. Estimates input in the system are periodically updated to reflect new information about a claim. The ultimate cost may vary as the claim develops (for example a deterioration in the injured person’s condition in bodily injury cases) or in the event of natural disasters. Estimating ultimate costs is difficult and the complexity thereof varies depending on the class of business.

As the Group's business is concentrated in Italy, the major exposure to catastrophe risks is represented by natural disasters such as earthquakes and floods.

Reinsurance cover is bought to cover this type of risk. The cover differentiates between the exposure of each of the companies in the Group. Reinsurance levels are considered to be sufficiently prudent on the basis of statistical models that simulate companies' exposure in detail.
Losses on risks insured by Group companies and associated with the May 2012 earthquake are estimated to amount to circa 236 million euro that are partly covered by reinsurance (144 million euro).

Estimates of outstanding claims' costs are set on individual claims reported. The adjusters' estimates are combined with the results of statistical methods such as the 'chain ladder', the 'Bornhuetter Ferguson' and the 'Fisher Lange' and with assessments of the average costs for the financial year (for homogenous groups covering a sufficiently large number of claims).
The Chain Ladder method is applied to paid and incurred claims. The technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.
Chain-Ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-Ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.
The Bornhuetter-Ferguson method uses a combination of a benchmark or market- based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the incurred claims (Chain-Ladder). The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes.
This technique is used in situations in which developed claims experience are not available for the projection (recent accident years or new classes of business).

The Fisher Lange method is based on a projection of the number of claims to be paid and the relative average costs. This procedure is based on four fundamental assumptions: settlement rate, rate of claims accepted, base average costs and exogenous and endogenous inflation.

These methods extrapolate ultimate claims costs for each accident year and for homogenous groups of risk on the basis of past claim development trends of the Group. If there are any reasons for which the trends registered are considered invalid, some of the development factors are modified and projections are adjusted to available information.
Some examples of instances in which trends are affected are:
- changes in claims handling procedures involving different approaches to reserving;
- market trends showing increases that are higher than inflation (may be linked to the business cycle or to political, legal or social trends);
- random fluctuations including the impact of 'major' claims.

IBNR is estimated on the basis of internal historical trends, with count and average cost of claims being estimated separately.

As prescribed by IFRS 4, technical provisions have not been discounted.

Claims development

The claim development tables below illustrate how the Group's estimate of total claims outstanding for each accident year from 2003 to 2012 has changed at successive year-ends due to determination of the claim or further information being obtained.

The line that shows the difference from the reserve set at the end of the accident year should be analysed separately as subsequent adjustments may already have been recognised in later years' reserves. Assessing adequacy or inadequacy of reserves on the basis of the figures reported in these tables should be done with caution.

The Group considers its provision for outstanding claims and for IBNR at 31/12/2012 to be adequate based on known facts. However, since these are estimates there can be no absolute certainty of the adequacy of reserves.

Claims development (All classes except Assistance)

Figures in millions of euro

Year incurred	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	totale
Estimate of cumulative claims at the end of the year incurred	7,497	7,535	7,889	8,044	8,165	8,419	9,122	8,646	7,861	7,218	80,395
- after one years	7,282	7,444	7,749	8,127	8,123	8,638	9,203	8,535	7,583		
- after two years	7,316	7,414	7,710	8,177	8,262	8,865	9,445	8,832			
- after three years	7,317	7,321	7,745	8,166	8,386	9,091	9,624				
- after four years	7,318	7,346	7,761	8,282	8,535	9,259					
- after five years	7,333	7,358	7,829	8,528	8,686						
- after six years	7,384	7,438	7,977	8,544							
- after seven years	7,416	7,532	8,030								
- after eight years	7,471	7,581									
- after nine years	7,545										
Estimate of cumulative claims	7,545	7,581	8,030	8,544	8,686	9,259	9,624	8,832	7,583	7,218	82,901
Accumulated payments	7,168	7,140	7,336	7,661	7,649	7,985	7,996	6,922	5,355	2,739	67,950
Variation compared with the valuation in year 1	49	46	141	499	521	840	502	186	-278	0	
Outstanding at 31/12/2012	377	441	694	883	1,036	1,275	1,628	1,910	2,227	4,479	14,950
Effects of discounting											
Carrying amount	377	441	694	883	1,036	1,275	1,628	1,910	2,227	4,479	14,950

Utilising data contained in claims development tables as input in actuarial models such as the Chain-Ladder, should be done with prudence. Replicating past cost variations into the future, through strengthening of reserves, may lead to higher inadequacies being projected by these methods.

5.11 Notes on Life business

Insurance portfolio analysis

Premiums written of Unipol Group at 31/12/2012 are analysed as follows:

Consolidated Life direct premiums	Unipol Assicurazioni	Linear Life	Arca Group	Premafin Group	Total
Values in Millions of Euros					
Insurance premiums (IFRS 4)	1,952.6	0.9	458.6	2,020.4	4,432.4
change %	*8.1%*	*-27.6%*	*-13.0%*	*0.0%*	*-0.3%*
Investment product (IAS 39)	16.4	0.0	92.3	21.1	129.9
change %	*-27.6%*	*0.0%*	*-22.3%*	*0.0%*	*-8.3%*
Total Life premiums	1,969.0	0.9	550.9	2,041.5	4,562.3
change %	*7.7%*	*-27.6%*	*-14.7%*	*0.0%*	*-0.6%*
Breakdown:					
Insurance premiums (IFRS 4)	*99.2%*	*100.0%*	*83.2%*	*99.0%*	*97.2%*
Investment products (IAS 39)	*0.8%*	*0.0%*	*16.8%*	*1.0%*	*2.8%*

Consolidated Life premium income in 2012 amounted to euro 4,562.3 million (insurance and investment products), attributable to Premafin Group's business and registering a decrease of 0.6% over the previous year. The movement over last year excludes BNL Vita's premium income from 2011 figures.
Insurance premiums represent 97.2% of total income (96.9% in 2011).

Direct insurance premiums: types of premiums	Unipol Assicurazioni	Linear Life	Arca Group	Premafin Group	Total
Values in Millions of Euros					
Traditional premiums	1,093.6	0.9	458.4	1,177.4	2,730.2
Financial premiums	0.5	0.0	0.2	843.0	843.7
Pension funds	858.5	0.0	0.0	0.0	858.5
Insurance premiums (IFRS 4)	1,952.6	0.9	458.6	2,020.4	4,432.4
including investment with DPF	681.8	0.7	425.3	863.4	1,971.3
% investment with DPF	*34.9%*	*86.6%*	*92.8%*	*42.7%*	*44.5%*

Unipol Group's insurance premiums continue to be predominantly derived from "traditional" type products that represent 59.8% of total premium income, compared to 18.5% derived by financial product premiums and 18.8% from occupational pension funds managed by Unipol Assicurazioni.

5.12 Risk Report

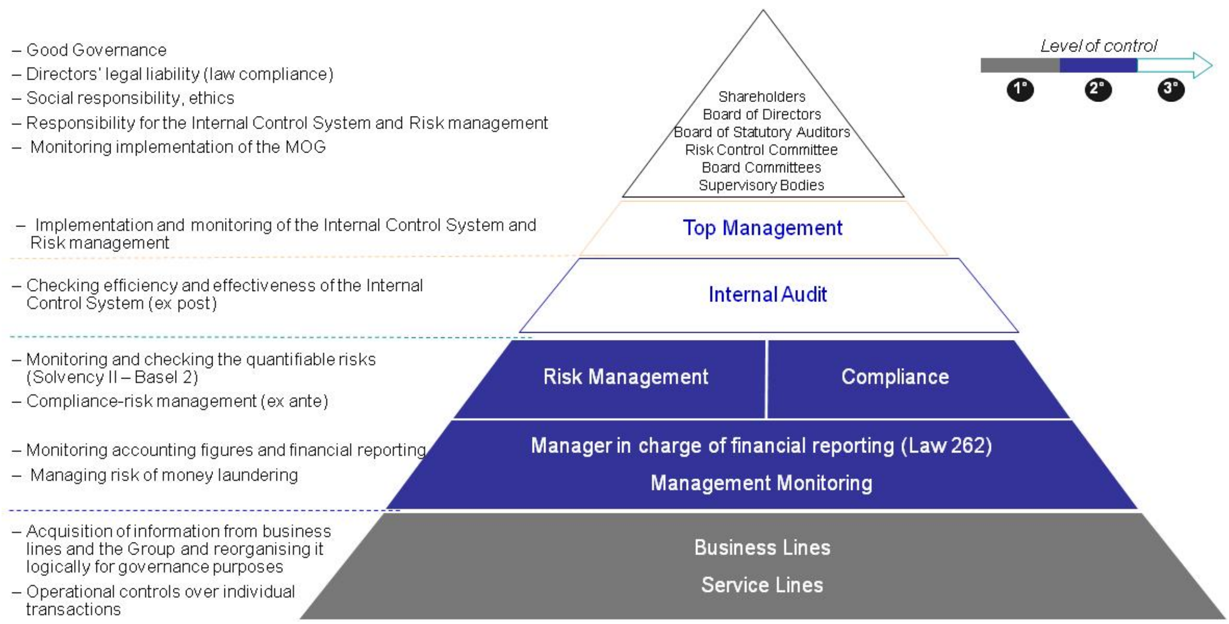
The Risk Report provides additional and supporting information to enable stakeholders to evaluate the Group's financial position for the purpose of Risk Management under the general principles contained in the Solvency II regulations currently being defined.

Internal Control System and Risk Management

Within the Unipol Group, the Risk Management structures and processes fall within an extensive system of internal control and risk management, which is configured on different levels:

- *line controls* (so-called "first-level controls"), aimed at ensuring the proper conduct of operations. These are performed within the same operating structures (e.g. hierarchical, systematic and random controls), even through several units that report to the same operating components, that is, executed within the back-office framework and to the extent possible, they are integrated in the automated procedures. The operating structures are vested with the primary responsibility of risk management. In the course of the day-to-day operations, such structures have to identify, measure, monitor, ease and report the risks arising from the ordinary business activities in conformity with the risk management process. These processes have to ensure the adherence to the established tolerable level of risk and the procedures which define the risk management policy
- *controls on risk and compliance* (so-called "second-level controls"), which have the objective of ensuring inter 'alia:
  - The proper implementation of the risk management process;
  - Compliance with the operating limits for the various functions;
  - Compliance with the corporate business processes and procedures;
- *Internal audit* (so-called "third-level control"), internal audit procedures which monitor the completeness, functionality and adequateness of the internal control and risk management systems (including controls on the first and second level controls).

The illustration below outlines the governance and risk management process within the Unipol Group.



Within the Unipol Group :

- The Board of Directors, after consultation with the Audit and Risk Management Committees, defines the guidelines for the management of risks, so that the main risks facing the Company and the other Group operating entities are correctly identified, adequately measured and monitored. The Board is responsible for the approval of the of the Risk Management policy within which are defined the guidelines and policies for identification, measurement, control, mitigation and management of the risks which transpire to be significant, in line with the established risk appetite of the group. The Board works in coordination with the Risk Management Committee which is tasked with ensuring a proper comprehensive assessment of the various risk facing the Group, hence operating the Enterprise Risk Management function (ERM) at group level.
- The Risk Management Committee advises the Board of Directors on the implementation of the Risk Management policy in the context of an assessment of the adequacy of the risk management policies in the contexts of the risks being faced by the respective group company.
- The Chairman of the Board of Directors, as Chief Executive Officer in charge of the internal control system and risk management, identifies the main business risks, taking into account the characteristics of the activities of the Company and the Operating Companies, reports periodically to the Board of Directors; ensures the effective deployment of the guidelines defined by the Board of Directors, oversees the design, implementation and management of the internal control system and risk management, and constantly monitors their adequacy and effectiveness.
- Senior management supports the Chief Executive Officer who is responsible for the implementation and management of the internal control and risk management processes, including the business process which may include instance of non-compliance with the risk management policies as established by the group.
- The Risk Management function, following decisions taken by the Board of Directors on 27 September 2012, has been placed within the direct remit of the Board of Directors, coordinated by the Chief Executive Officer. The Risk Management function is tasked with the proper assessment of all risks at group level, namely the Enterprise Risk Management (ERM), supporting senior management, the Chief Executive Officer and the Board of Directors in the evaluation of design and effectiveness of the risk management system and reports backs conclusions which indicate eventual shortcomings and advices on the modality in which the latter can be addressed. The risk management functions operates within the internal framework of the "Own Risk Solvency Assessment'' in the insurance arm of the group and the "Internal Capital Adequacy Assessment Process" for the banking business with an aim of coordinating the risk management functions operating in the group, in line with best practice and in adherence to the Regulatory guidelines. The primary responsibility of the function rests in the management of risks arsing from the operations by having the necessary structures and abilities to run such a process. The risk management department supports the various group activities in the assessment of the impact that strategic decisions have ex ante (before the event) and ex post (after the fact) on the profits, in the screening of particular transactions and monitors the exposure to risk against the acceptable tolerance levels.
  In this context, concretely, Risk Management in collaboration with the responsible management functions, supports the Chief Executive Officer and Senior Management in instilling and strengthening the risk culture within all the employee levels in the organisation in a manner to create awareness of the risk management function and integrate it within all the levels across the organisation.

  At an organisational level the Unipol Group has decided to adopt a 'centralised' model of Risk Management, with the primary objective of ensuring uniformity and coherence at Group level in the adoption of risk management and internal control policies. The way in which this model is developed differs according to the type of company concerned (insurance and investment management companies or companies in the Banking Group) and two organisational approaches are used:

- outsourcing, particularly in the case of the insurance companies in the Group (excluding Arca Vita and its subsidiaries) under specific agreements concluded in accordance with the requirements of the relevant supervisory regulations;
- reporting on the risk management functions of Arca Vita and Unipol Banca, in line with the consequent of management and control of the latter

In the context of the initiatives of integration of the Premafin/Fondiaria-SAI Group, a new unifying group-wide governance structure will be delineated with the aim of streamlining the policies and principles of risk management with the new corporate structure.

Organisational Structures: Board committees

A number of board committees operating in the main company and other group companies have been established in the context of the governance and internal control and risk management framework. In the context of the established Group risk management policies, these committees have proposing, consultative, oversight and implementing functions. The list of committees is as follows: Unipol Group Risk Committee, Unipol Finance Committee, Unipol Insurance Investment Committee, Unipol ALM Group, Unipol Group Credit Committee, Unipol Life Insurance Business Committee and Unipol General Business Technical Claims Committee. In the banking arm of the Group, the following committees are established; the Credit Committee, the Credit Monitoring Committee and the Finance Committee.
Within the Group Fondiaria-SAI specific committees are operative.

The risk management system

Risk Management Policy

The risk management policy indicates specific guidelines on the management of risks arising from the business activities undertaken within the Unipol Group. Such policy identifies strategies, objectives, roles, responsibilities, modality and methodology of analysis with reference to the identification, valuation, control and mitigation of risks arising from all corporate functions.

The policy, therefore, has the following general objectives:

- improving the risk management process;
- supporting the process of defining the strategic objectives by top management;
- introduce an efficient process of identification, assessment, control and mitigation of risks;
- increase the level of knowledge and awareness about the different types of risk;
- spread the culture of risk management.

The following processes fall within the process of risk management:

- identification of risks assessment and valuation of risks;
- risk controls (including the reporting on such risks);
- mitigation of risks.

Tailored policies have been outlined to address specific risks. These address appropriately the appetite and management of risk. These include the definition of risk, modality of calculation, the eventual limits and the control mechanism.

The activities of **risk identification** contribute to the individualisation of risks which are deemed to be significant, the consequences of which can compromise the Group Solvency or pose a serious obstacle for the realisation of the corporate goals. Such risks are classified according to a classification that takes into consideration both the group structure and also the specific business considerations arising from the various group operating companies. In particular, the following risk classes emerge:

- Technical underwriting Life and Non-Life Business;
- Financial Risks (Market, Liquidity/ALM);
- Credit risk;
- Transactional risk;
- Emergent risks;
- Other risks.

The **valuation** phase consists of the measurement of risk and identifies the incidence that a potential event can have on the carrying of the corporate business objectives. The measurement arises upon the joint use of various methodologies:

<u>Solvency I –</u> The regulatory computation that have introduced the required minimum own funds (required margin of solvency) and is reported and calculated on the basis of indicators arising on premium, claims and assets which cover technical provisions.

<u>Solvency II</u> – Internal model for the measurement of the Solvency Capital Requirement – As part of the implementation of the Solvency II regulations, the Group is deploying risk management processes in the context of Solvency II, even through the development and utilisation of an Internal Model for the valuation and measurement of individual risk, which utilises sophisticated instruments of financial and actuarial analysis. Through the integration of such risks in the Internal Model a holistic measurement of the business risks is derived. Such measurement is also made using the standard formula, determined on the basis of the latest QIS (quantitative impact study) with a confidence level equal to 99.5%.

<u>Stress test</u> – Within the ambit of the internal risk management models, stress tests are quantitative techniques with which entities asses their vulnerability for extreme but possible events. Stress tests assess the effects on the economic, capital and financial conditions arsing from specific events or the joint movement of a number of variables in adverse hypothetical scenarios. Such techniques hence facilitate the acquisition of additional information in connection with the effective exposure to the different risk factors, contributing to the formation of an exhaustive assessment of the adequacy of the capital base of the entity, as well as advising on strategies and modality of deal with such extreme events. The risk management function coordinates the stress tests for all the companies operating in the group in relation to the nature of the risks which are deemed as most relevant to the respective entity's operations. Upon the conclusion of such tests, the risk management function communicates the results of such analysis to the individual companies and reports also to the group senior management and the respective Boards.

<u>Basel II for calculating the capital requirement</u> - The Unipol Banca Group is classified as class 2 banks (banking groups and banks using standardized methods, with a consolidated or standalone asset base of more than 3.5 billion euro). The Banking Group has decided to comply with the guidelines issued by the Bank of Italy Circular no. 263 of 27 December 2006 and subsequent amendments, adopting the procedural solutions for calculating capital requirements available to intermediaries in its class and complying with regulatory procedures, in such a way as to encourage maximum dialogue with the Supervisory Authorities.

Basel III - new rules on capital and liquidity of banks - On 16 December 2010, the Basel Committee on Banking Supervision published the new rules on capital and liquidity of banks (Basel III). The new rules will come into force gradually and are expected to become fully in force from 1 January 2019.
A transitional period has been envisaged to facilitate the re-adequacy of operational strategies of banks. In 2012 Unipol Banca has conducted exercises to estimate the possible effects of the new standards on capital and liquidity ratios.

Control and reporting: The group has established a system of structured internal and external reporting.

Internal reporting, directed to the internal group structures, is a strategic instrument and acts to project, plan and monitor capital and risk management process.
Internal reporting represents the official instrument through which;
- the risk management function communicates to the various entity levels, the appropriate respective competencies, the state of assessment and development of risks and the eventual excesses over the established limits set according to logic and metrics of Solvency II;
- the structures within the Direzione Generale Area Pianficazione Immobilliare e Societa' Diversificate unit communicate the results of the absorption of capital in line with the regulations in force.

Following the analysis of the elaborated results, in the instances when excess over the operational limits are defined, on the basis of the information communicated by Risk Management, the appropriate management, in coordination with the Central Direzione Generale Area Pianficazione Immobilliare e Societa' Diversificate unit and with the support of the Risk Management function, defines the correction activities to be undertaken within an appropriate time frame as reported to the appropriate corporate authority levels.
In view of the different needs for and use of the results produced by the recipients, there are two envisaged reporting types, as required by the stakeholder being served and the type of information needed:
- Reporting on Risk Management;
- Management Reporting.

Reporting on Risk Management: The Risk Management function has defined and implemented a system of reporting on risk management, with the objective of ensuring a timely and continuous monitoring of the evolution of risks and adherence with the limits defined at different levels of business operations.
Reporting on risk management is intended to the Board of Directors, to the relevant committees and senior management in order to act as support in decision-making and strategic planning. This is enabled through the aggregation of information on the group-wide risks per entity, according to the logic and metrics Solvency II.
In addition, the reporting on risk management is also intended to the operational structures as it provides, granular information on risk, that will assist in the monitoring and support of operational decisions of the business segments. Reports regarding the adequacy of capital and operational limits are communicated to the various operating structures with varying degrees of regularity and formats.

The activities related to the mitigation of risk consists in the individualisation and the institution of procedures and corrective action necessary or useful to mitigate present (or prospective) risks that do not fall within the prescribed operating limits. The most relevant of instruments used to mitigate risks are the following:
- Financial hedging transactions;
- Reinsurance;
- Management action;

- Guarantees held in respect of credit risks.

Financial hedges: these measures may take the form of hedges on the market using financial derivatives.

Reinsurance: transfers the underwriting risk outside the Group, providing more possibility for business growth, both by proportionally reducing the amounts at risk (e.g. proportional treaties) and by limiting even further the amounts of major claims (e.g. non-proportional treaties).

Management actions: corrective actions specified at corporate governance level, such as restructuring assets and/or liabilities under management or selling assets and/or liabilities (closing items), to be taken if certain events occur.

Guarantees held as a hedge against credit risks: the main type of guarantee available on exposures to reinsurers is represented by deposits with the Group for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depend on the specific nature of the underlying insurance benefits and on the actual duration of the reinsurance agreements, which are renegotiated at the end of each year. For exposures to reinsurers the group also makes use of a limited number of guarantees consisting mainly of letters of credit and securities. Collateral deposited by the counterparties for operating in derivatives under CSA-type agreements is also used as guarantees on credit risks.
If the internal models for calculating risks include mitigation techniques, steps should be taken to ensure that they are compatible with and constantly updated in line with performance.
The various mitigation techniques are documented in policies drawn up for the purpose or within existing general policies.

In the context of the integration with the Premafin/Fondiaria SAI, a number of initiatives which have the objective of unifying the risk management policies and the criteria of valuing and monitoring risks are being undertaken. These will be adapted to the new characteristics and complexities applicable in the new Group.

Internal Model

Insurance business

The logic underlying the Internal Model for calculating Unipol's Internal Capital Requirement has been developed in line with the new Solvency II standards currently being defined. To be specific, in line with the provisions of EIOPA, Unipol has laid down its own categories according to the following categories of risk:
- Technical-insurance risks (Non-Life and Life);
- Financial risks (Market, ALM and Liquidity);
- Credit risk;
- Transactional and other risks.

Categories of risk are identified and constantly updated by means of the continuous and meticulous study of legislation, consideration of the opinions of professional bodies and senior executives within the sector and contributions from meetings, forum, studies and specialists.

The internal model provides for the measurement of each risk through the appropriate methodology and instruments and their aggregation by means of a correlation matrix.

Below is a summary of how each risk is calculated, whilst the subsequent paragraphs provide additional information on the calculation procedure and the principal results for each risk.

The Non-Life underwriting and reserving risk is measured using an internal model, which meets the requirements of Solvency II legislation, with stochastic methods being used to evaluate the underwriting risk (premium and provisions).

The Life underwriting and reserving risk measured through an internal stochastic model in line with the principles of Solvency II, which measures at fair value all the elements of assets and liabilities on the basis of the correlations to risks.

The market risk is calculated using an internal model made up of two different sub-models:
- Historical Simulation model (Non-Life portfolio and equity);
- Monte Carlo Life ALM model (Life portfolios).

For managing the Non-Life portfolio and equity a Value-at-Risk Historical Simulation was carried out. This procedure is based on distributions of empirical probabilities for each risk factor, extrapolated from observations of historical market scenarios.

For managing the Life portfolios, given the specific features of the business, assets and liabilities are valued jointly, bearing in mind the rules determining the return of the segregated accounts and the criteria for revaluing the provisions.

In accordance with IFRS the table in the following paragraphs analyses the main sensitivities.

In 2012 the credit risk and the transactional risk were calculated using both the Standard Formula and the Internal Model.

Banking Business

For Pillar I, the Banking Group utilises the standard methodologies prescribed by the Bank of Italy (Circular no. 263 of 27 December 2006 and the successive adjournments) and used in supervisory reporting.

Financial Risks

Market Risk

Market risk arise on the potential losses consequent to the changes in the rates of interest, equity prices, rates of exchange and credit spread.
The following types of risks are considered:
- Interest rate risk, being the risk of the possible change in value of financial assets as a consequence of movement in the rates of interest;
- Share price risk, being the risk linked to losses arises on equity share prices;
- Foreign exchange risk, being the risk arising on losses on assets and/or liabilities denominated in foreign currency following an adverse movement in the rates of exchange;
- Credit spread risk, being the risk the value of a portfolio subject to credit is adversely impacted by a potential downgrade in the credit rating of the underlying counterparty.

The sensitivity of Unipol Group financial assets to the market risk is disclosed below. Figures are provided for Unipol Group, both on the new consolidation basis and on a comparable basis, and for Fondiaria-SAI Group. The sensitivity is calculated as the variation of the market price of assets in the wake of the shocks that are consequent to:

- a parallel variation of the interest rates equivalent to + 10 basis points;
- variation of -20% in equity prices;
- variation equal to +10 basis points in the credit spread.

	HOLDING		INSURANCE BUSINESS		BANKING BUSINESS		TOTAL	
	Financial impact	Impact on equity	Financial impact	Impact on equity	Financial impact	Impact on equity	Financial impact	Impact on equity
Unipol Group								
Sensitivities rate (+10 bps)	0	-0.36	13.35	-148.10	0.00	-0.80	13.35	-149.26
Sensitivities credit spread (+10 bps)	0	-0.71	-1.80	-190.55	0.00	-2.22	-1.80	-193.47
Sensitivities Equity (-20%)	0	-15.11	-10.26	-385.60	0.00	0.00	-10.26	-400.71
Unipol Group on a comparable basis								
Sensitivities rate (+10 bps)	0	-0.34	13.49	-64.14	0.00	-0.80	13.48	-65.27
Sensitivities credit spread (+10 bps)	0	-0.68	-1.53	-78.81	0.00	-2.22	-1.53	-81.71
Sensitivities Equity (-20%)	0	-3.91	-10.26	-177.34	0.00	0.00	-10.26	-181.25
Fondiaria-SAI Group								
Sensitivities rate (+10 bps)	0	-0.02	-0.14	-83.96	0.00	0.00	-0.14	-83.98
Sensitivities credit spread (+10 bps)	0	-0.02	-0.26	-111.74	0.00	0.00	-0.26	-111.76
Sensitivities Equity (-20%)	0	-11.20	-0.01	-208.26	0.00	0.00	-0.01	-219.46

(Values at 31 december 2012 in Millions of Euros)

The figures include the value of hedging derivatives.

The currency risk in the context of ALM is foreseen as the risk of a possible variation in the value of asset and liabilities and the net asset value as a consequence of the unfavourable variation in the exchange rate and the volatility of the same. On the basis of the Group Investment Policy, the net exposure to investments, other than those denominated in Euro, has to be limited at 3% of the total investments.
The exposure of the Unipol Group to exchange risk does not result to be significant.

The interest rate risk in the context of ALM is measured in terms of the mismatch in duration. The financial information reproduced below indicates the mismatch in duration as referred by the insurance companies with Unipol Group. The respective information factored into the calculation of the mismatch in duration includes the shares, real estate funds, cash equivalents and property, liabilities which include financial liabilities and technical reserves. The gap is then calculated as the weighted difference on the market price of assets, the financial liabilities and the best estimate of the technical reserves after taking into account the hedging effect of derivates

For the Unipol Group, on the new consolidation basis, the mismatch of duration for the Life class amounts for -1.80, whilst for the Non-Life insurance class is equivalent to 0.82. On a comparable basis, the Unipol Group reports a mismatch duration of -3.06 for the Life classes and 0.93 for the Non-Life classes. The Group Fondiaria-SAI reports a mismatch duration of -0.77 for the Life business classes and 0.73 for the Non-Life. The equivalent figure for the Banking sector in the Group amounts to +0.18.

During the course of 2012 the Group Investment Policy has been updated and the guidelines for the companies within the Fondiaria-SAI have been extended further. The Investment Policy foresees the number of criteria that act as a basis for the investment policy, the types of investments in which the Group should be investing, the composition of the portfolio in the short and medium term, the boundaries within which the investment activity must be contained to ensure that this is in-line with the risk appetite as determined by the Group strategic objectives and which guarantees an adequate diversified portfolio.

Liquidity risk

The Unipol Group faces **liquidity risk** in the instances when the committed cash outflows (whether expected or unexpected) require the disposal of less liquid assets which have dissimilar conditions, hence compromising the proper solvency position. The liquid resources of the group arise from the management of the Life and Non-Life insurance classes, from banking activity and from funding operations which arise on issue of bonds to the group customers and institutional investors. The fundamental principles which underpin the management of liquidity risk rest on the following:

- centralising the Liquidity Management Functions at Group level;
- managing structural liquidity by keeping a balance between liabilities and investments in noncurrent assets in order to avoid pressure on the short-term liquidity position, separately for the insurance and banking businesses;
- managing short-term liquidity in order to have sufficient liquidity to fulfil short-term commitments, both foreseeable and unforeseeable, by keeping a suitable balance between in-flows in and outflows for the insurance and banking businesses;
- an investment policy which foresees an elevated level of investments in liquid bank deposits and sovereign debt in the Euro zone.

The possible gaps in liquidity, both from a structural and strategic perspective are considered weekly through the maturity ladder. The net liquidity requirement is benchmarked against the reserve of liquid or easily converted liquid assets, with the financing margins established by the European Central Bank and the counterparties who provide credit lines.

On annual basis the investment policy is updated. This policy details the criteria and basis of the investment policy, the types o f policies which determine in which assets the group should invest, the composition of the portfolio in the medium to the long term, and the limits for assets in terms of asset allocation and financial risk.

Credit risk

Generally **credit risk** represents:

1. the risk that a debtor or a guarantor under an enforcement order may wholly or partially fail to honour its commitment to the Group (customer or borrower risk);
2. the risk of deterioration of the creditworthiness of an issuer of financial instruments (issuer risk).

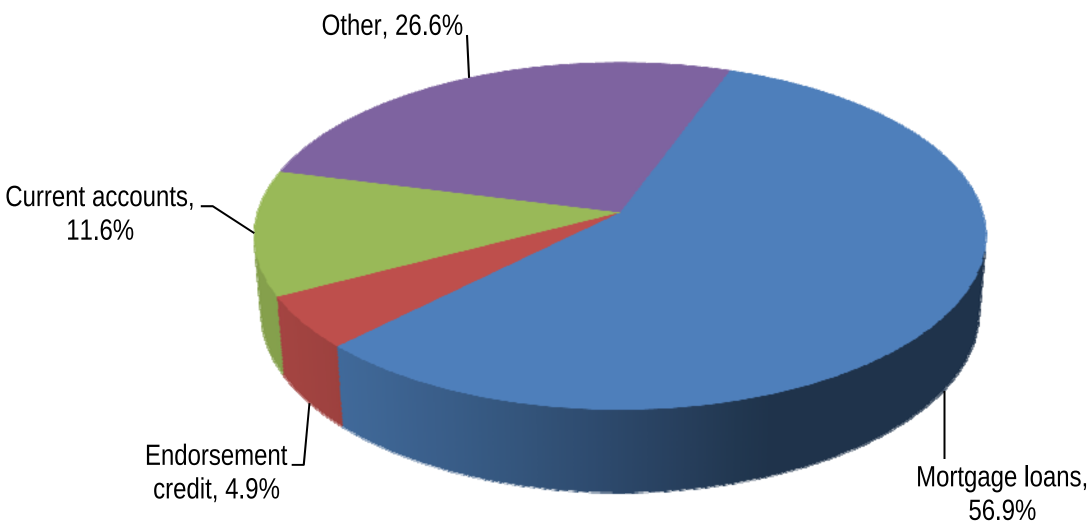
The Unipol Group is exposed to credit risk in the following principal operations; banking, and insurance and re-insurance operations.
During the course of 2012 the Group Credit policy has been updated. This document which has originally been approved as a first version in 2009, streamlines and limits the exposure to credit risk in a manner to ensure that the maximum exposure with a counter party is in line with the risk appetite as defined by the strategic objectives of the Group, hence ensuring the proper diversification of the portfolio.

This policy is designed to record exposures that are of such a size as to represent a potential risk: the objective is achieved by adopting appropriate risk management and internal control mechanisms, enabling exposure to the various counterparties to be ascertained and monitored.
This policy supplements the current system of internal rules, particularly provisions relating to corporate governance, transactions within the Group and with related parties, the internal control system, outsourcing work and the Investment Policy, and is applied in line and in accordance with this system.

Lending to customers of the Banking Group
The trend in the credit risk is currently monitored using traditional indicators; a quarterly report on this risk is submitted to the Board of Directors and a monthly report to the Committees set up to monitor the risk (Group Credit Risk Committee and Unipol Banca's Credit Committee and Credit Monitoring Committee).
In BancaSai the credit risk is monitored through a periodic reporting system shared with the Risk Committee and the Board of Directors.

In 2012 Unipol Bank introduced new models of credit rating for the entities developed from CEDACRI an IT outsourcer with the assistance of Prometeia. For the private and other sectors the prior rating models (CRS Classico) have been used. These have been supplied by the same producer. BancaSai utilises the rating system CRS Classico, as supplied by CEDACRI for all the segments.
It is noted further that during the course of 2012 the CRIF scoring systems used in the retail segments.

57% of the net of bad & doubtful loan exposures for the Group in the banking sector are represented by mortgages.



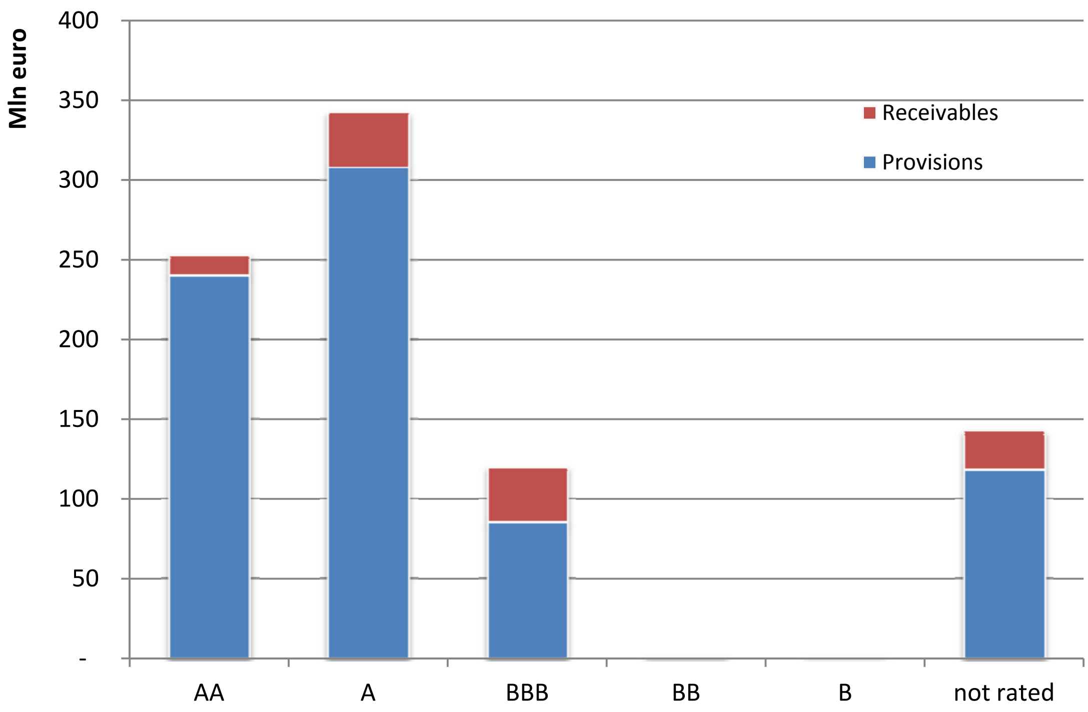
On 3 August 2011 Unipol SpA entered into a contract under which it undertook to reimburse the Banking Group for any losses it might suffer on deteriorated loans to several counterparties representing the highest concentrations of risk in the real estate sector. Most of them were mortgages on property and in almost all cases their value was greater than the amounts owed to the bank.
The guarantee provided by the parent company offers the Banking Group an important hedge against the risk represented by the substantial volatility in values in the real estate market in return for assets that can mostly be measured in the medium to long term. Apart from the commitment to indemnify the bank, the

main aim of the intervention of the parent company, Unipol SpA, was to realise the value of the assets by providing the experience it had gained in the real estate sector through several subsidiaries or participating interests.
As a result of this guarantee the incidence of gross bad and doubtful debts on total lending to customers is equivalent to[14] 9,5%.

Bond classes of the insurance companies in the Group
This risk is calculated as a technical insurance risk (see relevant section) and monitored by the Group Credit Risk Committee.

Outwards reinsurance
The exposure to credit risk is divided into:
- liquid receivables already due arising out of the current account statement sent to the reinsurer listing the balances on each policy during the period and those still outstanding;
- potential estimated receivables (which will become due at the time of the payment to the policyholder and for the relative amounts) for the provisions for claims borne by the reinsurer. The exposure for provisions is always deemed to be net of any deposits retained or other collateral guarantees (e.g.Banking LOC and reinsurers' and parent's commitment).

The table below reports the distribution of the receivables from reinsurers and the their share of technical reserves categorised according to the respective rating as at 31 December 2012 (values are expressed in millions of euro, net of intra-group reinsurance)

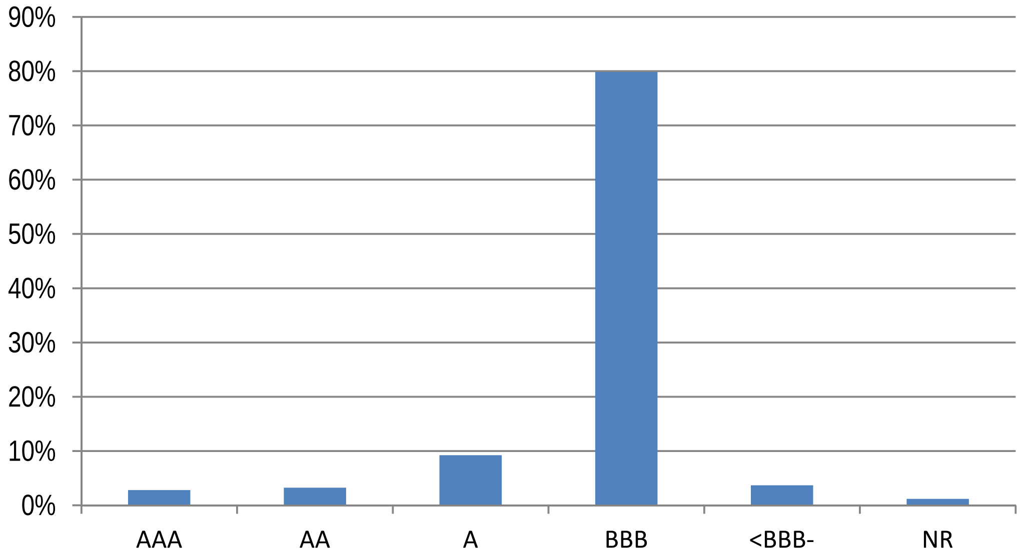


Debt securities issuers' risk

[14] The incidence of non-performing loans to total loans, regardless of the coverage is 12.2%.

The credit risk on debt securities is monitored with the market risk in the context of the volatility of the credit spread and with the credit risk in the light of the probability of default of the issuer and the relative loss given default.
The table below reports the distribution of the debt securities of the Unipol Group, in the insurance division of the group, categorised by the respective rating.

Distribution of debt securities by rating class



The financial data refers to 31 December 2012. On 13 January 2012, Standards & Poor has revised the sovereign rating of nine European countries, including that of Italy which was downgraded by two levels (from A to BBB+).

Information relating to exposure to sovereign debt securities referred to in Consob Note DEM/11070007 of 5/8/2011

In accordance with Consob Note DEM/11070007 of 5 August 2011 and the subsequent ESMA document 2011/397 of 25 November 2011, relating to information to be provided in annual and interim financial reports on listed companies' exposures to sovereign debt securities and current trends in international markets, details are provided of sovereign exposures (i.e. bonds issued by central and local governments and by government organisations and loans granted to them) held by the Unipol Group at 31 December 2012, broken down by type of portfolio, nominal amount, carrying amount and fair value.

Unipol GRUPPO

Values in Millions of Euros	Amounts at 31 december 2012		
	Nominal value	Carrying amount	Market value
Italy	29,879.3	29,666.1	29,631.6
Available-for-sale financial assets	25,080.1	25,147.3	25,147.3
Investments held to maturity	1,623.9	1,640.9	1,691.4
Loans and receivables	2,979.7	2,856.1	2,771.0
Financial assets at fair value through profit or loss	195.6	22.0	22.0
Spain	796.1	700.2	693.1
Available-for-sale financial assets	690.3	622.2	622.2
Investments held to maturity	56.0	56.0	56.7
Loans and receivables	49.8	22.0	14.1
Germany	352.0	366.9	384.7
Available-for-sale financial assets	168.8	184.0	184.0
Investments held to maturity	180.0	179.8	197.6
Financial assets at fair value through profit or loss	3.2	3.0	3.0
Ireland	191.9	201.8	201.7
Available-for-sale financial assets	181.9	191.5	191.5
Loans and receivables	10.0	10.3	10.3
France	133.3	137.7	143.0
Available-for-sale financial assets	83.3	88.8	88.8
Investments held to maturity	50.0	48.9	54.2
Portugal	125.5	120.0	118.2
Available-for-sale financial assets	72.5	67.4	67.4
Investments held to maturity	53.0	52.5	50.8
Austria	45.1	47.6	47.6
Available-for-sale financial assets	45.1	47.6	47.6
Belgium	43.5	45.1	48.5
Available-for-sale financial assets	18.5	20.7	20.7
Investments held to maturity	25.0	24.4	27.8
Canada	31.2	36.8	36.8
Available-for-sale financial assets	25.0	30.5	30.5
Financial assets at fair value through profit or loss	6.2	6.3	6.3
Netherlands	28.0	31.3	31.3
Available-for-sale financial assets	28.0	31.3	31.3
Slovenia	16.0	15.9	15.9
Available-for-sale financial assets	16.0	15.9	15.9
USA	13.7	11.2	11.2
Available-for-sale financial assets	13.7	11.2	11.2
Finland	10.5	11.3	11.3
Available-for-sale financial assets	10.5	11.3	11.3
Poland	7.5	8.8	8.8
Available-for-sale financial assets	7.5	8.8	8.8
Cyprus	5.5	4.8	4.8
Available-for-sale financial assets	5.5	4.8	4.8
Mexico	2.5	2.8	2.8
Available-for-sale financial assets	2.5	2.8	2.8
Slovakia	0.3	0.3	0.3
Available-for-sale financial assets	0.3	0.3	0.3
Switzerland	5.9	5.6	5.6
Available-for-sale financial assets	5.9	5.6	5.6
Hungary	0.5	0.5	0.5
Available-for-sale financial assets	0.5	0.5	0.5
Greece	0.1	0.0	0.0
Financial assets at fair value through profit or loss	0.1	0.0	0.0
TOTAL	31,688.3	31,414.6	31,397.7

In aggregate the total value of the exposure to sovereign debt as at 31 December 2012 amounted to euro 31,414.6 million, of which 94% concentrated in stocks issued by the Italian Government.

Concentration Risk

The concentration risk is monitored on exposures with the respective counterparty, issuer of the financial instrument, against the breech of the established thresholds in the ambit of the Group Credit and Investment policy

Technical insurance risks

Risks relating to Life portfolios

In order to evaluate Life risks a stochastic internal model has been adopted in line with the new standards laid down in Solvency II which entail estimating the 'fair value' of all asset and liability items in view of how they relate to one another in various scenarios. In particular the internal model evaluates the impact, in terms of capital absorption (Internal Capital Requirement), of the following risk factors:

- mortality/longevity risk, understood as the increase (mortality risk) or decrease (longevity risk) in death rates compared with those used to calculate premiums;
- lapse risk, understood as the variation (increase/decrease) in surrendered policies compared with those used to calculate premiums;
- expense risk, understood as the increase in contractual and business expenses compared with those expected;
- Catastrophe risk, understood as the instantaneous increase of the probability of death, caused by a catastrophic event such as pandemic or war;
- interest rate risk, understood as the risk of a possible variation in assets and liabilities because of variations in the forward structure and/or volatility of interest rates;
- share risk, i.e. the risk of a possible variation in assets and liabilities because of variations in market prices and/or the volatility of equity instruments;
- currency risk, understood as the risk of possible variations in the value of assets and liabilities because of variations in, or the volatility of, exchange rates;
- spread risk, understood as the risk of variation in value of assets and liabilities (debt securities and other fixed-income instruments, credit derivatives and other investment instruments subject to the credit risk) because of variations in credit spreads compared with the risk-free curve.

Life insurance risks have also been assessed by means of a stress test approach, using quantitative prospective analyses obtained by varying the most significant sources of risk in respect of the basic scenario..

Mortality risk

The Unipol Group applies a policy risk assumption which is diversified through sales channel and type of tariff. Great attention is paid, in particular, on the assumption of the term life of insurance policies where the procedures provide for limits both on age capital. Before this category of policy can be issued a questionnaire must be completed giving details of health, occupation and sporting activities, and, depending on the replies provided, the policy may be issued by the intermediary directly or only after Head Office has added exceptions and possibly applied additional premiums relating to health, occupation or sporting activities. If sums assured or age exceed the underwriting limits assigned to the sales network, Head Office is asked to assess the risk by examining the health facts in the particular case with the help of

its medical consultant. If sums assured exceed certain amounts, the risk is assessed in collaboration with the reinsurer.
Only Head Office may issue group death benefits policies, if necessary in collaboration with the reinsurer, the questions relating to health being laid out in a grid based on brackets of sum assured and agreed with the reinsurer.
The quality of the underwriting carried out by the Group companies is illustrated by comparing the actual death rate in the portfolio with the theoretical death rate in the same portfolio.
This comparison showed an actual death rate significantly lower than the theoretical death rate.
As regards the amounts of death benefits, as already indicated, the Group has recourse to risk-premium types of reinsurance cover that are in line both with the nature of the products sold and with the retention levels that are appropriate for the equity structure of the individual companies. The Group's principal Life reinsurers are financially very sound.

Annuity option

Some Life policies offer the customer the possibility of opting for a benefit that can be paid in the form of an annuity instead of the capital on maturity. The trend for people to live longer means that these policies expose the Group to a longevity risk. For some years now this risk has been limited in the case of new policies by postponing the moment when the annuity coefficient is calculated and the minimum guaranteed rate is fixed to the time when the benefit is paid. The mathematical provisions are increased in the case of contracts already in the portfolio, for which the annuity rate is guaranteed and based on demographic trends that have not been updated.

Deferment option

The companies in the Group offer customers with some types of policy the possibility of deferring the capital assured on maturity in whole or in part for a number of years decided by the policyholder. If the policyholder dies during the deferment period the designated beneficiaries receive the capital revalued as at the date of death. At the specific request of the policyholder the policy may be surrendered in whole or in part at any time. In the event of partial surrender the remaining capital will continue to be subject to revaluation until the policy matures in accordance with the terms in force at the time the option is exercised.
The deferment option does not lead to additional risks in terms of guaranteed minimum, apart from the company's commitment. Therefore, since 1998 the deferment option in the policy terms has stipulated that the option is based on the terms in force at the time it is exercised.
The propensity to exercise this option is assessed by analysing the forfeitures applied to the portfolio in order to monitor the commitments underwritten, with particular reference to the levels of financial guarantee and to the trends in the adjustments made to the benefits provided for under the policies.

Option guaranteed minimum rate

The Group companies sell many products with returns linked to the results obtained from the separate management. In most cases, these products offer guaranteed minimum rates of return and therefore the Group companies are exposed to the risk of not getting higher returns on the invested assets in line with those paid to policyholders. In view of the variations in market interest, and in compliance with regulations issued by the Supervisory Authority, the minimum guaranteed rate products offered in the market have been gradually reduced over the last few years and today are equal to 2%.
The portfolio contains policies issued in previous years, which provide for guaranteed minimum rates higher than those now being marketed. Consequently, the minimum guaranteed rate on the average outstanding portfolio is lower than that recorded in the previous year.

The risk associated with these options is monitored and assessed using methods and tools that allow a quantitative management of the risks assumed by the Group favouring a reduction in earnings volatility and allowing optimum allocation of financial resources.

The mathematical provisions of the companies in the Group have been combined in order to cope with the risk of a possible discrepancy between the expected rates of return on the assets matching the technical provisions linked to separately managed accounts and the liabilities underwritten and in order to comply with the provisions of ISVAP Ruling 21 of 28 March 2008 (in accordance with Ruling 1801G of 2001).

The IFRS also stipulate that a *Liability Adequacy Test* must be carried out in order to check that the technical provisions of policies are sufficient to cover the financial benefits offered.
In carrying out the test on the principal segregated accounts the companies in the Unipol Group have used the tools already provided for carrying out analyses in accordance with ISVAP Ruling 1801G and extended the valuations to a duration of 25 years.

Risks related to Non-life portfolios

During 2012, the non-life insurance risk were measured using the Internal Model Damage, consistent with the principles of Solvency II. To this end, the Group used a specialized software developed according to international best practice, with which evaluations were carried out at company level and consolidated the following variables:

- Economic Capital (Solvency Capital Requirement) for the current and prospective risk Underwriting, divided between underwriting risk (Risk Premium) and reserve risk (Risk Reserve) determined with a confidence level of 99.5%;
- Risk Margin determined on the basis of the cost-of-capital-method.

For the purpose of evaluation of the underwriting risk, the stochastic model estimates the absorption of capital from the volatility of the time series of the loss ratio of each Line of Business (LoB). For reserving risk, the stochastic model estimates the absorption of capital by simulating future payments for claims that have already occurred and determining the variability.

With regard to catastrophe risk, in 2012, evaluations were carried out using the method of standardized scenarios proposed by the Quantitative Impact Study 5 (QIS 5).
In particular, this methodology allows the determination of the Probable Maximum Loss (PML) which could affect the portfolio once every 200 years (return period) associated with the following events:

- Natural disasters such as earthquake, flood and hail;
- Man-made disasters, such as large fires, acts of terrorism;
- Risks associated with the fund "health", such as the risk of a pandemic.

The methodologies described above were used in a consistent manner also for the years when the stress tests were carried out on the most representative lines of business of each company.

The Risk Management works with business lines for the setting of tariffs in order to introduce risk parameters in the pricing models. A risk-adjusted technical pricing model allows for uniform coverage of the expected costs of the various guarantees given and a return on capital absorbed by these guarantees consistent with the risk profile and objectives of the Group's performance.
In collaboration with the Business Non-Life Unit, a prototype has been used in the pricing model . The elements of the calculation of the premium rate of a product or a specific quotation are considered for an adequate return on allocated capital for the risk with the product / policy.

Capital allocation policies

Risk Appetite

The level of risk tolerance (Risk Appetite) is defined as the amount of risk capital[15] that the Board of Directors fixed as the maximum acceptable loss without causing prejudice to the Group's business continuity. The Risk Appetite is determined as the amount of maximum sustainable loss at a given confidence level over a time period of one year. The risk appetite is declined for "risk factor" and "Areas of business.".

The risk appetite is calculated on the consolidated budget figures and those of the individual companies included in the scope of the Unipol Group.

For the insurance sector, the calculations are performed on the volumes of prospective growth, the business plan or budget, calculated with a confidence level equal to 99.50% set by the Solvency II Directive. The other elements taken into account by Unipol as constraints for the determination of risk appetite can be grouped into three types: rating, risk / profitability and solvency.
The Unipol Group determines the risk appetite based on the evidence of total economic capital resulting from the application of internal models, the Standard Formula and methodologies for the integration of several major risk of Pillar I[16] under the Solvency II regulations. The total economic capital of the Banking Group, determined in accordance with the approaches in the Basel II framework, helps to define the risk appetite of the Unipol Group adding to the total economic capital of the insurance Group.

The Risk Appetite of the Banking Group, measured in terms of the volumes of prospective growth, the business plan or budget, contributes to the only component of Pillar I[17], consistent with the development of the Group-wide insurance. Subsequently, in the ICAAP[18], the Banking Group assesses its capital adequacy perspective by also taking into account the risks of Pillar II and additional requirements resulting from the stress testing exercise.

ORSA and ICAAP

As part of the group company's risk management system in the perimeter of the Risk Policy the following tools for evaluating the effectiveness and completeness of the system of risk management are used:

- the Own Risk Solvency Assessment - ORSA, for companies in the insurance sector;
- the Internal Capital Adequacy Assessment Process - ICAAP, for companies in the banking sector.

The primary objective of the two instruments is to ensure that the firm evaluates all risks inherent in its activities and determines the corresponding capital requirements. That assessment shall include at least the overall solvency needs taking into account the specific risk profile, the approved risk tolerance limits and the business strategy of the company. The analysis of the two instruments mentioned above is carried out for current and prospective scenarios.

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[15] By capital at risk, or economic capital, is meant the capital requirement for a specific risk where it is thought necessary to cover losses above a given expected level. (This definition assumes that the expected loss is met from the technical provisions.) The economic capital for all the major risks underwritten by the company is defined as total economic capital.

[16] The types of risk used for calculating the Risk Appetite are laid down in the QIS5 Technical Specifications: Non-life and Life technical insurance risk (underwriting and reserving), market risk, credit risk and operational risk.

[17] The Pillar I risks provided for in Basel II are: credit and counterparty risk, market risk and transactional risk.

[18] Each year the banking groups send Banca d'Italia the ICAAP report at 31 December of the previous year by the end of April of the following year.

To this end, the company defines and puts in place processes which are proportionate to the nature, scale and complexity of its activities, which enable it to identify and assess the risks that it is or may be exposed in the short and long term.

Within the ICAAP and ORSA report the following are explained: i) the regulatory framework, ii) the economic environment, iii) the scope of the analysis, iv) the roles and responsibilities of the committees and departments involved in the process v) the procedures for identifying, measuring and mitigating risk; vi) the links between risk assessment and the process of capital allocation, explaining the deviations from the risk appetite defined for the time horizon of the business plan vii) the definition of the procedures for the procurement of any additional capital viii) the definition of management actions used for the purposes of the assessment and a description of their impact; ix) the internal reporting and to the Supervisory Authorities.

Bologna, 24 April, 2013

The Board of Directors

Tables appended to the Notes to the Financial Statements

Consolidation scope

Name		State	Registered office	Method (1)	Activity (2)	% direct holding	% indirect holding	% total participating interest (3)	% votes available at ordinary General Meetings (4)	% consolidation
Unipol Gruppo Finanziario Spa	086	Italy	Bologna	G	4					100.00%
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna	G	1	100.00%		100.00%		100.00%
Unisalute Spa	086	Italy	Bologna	G	1	98.53%		98.53%		100.00%
Midi Srl	086	Italy	Bologna	G	10		100.00% Unipol Assicurazioni Spa	100.00%		100.00%
Unifimm Srl	086	Italy	Bologna	G	10		100.00% Unipol Assicurazioni Spa	100.00%		100.00%
Unipol Banca Spa	086	Italy	Bologna	G	7	67.74%		100.00%		100.00%
							32.26% Unipol Assicurazioni Spa			
Unipol SGR Spa	086	Italy	Bologna	G	8	100.00%		100.00%		100.00%
Unipol Merchant - Banca per le Imprese Spa	086	Italy	Bologna	G	7		100.00% Unipol Banca Spa	100.00%		100.00%
Unicard Spa	086	Italy	Milan	G	11		53.63% Unipol Banca Spa	53.63%		100.00%
Unipol Fondi Ltd	040	Ireland	Dublin	G	8		100.00% Unipol Banca Spa	100.00%		100.00%
Centri Medici Unisalute Srl	086	Italy	Bologna	G	11		100.00% Unisalute Spa	98.53%		100.00%
Smallpart Spa	086	Italy	Bologna	G	9		100.00% Unipol Assicurazioni Spa	100.00%		100.00%
Grecale Abs Srl (*)	086	Italy	Bologna	G	11		Unipol Banca Spa	10.00%		100.00%
							10.00% Smallpart Spa			
Nettuno Fiduciaria Srl	086	Italy	Bologna	G	11		100.00% Unipol Banca Spa	100.00%		100.00%
Linear Life Spa	086	Italy	Bologna	G	1	100.00%		100.00%		100.00%
Unipol Assicurazioni Spa	086	Italy	Bologna	G	1	100.00%		100.00%		100.00%
Castoro Rmbs Srl (*)	086	Italy	Milan	G	11		Unipol Banca Spa			100.00%
Atlante Finance Srl (*)	086	Italy	Milan	G	11		Unipol Banca Spa			100.00%
Unipol Leasing Spa	086	Italy	Bologna	G	11		100.00% Unipol Banca Spa	100.00%		100.00%
Ambra Property Srl	086	Italy	Bologna	G	11	100.00%		100.00%		100.00%
Arca Vita Spa	086	Italy	Verona	G	1	63.39%		63.39%		100.00%
Arca Assicurazioni Spa	086	Italy	Verona	G	1		98.09% Arca Vita Spa	62.18%		100.00%
Arca Vita International Ltd	040	Ireland	Dublin	G	2		100.00% Arca Vita Spa	63.39%		100.00%
Arca Direct Assicurazioni Srl	086	Italy	Verona	G	11		100.00% Arca Vita Spa	63.39%		100.00%
Arca Inlinea Scarl	086	Italy	Verona	G	11		60.22% Arca Vita Spa	62.91%		100.00%
							39.78% Arca Assicurazioni Spa			
Isi Insurance Spa (**)	086	Italy	Verona	G	1		50.00% Arca Vita Spa	31.70%		100.00%
Arca Sistemi Scarl	086	Italy	Verona	G	11		82.03% Arca Vita Spa	63.18%		100.00%
							16.97% Arca Assicurazioni Spa			
							1.00% Arca Inlinea Scarl			
Grecale 2011 RMBS Srl (*)	086	Italy	Bologna	G	11		Unipol Banca Spa			100.00%
Punta di Ferro Srl	086	Italy	Bologna	G	10		100.00% Unipol Assicurazioni Spa	100.00%		100.00%
Comsider Srl	086	Italy	Bologna	G	10		100.00% Covent Garden BO Srl	100.00%		100.00%
Covent Garden BO Srl	086	Italy	Bologna	G	11		100.00% Midi Srl	100.00%		100.00%
SME Grecale Srl (*)	086	Italy	Bologna	G	11		Unipol Banca Spa			100.00%

Consolidation scope

Name		State	Registered office	Method (1)	Activity (2)	% direct holding	% indirect holding	% total participating interest (3)	% votes available at ordinary General Meetings (4)	% consolidation
Fondiaria-Sai Spa	086	Italy	Turin	G	1	22.97%		44.85%	22.98%	100.00%
							3.09% Finadin Spa Finanziaria di Investimenti	44.85%		
							0.001% Sai Holding Italia Spa	44.85%		
							0.01% Milano Assicurazioni Spa	44.85%		
							24.32% Premafin	44.85%		
Bim Vita Spa	086	Italy	Turin	G	1		50.00% Fondiaria Sai Spa	22.42%		100.00%
Dialogo Assicurazioni Spa	086	Italy	Milan	G	1		99.85% Milano Assicurazioni Spa	27.02%		100.00%
Europa Tutela Giudiziaria Spa	086	Italy	Milan	G	1		100.00% Fondiaria Sai Spa	44.85%		100.00%
Incontra Assicurazioni Spa	086	Italy	Milan	G	1		51.00% Fondiaria Sai Spa	22.87%		100.00%
Liguria Societa' di Assicurazioni Spa	086	Italy	Segrate (Mi)	G	1		99.97% Milano Assicurazioni Spa	27.05%		100.00%
Liguria Vita Spa	086	Italy	Segrate (Mi)	G	1		100.00% Liguria Societa' di Assicurazioni Spa	27.05%		100.00%
Pronto Assistance Spa	086	Italy	Turin	G	1		100.00% Fondiaria Sai Spa	44.85%		100.00%
Siat-Societa' Italiana Assicurazioni e Riassic. Spa	086	Italy	Genoa	G	1		94.69% Sai Holding Italia Spa	42.47%		100.00%
Systema Compagnia di Assicurazioni Spa	086	Italy	Milan	G	1		100.00% Milano Assicurazioni Spa	27.06%		100.00%
Ddor Novi Sad A.D.O.	289	Serbia	Novi Sad (Serbia)	G	3		99.99% Fondiaria Sai Spa	44.84%		100.00%
Ddor Re Joint Stock Reinsurance Company	289	Serbia	Novi Sad (Serbia)	G	6		0.002% Ddor Novi Sad A.D.O.	44.85%		100.00%
							99.998% The Lawrence Re Ireland Ltd			
Popolare Vita Spa	086	Italy	Verona	G	1		24.39% Fondiaria Sai Spa	22.42%		100.00%
							25.61% Sai Holding Italia Spa			
The Lawrence Life Assurance Company Ltd	040	Ireland	Dublin (Ireland)	G	2		100.00% Popolare Vita Spa	22.42%		100.00%
The Lawrence Re Ireland Ltd	040	Ireland	Dublin (Ireland)	G	5		100.00% Fondiaria-Sai Nederland Bv	44.85%		100.00%
Eurosai Finanziaria di Partecipazioni Srl	086	Italy	Turin	G	11		100.00% Fondiaria Sai Spa	44.85%		100.00%
Finadin Spa Finanziaria di Investimenti	086	Italy	Milan	G	11		40.00% Saifin Saifinanziaria Spa	66.79%		100.00%
							60.00% Premafin			
Finitalia Spa	086	Italy	Milan	G	11		100.00% Banca Sai Spa	44.85%		100.00%
International Strategy Srl	086	Italy	Milan	G	10		100.00% Premafin	81.43%		100.00%
Sai Holding Italia Spa	086	Italy	Turin	G	11		100.00% Fondiaria Sai Spa	44.85%		100.00%
Saifin Saifinanziaria Spa	086	Italy	Turin	G	11		100.00% Fondiaria Sai Spa	44.85%		100.00%
Dominion Insurance Holdings Ltd	031	UK	London (UK)	G	11		100.00% Finsai International Sa	44.85%		100.00%
Fondiaria-Sai Nederland Bv	050	Netherlands	Amsterdam (NL)	G	11		100.00% Fondiaria Sai Spa	44.85%		100.00%
Sailux Sa	092	Luxembourg	Luxembourg	G	11		99.9999% Saifin Saifinanziaria Spa	44.85%		100.00%
							0.0001% Finsai International Sa			
Saint George Capital Management Sa	071	Switzerland	Lugano (CH)	G	11		100.00% Saifin Saifinanziaria Spa	44.85%		100.00%
Sainternational Sa	092	Luxembourg	Luxembourg	G	11		100.00% Fondiaria Sai Spa	44.85%		100.00%
Scontofin Sa	092	Luxembourg	Luxembourg	G	11		70.00% Finadin Spa Finanziaria di Investimenti	55.28%		100.00%
							19.00% Sailux Sa			
Finsai International Sa	092	Luxembourg	Luxembourg	G	11		19.92% Fondiaria Sai Spa	44.85%		100.00%
							36.15% Sailux Sa			
							43.92% Sainternational Sa			
Banca Sai Spa	086	Italy	Turin	G	7		100.00% Fondiaria Sai Spa	44.85%		100.00%

Consolidation scope

Name		State	Registered office	Method (1)	Activity (2)	% direct holding	% indirect holding	% total participating interest (3)	% votes available at ordinary General Meetings (4)	% consolidation
Sai Investimenti Sgr Spa	086	Italy	Turin	G	8		51.00% Fondiaria Sai Spa	47.00%		100.00%
							29.00% Milano Assicurazioni Spa			
							20.00% Premafin			
Sai Mercati Mobiliari - Sim Spa	086	Italy	Milan	G	11		100.00% Fondiaria Sai Spa	44.85%		100.00%
Apb Car Service Srl	086	Italy	Turin	G	10		100.00% Auto Presto & Bene Srl	44.85%		100.00%
Atavalue Srl	086	Italy	Turin	G	11		100.00% Sai Holding Italia Spa	44.85%		100.00%
Auto Presto & Bene Spa	086	Italy	Turin	G	11		100.00% Fondiaria Sai Spa	44.85%		100.00%
Casa Di Cura Villa Donatello Spa	086	Italy	Florence	G	11		100.00% Fondiaria Sai Spa	44.85%		100.00%
Centro Oncologico Fiorentino Casa di Cura Villanova Srl	086	Italy	Sesto Fiorentino (FI)	G	11		100.00% Fondiaria Sai Spa	44.85%		100.00%
Citta' della Salute Scrl	086	Italy	Florence	G	11		50.00% Casa Di Cura Villa Donatello Spa	44.85%		100.00%
							45.00% Centro Oncologico Fiorentino Casa di Cura Villanova Srl			
							2.50% Donatello Day Surgery Srl			
							2.50% Florence Centro di Chirurgia Ambulatoriale Srl			
Donatello Day Surgery Srl	086	Italy	Florence	G	11		100.00% Centro Oncologico Fiorentino Casa di Cura Villanova Srl	44.85%		100.00%
Florence Centro di Chirurgia Ambulatoriale Srl	086	Italy	Florence	G	11		100.00% Centro Oncologico Fiorentino Casa di Cura Villanova Srl	44.85%		100.00%
Gruppo Fondiaria-Sai Servizi Scrl	086	Italy	Milan	G	11		64.16% Fondiaria Sai Spa	38.67%		100.00%
							0.02% Bim Vita Spa			
							0.20% Dialogo Assicurazioni Spa			
							0.02% Europa Tutela Giudiziaria Spa			
							0.02% Incontra Assicurazioni Spa			
							0.02% Liguria Societa' di Assicurazioni Spa			
							0.02% Liguria Vita Spa			
							0.90% Pronto Assistance Spa			
							0.11% Siat-Societa' Italiana Assicurazioni e Riassic. Spa			
							0.18% Systema Compagnia di Assicurazioni Spa			
							0.02% The Lawrence Re Ireland Ltd			
							0.02% Finitalia Spa			
							0.02% Banca Sai Spa			
							0.02% Sai Mercati Mobiliari - Sim Spa			
							0.02% Auto Presto & Bene Spa			
							0.02% Pronto Assistance Servizi Scarl			
							0.02% Immobiliare Lombarda Spa			
							34.21% Milano Assicurazioni Spa			
Saiagricola Spa - Societa' Agricola	086	Italy	Turin	G	11		92.00% Fondiaria Sai Spa	43.64%		100.00%
							1.19% Pronto Assistance Spa			
							6.80% Milano Assicurazioni Spa			
Service Gruppo Fondiaria - Sai Srl	086	Italy	Florence	G	11		70.00% Fondiaria Sai Spa	39.51%		100.00%
							30.00% Milano Assicurazioni Spa			
Sogeint Srl	086	Italy	Milan	G	11		100.00% Milano Assicurazioni Spa	27.06%		100.00%
Srp Services Sa	071	Switzerland	Lugano (CH)	G	11		100.00% Sainternational Sa	44.85%		100.00%

Consolidation scope

Name		State	Registered office	Method (1)	Activity (2)	% direct holding	% indirect holding	% total participating interest (3)	% votes available at ordinary General Meetings (4)	% consolidation
Pronto Assistance Servizi Scarl	086	Italy	Turin	G	11		37.40% Fondiaria Sai Spa	35.09%		100.00%
							24.00% Dialogo Assicurazioni Spa			
							0.15% Incontra Assicurazioni Spa			
							2.20% Liguria Societa' di Assicurazioni Spa			
							7.70% Pronto Assistance Spa			
							0.35% Systema Compagnia di Assicurazioni Spa			
							0.10% Banca Sai Spa			
							0.10% Gruppo Fondiaria-Sai Servizi Scrl			
							28.00% Milano Assicurazioni Spa			
Atahotels Compagnia Italiana Aziende Turistiche Alberghiere S	086	Italy	Milan	G	11		51.00% Fondiaria Sai Spa	36.13%		100.00%
							49.00% Milano Assicurazioni Spa			
Bramante Srl	086	Italy	Milan	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Campo Carlo Magno Spa	086	Italy	Milan	G	10		100.00% Milano Assicurazioni Spa	27.06%		100.00%
Carpaccio Srl	086	Italy	Milan	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Cascine Trenno Srl	086	Italy	Turin	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Consorzio Castello	086	Italy	Florence	G	10		99.57% Nuove Iniziative Toscane Srl	44.10%		100.00%
Immobiliare Fondiaria-Sai Srl	086	Italy	Milan	G	10		100.00% Fondiaria Sai Spa	44.85%		100.00%
Immobiliare Litorella Srl	086	Italy	Milan	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Immobiliare Lombarda Spa	086	Italy	Milan	G	10		64.17% Fondiaria Sai Spa	38.47%		100.00%
							35.83% Milano Assicurazioni Spa			
Immobiliare Milano Assicurazioni Srl	086	Italy	Turin	G	10		100.00% Milano Assicurazioni Spa	27.06%		100.00%
Iniziative Valorizzazioni Edili - In.V.Ed.Srl	086	Italy	Rome	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Insediamenti Avanzati nel Territorio I.A.T. Spa	086	Italy	Rome	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Italresidence Srl	086	Italy	Pieve Emanuele (MI)	G	11		100.00% Atahotels Compagnia Italiana Aziende Turistiche Alberghiere Sp	36.13%		100.00%
Marina di Loano Spa	086	Italy	Milan	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Masaccio Srl	086	Italy	Milan	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Meridiano Aurora Srl	086	Italy	Milan	G	10		100.00% Fondiaria Sai Spa	44.85%		100.00%
Meridiano Bellarmino Srl	086	Italy	Turin	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Meridiano Bruzzano Srl	086	Italy	Turin	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Meridiano Primo Srl	086	Italy	Turin	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Meridiano Secondo Srl	086	Italy	Turin	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Mizar Srl	086	Italy	Rome	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Nuova Impresa Edificatrice Moderna Srl	086	Italy	Rome	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Nuove Iniziative Toscane Srl	086	Italy	Florence	G	10		96.88% Fondiaria Sai Spa	44.29%		100.00%
							3.12% Milano Assicurazioni Spa			
Pontormo Srl	086	Italy	Milan	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Progetto Bicocca la Piazza Srl In Liquidazione	086	Italy	Milan	G	10		74.00% Immobiliare Fondiaria-Sai Srl	33.19%		100.00%
Ristrutturazioni Edili Moderne - R.Edil.Mo. Srl	086	Italy	Rome	G	10		100.00% Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Sintesi Seconda Srl	086	Italy	Milan	G	10		100.00% Immobiliare Milano Assicurazioni Srl	27.06%		100.00%
Societa' Edilizia Immobiliare Sarda - S.E.I.S. - Spa	086	Italy	Rome	G	10		51.67% Immobiliare Fondiaria-Sai Srl	23.17%		100.00%
Stimma Srl	086	Italy	Florence	G	10		100.00% Fondiaria Sai Spa	44.85%		100.00%

Consolidation scope

Name		State	Registered office	Method (1)	Activity (2)	% direct holding	% indirect holding		% total participating interest (3)	% votes available at ordinary General Meetings (4)	% consolidation
Trenno Ovest Srl	086	Italy	Turin	G	10		100.00%	Immobiliare Fondiaria-Sai Srl	44.85%		100.00%
Milano Assicurazioni Spa	086	Italy	Milan	G	1		61.10%	Fondiaria Sai Spa	27.06%	58.16%	100.00%
							0.06%	Pronto Assistance Spa		0.05%	
							0.02%	Popolare Vita Spa		0.02%	
							0.52%	Sai Holding Italia Spa		0.49%	
							1.51%	Fondiaria-Sai Nederland Bv		1.44%	
							0.20%	Sainternational Sa		0.19%	
Premafin	086	Italy	Bologna	G	4	80.93%			81.43%		100.00%
							0.85%	Fondiaria Sai Spa			
							0.003%	Saifin Saifinanziaria Spa			
							0.43%	Milano Assicurazioni Spa			
Villa Ragionieri Srl	086	Italy	Florence	G	10		100.00%	Fondiaria Sai Spa	44.85%		100.00%
Sim Etoile Sas	029	France	Paris	G	10		100.00%	Fondiaria Sai Spa	44.85%		100.00%
Tikal R.E. Fund	086	Italy		G	10		59.65%	Fondiaria Sai Spa	36.32%		100.00%
							35.36%	Milano Assicurazioni Spa			
Athens R.E. Fund - Fondo Speculativo	086	Italy		G	10		100.00%	Milano Assicurazioni Spa	27.06%		100.00%

(1) Consolidation method: G=on a line-by-line basis, P=proportional, U=on a line-by-line basis as per coordinated management

(2) 1=italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holding; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=real estate companies; 11=other

(3) is the product of the percentage holdings relating to all the companies that may lie somewhere along the chain between the company that draws up the consolidated financial statements and the company in question. If the latter is a direct participating interest of several subsidiaries the individual products must be added up

(4) Total percentage of votes available at ordinary General Meetings if different from the direct or indirect investment.

(*) Special purpose vehicles (SPVs) used for securitisation schemes. Although they are not subsidiaries, SPVs are consolidated as basically all their risks and benefits are retained

(**) The company is consolidated on a line-by-line basis both in view of the fact that 1% of the shares in the share package that it does not own have limited voting rights and in view of Arca Vita Spa's power to appoint and terminate the contract of the majority of the members of the executive body.

Details of unconsolidated investments

Name		State	Registered office	Activity (1)	Type of business (2)	% direct holding	% indirect holding		% total participating interest (3)	% votes available at ordinary General Meetings (4)	Carrying amount (€m)
Hotel Villaggio Città del Mare Spa in liquidazione	086	Italy	Terrasini (Pa)	11	b		49.00%	Unipol Assicurazioni Spa	49.00%		
Euresa Holding SA	092	Luxembourg	Luxembourg City	4	b		25.00%	Unipol Assicurazioni Spa	25.00%		0.5
Assicoop Modena & Ferrara Spa	086	Italy	Modena	11	b		43.75%	Smallpart Spa	43.75%		5.6
Assicoop Bologna Spa	086	Italy	Bologna	11	b		40.21%	Smallpart Spa	40.21%		2.7
Assicoop Siena Spa	086	Italy	Siena	11	b		49.00%	Smallpart Spa	49.00%		0.3
ZIS Fiera 2 - Consorzio	086	Italy	Bologna	11	b		31.72%	Midi Srl	31.72%		0.3
Fondazione Unipolis	086	Italy	Bologna	11	a		100.00%	Unipol Assicurazioni Spa	100.00%		0.3
Ufficio Centrale Italiano Scarl	086	Italy	Milan	11	b		0.0001%	Compagnia Assicuratrice Linear Spa	22.80%		0.3
							13.54%	Unipol Assicurazioni Spa			
							0.01%	Arca Assicurazioni Spa			
							13.86%	Fondiaria Sai Spa			
							0.0001%	Dialogo Assicurazioni Spa			
							0.002%	Incontra Assicurazioni Spa			
							0.30%	Liguria Societa' di Assicurazioni Spa			
							0.09%	Siat-Societa' Italiana Assicurazioni e Riassic. Spa			
							0.0002%	Systema Compagnia di Assicurazioni Spa			
							10.76%	Milano Assicurazioni Spa			
Assicoop Imola Spa	086	Italy	Imola (Bo)	11	b		47.33%	Smallpart Spa	47.33%		2.2
Societa' Finanz. per Le Gest. Ass.ve Srl in Liquidazione	086	Italy	Rome	11	b		12.91%	Unipol Assicurazioni Spa	21.63%		0.8
							14.91%	Fondiaria Sai Spa			
							7.50%	Milano Assicurazioni Spa			
Assicoop Firenze Spa	086	Italy	Florence	11	b		44.00%	Smallpart Spa	44.00%		0.6
Pegaso Finanziaria Spa	086	Italy	Bologna	9	b		45.00%	Smallpart Spa	45.00%		4.7
SCS Azioninnova Spa	086	Italy	Bologna	11	b		42.85%	Unipol Merchant - Banca per le Imprese Spa	42.85%		1.7
Promorest Srl	086	Italy	Castenaso (Bo)	11	b		48.92%	Unipol Merchant - Banca per le Imprese Spa	48.92%		5.0
EuroMilano Spa	086	Italy	Milan	10	b		20.00%	Unipol Assicurazioni Spa	20.00%		13.2
Isi Insurance Direct Srl	086	Italy	Rome	11	a		100.00%	Isi Insurance Spa	31.70%		0.0
OMEGA 2004 Spa (in liquidazione)	086	Italy	Verona	11	a		90.00%	Arca Vita Spa	57.05%		
Campuscertosa Srl	086	Italy	Milan	11	b		26.16%	Unipol Banca Spa	26.16%		1.3
Assicoop Grosseto Spa	086	Italy	Grosseto	11	b		50.00%	Smallpart Spa	50.00%		0.8
Assicoop Emilia Nord Srl	086	Italy	Parma	11	b		50.00%	Smallpart Spa	50.00%		5.3
Assicoop Romagna Futura Srl	086	Italy	Ravenna	11	b		50.00%	Smallpart Spa	50.00%		5.3
Investimenti Mobiliari Srl	086	Italy	Milan	11	a		100.00%	Premafin	81.43%		0.1
Partecipazioni e Investimenti Srl	086	Italy	Milan	11	a		100.00%	Premafin	81.43%		0.1
Partecipazioni Mobiliari Srl	086	Italy	Milan	11	a		100.00%	Premafin	81.43%		0.1
Garibaldi Sca	092	Luxembourg	Luxembourg	11	b		32.00%	Milano Assicurazioni Spa	8.66%		70.3

Details of unconsolidated investments

Name		State	Registered office	Activity (1)	Type of business (2)	% direct holding	% indirect holding	% total participating interest (3)	% votes available at ordinary General Meetings (4)	Carrying amount (€m)
Isola Sca	092	Luxembourg	Luxembourg	11	b		29.56% Milano Assicurazioni Spa	8.00%		12.8
Fin.Priv. Srl	086	Italy	Milan	11	b		28.57% Fondiaria Sai Spa	12.81%		20.1
Consulenza Aziendale per L'Informatica - Scai Spa	086	Italy	Turin	11	b		30.07% Fondiaria Sai Spa	13.49%		1.4
Ddor Auto Doo	289	Serbia	Novi Sad (Serbia)	3	a		100.00% Ddor Novi Sad A.D.O.	44.84%		0.0
Soaimpianti - Organismi Di Attestazione Srl In Liquidazior	086	Italy	Milan	11	b		21.64% Fondiaria Sai Spa	9.70%		0.3
Societa' Funivie del Piccolo San Bernardo Spa	086	Italy	La Thuile (AO)	11	b		27.38% Immobiliare Fondiaria-Sai Srl	12.28%		2.5
Fondiaria-Sai Servizi Tecnologici Spa	086	Italy	Florence	11	b		51.00% Fondiaria Sai Spa	22.87%		1.9
Ddor Garant	289	Serbia	Belgrade (Serbia)	11	a		32.46% Ddor Novi Sad A.D.O.	17.94%		0.5
							7.54% Ddor Re Joint Stock Reinsurance Company			
Ata Benessere Srl In Liquidazione	086	Italy	Milan	11	a		100.00% Atahotels Compagnia Italiana Aziende Turistiche Alberghiere S	36.13%		0.0
Hotel Terme di Saint Vincent Srl	086	Italy	Saint Vincent (AO)	11	a		100.00% Atahotels Compagnia Italiana Aziende Turistiche Alberghiere S	36.13%		1.1
Ital H&R Srl	086	Italy	Pieve Emanuele (MI)	11	a		100.00% Italresidence Srl	36.13%		0.0
Tour Executive Srl	086	Italy	Milan	11	a		100.00% Atahotels Compagnia Italiana Aziende Turistiche Alberghiere S	36.13%		0.0
A7 Srl In Liquidazione	086	Italy	Milan	10	b		20.00% Immobiliare Milano Assicurazioni Srl	5.41%		0.1
Borsetto Srl	086	Italy	Turin	10	b		44.93% Immobiliare Milano Assicurazioni Srl	12.16%		2.5
Butterfly Am Sarl	092	Luxembourg	Luxembourg	11	b		28.57% Immobiliare Fondiaria-Sai Srl	12.81%		6.8
Servizi Immobiliari Martinelli Spa	086	Italy	Cinisello Balsamo (MI)	10	b		20.00% Immobiliare Milano Assicurazioni Srl	5.41%		0.1
Sviluppo Centro Est Srl	086	Italy	Rome	10	b		40.00% Immobiliare Milano Assicurazioni Srl	10.82%		
Metropolis Spa in Liquidazione	086	Italy	Florence	10	b		29.71% Immobiliare Milano Assicurazioni Srl	8.04%		
Penta Domus Spa	086	Italy	Turin	10	b		20.00% Immobiliare Milano Assicurazioni Srl	5.41%		2.8
Valore Immobiliare Srl in Liquidazione	086	Italy	Milan	10	b		50.00% Milano Assicurazioni Spa	13.53%		0.6
Cono Roma Srl In Liquidazione	086	Italy	Rome	11	b		50.00% Finadin Spa Finanziaria di Investimenti	33.40%		
Progetto Alfiere Spa	086	Italy	Rome	10	b		19.00% Immobiliare Fondiaria-Sai Srl	8.52%		0.8

(1) 1=italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holding; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=real estate companies; 11=other

(2) a=subsidiaries (IAS27) ; b=associates (IAS28); c=joint ventures (IAS 31); please mark with (*) the companies available for sale in accordance with IFRS 5 and write the legend at the foot of the statement.

(3) is the product of the percentage holdings relating to all the companies that may lie somewhere along the chain between the company that draws up the consolidated financial statements and the company in question.
If the latter is a direct participating interest of several subsidiaries the individual products must be added up.

(4) Total percentage of votes available at ordinary General Meetings if different from the direct or indirect investment.

Statement of financial position by business segment

	Values in Millions of Euros	Non-Life business		Life business		Banks		Holding and Services and Other activities		Real Estate		Intersegment eliminations		Total	
		31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
1	INTANGIBLE ASSETS	1,091.2	1,079.1	399.2	402.6	145.4	151.5	443.0	7.3	1.4	0.9	-3.0	-0.3	2,077.1	1,641.0
2	PROPERTY, PLANT AND EQUIPMENT	569.9	416.3	57.4	44.4	20.7	21.7	233.0	51.8	529.3	270.4	2.8	-0.5	1,413.0	804.1
3	REINSURERS' SHARE OF TECHNICAL PROVISIONS	1,047.8	308.0	159.6	88.0									1,207.3	396.0
4	INVESTMENTS	16,354.8	6,508.8	40,396.0	16,002.9	12,972.5	11,130.9	1,129.0	558.3	1,340.4	124.0	-1,235.0	-1,176.2	70,957.6	33,148.6
4.1	Investments property	1,732.2	190.4	11.6	0.1	1.1		22.1		1,233.6	123.7			3,000.5	314.2
4.2	Investments in subsidiaries and associates and joint ventures	150.2	34.6			8.0	7.4	1.4	0.0	16.0	0.3			175.6	42.3
4.3	Investments held to maturity	814.7	832.7	1,679.7	1,257.3	719.5						-163.2	-401.0	3,050.8	1,689.0
4.4	Loans and receivables	2,445.0	1,666.1	4,145.6	3,353.3	11,300.2	10,401.8	572.6	392.1	32.6	0.0	-1,006.9	-764.4	17,489.2	15,048.9
4.5	Available-for-sale financial assets	11,066.1	3,715.1	24,163.1	7,583.4	895.1	683.8	522.6	163.1	58.2	0.0	-58.5	-10.8	36,646.6	12,134.6
4.6	Financial assets at fair value through profit or loss	146.5	69.9	10,396.0	3,808.7	48.6	37.8	10.3	3.1			-6.5		10,594.9	3,919.6
5	OTHER RECEIVABLES	3,050.6	1,106.4	571.3	415.7	77.3	54.4	540.2	188.5	90.2	19.0	-666.0	-22.4	3,663.5	1,761.5
6	OTHER ASSETS	1,417.3	403.8	782.1	402.2	391.7	348.0	503.2	435.4	19.0	0.5	-31.3	-9.9	3,082.0	1,580.0
6.1	Deferred acquisition costs	21.3	4.5	45.8	14.3									67.1	18.8
6.2	Other assets	1,396.0	399.3	736.3	387.9	391.7	348.0	503.2	435.4	19.0	0.5	-31.3	-9.9	3,014.9	1,561.2
7	CASH AND CASH EQUIVALENTS	833.1	150.2	656.8	319.9	305.4	131.4	226.8	134.6	102.4	5.9	-1,416.4	-502.3	708.2	239.7
	TOTAL ASSETS	24,364.6	9,972.6	43,022.3	17,675.6	13,913.0	11,838.0	3,075.1	1,375.8	2,082.7	420.6	-3,349.0	-1,711.7	83,108.8	39,570.9
1	EQUITY													7,002.3	3,155.3
2	PROVISIONS	276.9	78.0	28.9	2.3	11.8	3.8	164.4	73.4	23.8	8.0	-102.4	-53.0	403.4	112.5
3	TECHNICAL PROVISIONS	19,815.6	7,372.1	36,640.4	14,667.1									56,456.0	22,039.3
4	FINANCIAL LIABILITIES	1,829.1	741.3	2,827.9	1,899.5	12,418.7	10,596.9	1,533.9	1,258.1	171.2	0.5	-2,547.3	-1,625.2	16,233.6	12,871.1
4.1	Financial liabilities at fair value through profit or loss	117.1	39.7	1,982.6	1,446.7	63.0	14.1	5.2	0.1	0.9				2,168.9	1,500.6
4.2	Other financial liabilities	1,712.0	701.6	845.4	452.8	12,355.7	10,582.8	1,528.7	1,258.0	170.3	0.5	-2,547.3	-1,625.2	14,064.8	11,370.5
5	PAYABLES	1,116.2	258.5	226.3	103.3	93.7	54.2	434.4	17.7	65.7	28.6	-659.7	-22.7	1,276.5	439.7
6	OTHER LIABILITIES	710.7	317.8	604.5	320.9	370.8	280.8	60.7	43.3	29.1	0.0	-39.0	-9.6	1,736.8	953.2
	TOTAL EQUITY AND LIABILITIES													83,108.8	39,570.9

Income statement by business segment

	Values in Millions of Euros	Non-Life business 31/12/2012	Non-Life business 31/12/2011	Life business 31/12/2012	Life business 31/12/2011	Banks 31/12/2012	Banks 31/12/2011	Holding and Services and Other activities 31/12/2012	Holding and Services and Other activities 31/12/2011	Real Estate 31/12/2012	Real Estate 31/12/2011	Intersegment eliminations 31/12/2012	Intersegment eliminations 31/12/2011	Total 31/12/2012	Total 31/12/2011
1.1	Net premiums	7,211.4	4,250.8	4,412.2	4,428.4									11,623.6	8,679.1
1.1.1	*Gross premiums*	*7,491.4*	*4,388.5*	*4,433.9*	*4,447.9*									*11,925.3*	*8,836.4*
1.1.2	*Reinsurance premium*	*-280.0*	*-137.7*	*-21.7*	*-19.6*									*301.7*	*-157.3*
1.2	Fee and commission income	6.7	5.8	18.0	24.2	144.8	139.9	5.5	2.1			-41.2	-41.0	133.8	130.9
1.3	Gains and losses on remeasurement of financial instruments at fair value through profit or loss	-2.3	-12.8	452.2	-288.7	13.1	12.4	-9.3	0.8	-2.5				451.4	-288.3
1.4	Income from investments in subsidiaries, associates and joint ventures	5.9	12.2			0.0	0.6		0.0	0.0				5.9	12.9
1.5	Income from on other financial instruments and investment property	539.4	324.2	1,077.8	1,018.1	508.3	411.3	25.1	44.7	36.5	3.1	-58.2	-48.3	2,129.0	1,753.3
1.6	Other income	236.7	58.1	58.0	43.5	18.9	17.9	342.8	38.1	20.8	1.4	-363.9	-46.1	313.3	113.0
	TOTAL REVENUES	7,997.9	4,638.2	6,018.1	5,225.6	685.2	582.2	364.3	85.8	54.9	4.6	-463.3	-135.4	14,657.0	10,400.9
2.1	Net insurance claims	-4,835.0	-3,175.6	-5,533.9	-4,667.7									10,368.9	7,843.3
2.1.1	*Amounts paid and changes in technical provisions*	*-5,090.3*	*-3,212.5*	*-5,550.0*	*-4,679.2*									*10,640.3*	*7,891.8*
2.1.2	*Reinsurers' share*	*255.2*	*36.9*	*16.1*	*11.6*									*-271.4*	*-48.5*
2.2	Fee and commission expense	-6.6	-5.5	-11.0	-13.9	-29.9	-18.5	0.0				13.7	-9.5	33.8	28.3
2.3	Losses on investments in subsidiaries, associates and joint ventures	-7.1	0.1	0.0	-0.6	0.0	-0.1	-12.2	23.7	-1.1				20.3	24.2
2.4	Charges from other financial instruments and investment property	-170.1	-124.8	-93.7	-214.3	-324.7	-268.8	-68.6	140.8	-36.9	2.0	-16.1	11.8	710.1	762.5
2.5	Management expenses	-1,653.8	-944.3	-219.2	-148.4	-285.5	-266.4	-215.7	86.1	-5.3	0.9	160.3	-64.1	2,219.3	1,382.1
2.6	Other costs	-439.8	-134.7	-74.9	-103.2	-32.3	-429.7	-282.8	73.4	-25.9	2.0	305.3	-73.4	550.3	669.6
2	TOTAL COSTS AND EXPENSES	-7,112.4	-4,384.7	-5,932.6	-5,148.2	-672.4	-983.3	-579.3	324.0	-69.1	4.9	463.2	-135.2	13,902.6	10,709.9
	NET PROFIT BEFORE TAX	885.4	253.5	85.5	77.4	12.8	-401.2	-215.0	-238.2	-14.2	-0.3	-0.1	-0.2	754.4	-309.0

Details of property, plant & equipment and intangible assets

Values in Millions of Euros	At cost	At restated value or at fair value	Total carrying amount
Investment property	3,000.5		3,000.5
Other property	1,286.4		1,286.4
Other property, plant and equipment	126.6		126.6
Other intangible assets	168.2		168.2

Details of financial assets

	Investment held to maturity		Loans and receivables		Available-for-sale financial assets		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets designated at fair value through profit or loss			
Values in Millions of Euros	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Equity instruments and derivatives at costs					88.9	216.0	0.0	0.0	0.0	0.0	88.9	216.0
Equity instruments at fair value					1,878.5	951.5	10.9	1.0	104.8	55.0	1,994.2	1,007.4
of which listed securities					*1,396.2*	*948.3*	*10.9*	*1.0*	*104.8*	*55.0*	*1,511.8*	*1,004.3*
Debt securities	3,050.8	1,689.0	5,764.0	4,552.8	33,701.9	10,690.8	410.7	312.4	7,648.4	2,352.8	50,575.8	19,597.8
of which listed securities	*2,483.8*	*1,096.1*	*0.0*	*410.7*	*32,368.4*	*9,526.5*	*213.8*	*89.9*	*3,299.1*	*1,983.5*	*38,365.2*	*13,106.7*
UCITS					977.2	276.3	77.2	86.6	2,045.2	896.1	3,099.6	1,259.0
Loans and receivables from bank customers			10,495.4	9,924.4							10,495.4	9,924.4
Interbank loans and receivables			397.3	324.9							397.3	324.9
Deposits with ceding companies			37.7	18.0							37.7	18.0
Financial receivables on insurance contracts									93.8	142.5	93.8	142.5
Other loans and receivables			768.5	228.8							768.5	228.8
Non-hedging derivatives							35.3	38.2	95.0	3.4	130.3	41.6
Hedging derivatives							44.8	31.7	0.0	0.0	44.8	31.7
Other financial investments			26.3	0.0					28.8	0.0	55.1	0.0
Total	3,050.8	1,689.0	17,489.2	15,048.9	36,646.6	12,134.6	578.8	469.9	10,016.1	3,449.7	67,781.5	32,792.1

Details of assets and liabilities relating to contracts issued by companies where the investment risk is borne by policyholders and arising from pension fund management

	Benefits linked to investment funds and indexes		Benefits linked to pension fund management		Total	
Values in Millions of Euros	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Assets	7,290.6	1,612.9	2,725.2	1,836.3	10,015.8	3,449.2
Intragroup assets*	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	7,290.6	1,612.9	2,725.2	1,836.3	10,015.8	3,449.2
Financial liabilities	1,098.1	1,027.9	437.8	90.5	1,535.9	1,118.4
Technical provisions	6,198.7	585.0	2,287.4	1,745.8	8,486.2	2,330.8
Intragroup liabilities*	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	7,296.8	1,612.9	2,725.2	1,836.3	10,022.0	3,449.2

* Assets and liabilities eliminated on consolidation

Details of technical provisions - reinsurers' share

Values in Millions of Euros	Direct business		Indirect business		Total carrying amount	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Non-Life provisions	709.9	304.3	337.8	3.7	1,047.8	308.0
Provision for premiums	133.4	64.0	75.6	0.0	209.0	64.0
Provision for claims	576.5	240.4	262.3	3.7	838.8	244.0
Other provisions	0.0	0.0	0.0	0.0	0.0	0.0
Life provisions	117.8	86.7	41.8	1.3	159.6	88.0
Provisions for payable amounts	6.0	3.9	1.4	0.0	7.4	4.0
Mathematical provisions	111.6	82.5	40.4	1.2	152.0	83.8
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.2	0.2	0.0	0.0	0.2	0.2
Total reinsurers' share of technical provisions	827.7	391.0	379.6	5.0	1,207.3	396.0

Details of technical provisions

	Direct business		Indirect business		Total carrying amount	
Values in Millions of Euros	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Non-Life provisions	19,673.6	7,340.8	142.0	31.3	19,815.6	7,372.1
Provisions for premiums	4,007.6	1,589.7	4.7	2.7	4,012.3	1,592.4
Provisions for claims	15,643.1	5,736.8	137.3	28.6	15,780.4	5,765.4
Other provisions	22.9	14.3	0.0	0.0	22.9	14.3
including provisions allocated as a result of the liability adequacy tesi	*0.0*	*0.0*			*0.0*	*0.0*
Life provisions	36,612.7	14,654.1	27.7	13.0	36,640.4	14,667.1
Provisions for payable amounts	445.6	130.7	2.2	1.4	447.7	132.1
Mathematical provisions	27,699.9	12,818.4	25.6	11.6	27,725.5	12,830.0
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	8,486.2	2,330.8	0.0	0.0	8,486.2	2,330.8
Other provisions	-19.0	-625.8	0.0	0.0	-19.0	-625.8
including provisions allocated as a result of the liability adequacy tesi					*0.0*	*0.0*
including deferred liabilities to policyholders	*-155.8*	*-692.7*			*-155.8*	*-692.7*
Total technical provisions	56,286.3	21,995.0	169.8	44.3	56,456.0	22,039.3

Details of financial liabilities

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss					
Values in Millions of Euros	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Equity financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated liabilities	0.0	0.0	0.0	0.0	2,563.2	1,545.8	2,563.2	1,545.8
Liabilities arising from financial contracts issued by insurance compaany			1,545.2	1,134.4	26.8	30.9	1,572.0	1,165.3
arising from contracts where the investment risk is borne by policyholders			*1,107.4*	*1,043.9*			*1,107.4*	*1,043.9*
arising from pension fund management			*437.8*	*90.5*			*437.8*	*90.5*
arising from other contracts			*0.0*	*0.0*	*26.8*	*30.9*	*26.8*	*30.9*
Deposits received from reinsurers					301.3	149.8	301.3	149.8
Financial items payable on insurance contracts					0.0	0.0	0.0	0.0
Debt securities issued	0.0	0.0	0.0	0.0	2,715.4	2,871.4	2,715.4	2,871.4
Payables to banking customers					6,253.3	5,771.7	6,253.3	5,771.7
Interbank payables					1,509.0	999.8	1,509.0	999.8
Other borrowings	0.0	0.0	0.0	0.0	123.8	0.5	123.8	0.5
Non-hedging derivatives	116.6	90.5	0.0	0.0			116.6	90.5
Hedging derivatives	503.7	275.7	0.9	0.0			504.6	275.7
Other financial liabilities	0.0	0.0	2.5	0.0	571.9	0.5	574.4	0.5
Total	620.3	366.2	1,548.6	1,134.4	14,064.8	11,370.5	16,233.6	12,871.1

Details of technical insurance items

		31/12/2012			31/12/2011		
	Values in Millions of Euros	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business							
NET PREMIUMS		7,491.4	-280.0	7,211.4	4,388.5	-137.7	4,250.8
a	Premiums	7,265.5	-275.9	6,989.6	4,358.8	-139.2	4,219.6
b	Change in provision for premiums	225.9	-4.1	221.8	29.7	1.5	31.2
NET CHARGES RELATING TO CLAIMS		-5,090.3	255.2	-4,835.0	-3,212.5	36.9	-3,175.6
a	Amounts paid	-5,555.8	167.6	-5,388.2	-3,422.0	70.9	-3,351.1
b	Change in provision for claims	357.3	141.4	498.7	167.7	-30.6	137.1
c	Change in recoveries	108.0	-53.8	54.2	41.7	-3.4	38.3
d	Change in other technical provisions	0.3	0.0	0.3	0.1	0.0	0.1
Life business							
NET PREMIUMS		4,433.9	-21.7	4,412.2	4,447.9	-19.6	4,428.4
NET CHARGES RELATING TO CLAIMS		-5,550.0	16.1	-5,533.9	-4,679.2	11.6	-4,667.7
a	Amounts paid	-5,635.9	27.1	-5,608.8	-3,641.2	17.9	-3,623.3
b	Change in provision for payable amounts	151.6	2.1	153.7	-22.7	-1.6	-24.3
c	Change in mathematical provisions	-61.4	-13.1	-74.5	-1,029.3	-4.5	-1,033.7
d	Change in technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	236.6	0.0	236.6	-95.6	0.0	-95.6
e	Change in other technical provisions	-241.0	0.0	-241.0	109.6	-0.3	109.3

Investment income and charges

	Values in Millions of Euros	Interest	Other gains	Other losses	Realised gains	Realised losses	Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total gains and losses 31/12/2012	Total gains and losses 31/12/2011
								Unrealised gains	Reversal of impairment losses	Unrealised losses	Impairment losses			
Balance on investments		1,848.0	243.3	-182.5	524.9	-232.8	2,201.0	499.0	0.1	-334.7	-55.5	108.9	2,309.9	990.2
a	Arising from investment property		60.6	-37.7	0.1	0.0	23.0	0.0	0.0	-31.1	-16.5	-47.6	-24.6	7.7
b	Arising from investments in subsidiaries, associates and interests in joint venture		5.9	-20.1	0.0	0.0	-14.3	0.0	0.0		-0.2	-0.2	-14.4	-11.3
c	Arising from investments held to maturity	99.6	0.1	-0.2	0.3	0.0	99.7	0.0	0.0	0.0	0.0	0.0	99.7	75.7
d	Arising from loans and receivables	616.2	0.0	-4.4	11.1	-3.4	619.5	0.0	0.1	-126.5	0.0	-126.4	493.1	507.5
e	Arising from available-for-sale financial assets	906.9	73.4	-8.0	291.8	-97.0	1,167.2	29.7	0.0	0.0	-38.9	-9.2	1,158.0	678.0
f	Arising from financial assets held for trading	14.5	30.4	-72.5	84.3	-87.2	-30.4	144.0		-101.1		42.9	12.5	-145.4
g	Arising from financial assets designated at fair value through profit or	210.8	73.0	-39.6	137.3	-45.3	336.2	325.4		-75.9		249.4	585.7	-121.9
Balance on sundry receivables		3.2	0.2	0.0		0.0	3.4					0.0	3.4	0.2
Balance on cash and cash equivalents		5.3	0.0	-0.2		0.0	5.1					0.0	5.1	0.0
Balance on financial liabilities		-338.5	1.5	-77.9	30.6	-0.4	-384.7	5.6	0.0	-77.6	0.0	-72.0	-456.7	-298.7
a	Arising from financial liabilities held for trading	0.0	1.5	0.0	0.1	0.0	1.7	5.6		-5.4		0.2	1.9	-42.7
b	Arising from financial liabilities designated at fair value through profit or	0.0	0.0	-76.4	0.0	0.0	-76.4	0.0		-72.2		-72.2	-148.7	21.8
c	Arising from financial liabilities	-338.5		-1.4	30.4	-0.4	-309.9	0.0	0.0	0.0		0.0	-309.9	-277.7
Balance on payables		-5.8		0.0		0.0	-5.9				0.0	0.0	-5.9	-0.5
Total		1,512.1	245.1	-260.6	555.5	-233.2	1,819.0	504.6	0.1	-412.3	-55.5	36.9	1,855.9	691.2

Details of insurance business expenses

	Values in Millions of Euros	Non-Life business		Life business	
		31/12/2012	31/12/2011	31/12/2012	31/12/2011
Gross commissions and other acquisitions expenses		-1,428.9	-836.6	-125.3	-83.6
a	Acquisition commissions	-966.5	-583.7	-73.0	-37.7
b	Other acquisition expenses	-282.0	-142.6	-43.9	-36.6
c	Change in deferred acquisition expenses	16.9	-1.3	2.6	-1.0
d	Renewal commissions	-197.4	-109.0	-11.1	-8.4
Commissions and profit-sharing received from reinsurers		77.5	40.1	3.9	4.3
Investment management expenses		-23.8	-11.9	-22.2	-21.2
Other administrative expense		-278.6	-136.0	-75.7	-48.0
Total		-1,653.8	-944.3	-219.2	-148.4

Details of other consolidated comprehensive income

	Amounts allocated		Transfers to the Income Statement		Other changes		Total changes		Taxation		At	
Values in Millions of Euros	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Change in reserve for currency translation differences	5.7	0.0	0.0	0.0	0.0	0.0	5.7	0.0	0.0	0.0	5.7	0.0
Gains or losses on available-for-sale financial assets	1,175.4	-491.9	265.4	38.8	0.0	-20.7	1,440.8	-473.8	-584.5	249.8	300.7	-1,140.2
Gains or losses on cash flow hedges	-25.7	-13.3	0.0	-7.5	0.0	3.8	-25.7	-17.1	12.8	9.7	-65.1	-39.3
Gains or losses on hedges of net investment in foreign operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Variation in equity of investees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Variation in the revaluation reserve for intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Variation in the revaluation reserve for property, plant and equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.7	20.7
Gains or losses on non-current assets held for sale or disposal groups	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Actuarial gains or losses and adjustments relating to defined benefit plans	-15.6	-0.8	0.0	0.0	0.0	0.0	-15.6	-0.8	0.0	0.0	-16.5	-0.8
Other items	0.9	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.9	0.0
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)	1,140.6	-506.0	265.4	31.2	0.0	-16.9	1,406.1	-491.7	-571.7	259.5	246.4	-1,159.6

Details of reclassified financial assets and their effects on the Income statement and comprehensive Income

Values in Millions of Euros

Categories of financial assets subject to reclassification		Type of asset	Amount of reclassified assets in 2012 at the reclassification date	Carrying amount at 31/12/2012 of reclassified assets		Fair value at 31/12/2012 of reclassified assets		Reclassified assets in 2012		Reclassified assets up to the end of 2012		Reclassified assets in 2012		Reclassified assets up to the end of 2012	
from	to			Reclassified assets in 2012	Reclassified assets up to the end of 2012	Reclassified assets in 2012	Reclassified assets up to the end of 2012	Profit or loss in income statement	Profit or loss in comprehensive income	Profit or loss in income statement	Profit or loss in comprehensive income	Profit or loss that would have been recognised in profit or loss if there had been no reclassification	Profit or loss that would have been recognised in comprehensive income if there had been no reclassification	Profit or loss that would have been recognised in profit or loss if there had been no reclassification	Profit or loss that would have been recognised in comprehensive income if there had been no reclassification
Fin.assets at FV through P or L	Loans and receivables	debt securities			218.2		205.5				0.4			-13.5	
Fin.assets at FV through P or L	Loans and receivables	other financial instruments													
Available-for-sale	Loans and receivables	debt securities			670.3		583.9								78.3
Available-for-sale	Loans and receivables	other financial instruments													
Fin.assets at FV through P or L	Available-for-sale	equity instruments			0.7		0.7			-0.1					
Fin.assets at FV through P or L	Available-for-sale	debt securities								0.0					
Fin.assets at FV through P or L	Available-for-sale	other financial instruments													
Fin.assets at FV through P or L	Investments held to maturity	debt securities													
Fin.assets at FV through P or L	Investments held to maturity	other financial instruments													
Available-for-sale	Investments held to maturity	debt securities													
Available-for-sale	Investments held to maturity	other financial instruments													
Total					889.2		790.1			-0.1	0.4			-13.5	78.3

Details of financial assets and liabilities by level

		Level 1		Level 2		Level 3		Total	
	Values in Millions of Euros	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Available-for-sale financial assets		34,068.5	10,446.3	794.9	520.2	1,783.1	1,168.2	36,646.6	12,134.6
Financial assets at fair value through profit or loss	Financial assets held for trading	246.5	109.9	186.4	194.3	146.0	165.7	578.8	469.9
	Financial assets designated at fair value through profit or loss	5,291.0	2,883.9	2,327.1	466.9	2,397.9	98.9	10,016.1	3,449.7
Total		39,606.0	13,440.0	3,308.5	1,181.5	4,327.0	1,432.7	47,241.5	16,054.2
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	28.7	5.9	574.0	344.8	17.6	15.5	620.3	366.2
	Financial liabilities designated at fair value through profit or loss			483.6		1,064.9	1,134.4	1,548.6	1,134.4
Total		28.7	5.9	1,057.6	344.8	1,082.5	1,149.9	2,168.9	1,500.6

Details of changes in financial assets and liabilities at level 3

Values in Millions of Euros	Financial assets			Financial liabilities at fair value through profit or loss	
	Available-for-sale financial assets	Financial assets at fair value through profit or loss			
		Financial assets held for trading	Financial assets designated at fair value through profit or loss	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss
Opening balance	1,168.2	165.7	98.9	15.5	1,134.4
Acquisition/Issues	96.2	-5.3		17.6	
Disposals/Repurchases	-34.1	-34.9		-11.8	
Repayments			-33.7		
Profit or loss recognised in profit or loss		-6.3	-2.1		
Profit or loss recognised in other comprehensive income	-65.3				
Transfers to level 3	38.8				
Transfers to other levels	-23.8				
Other variations	603.1	26.8	2,334.8	-3.7	-69.4
Closing balance	1,783.1	146.0	2,397.9	17.6	1,064.9

Request by CONSOB pursuant to article 154-ter, paragraph 7, of Legislative Decree 58 of 1998: Supplemental information to the consolidated financial statements as at 31 december 2011 and the interim condensed consolidated financial statement as at 30 june 2012

REQUEST BY CONSOB PURSUANT TO ARTICLE 154-*TER*, PARAGRAPH 7, OF LEGISLATIVE DECREE 58 OF 1998

SUPPLEMENTAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011 AND THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2012

With reference to the consolidated financial statements of Unipol Gruppo Finanziario S.p.A. (hereinafter, the "Company" or "Unipol") as at 31 December 2011, which were approved by the Board of Directors on 15 March 2012, and to the Company's interim condensed consolidated financial statements as at 30 June 2012, which were approved by the Board of Directors on 9 August 2012, it is hereby communicated that CONSOB (hereinafter, also, the "Supervisory Authority") required, at the conclusion of its investigative work and through Ruling 18429 of 21 December 2012, the publication of supplemental information pursuant to Article 154-*ter*, paragraph 7, of Legislative Decree 58 of 1998.

In compliance with CONSOB's provisions on the matter, we hereby provide the public with the information required.

CONSOB's observations relate to the recognition and measurement - within the consolidated financial statements as at 31 December 2011 and the interim condensed consolidated financial statements as at 30 June 2012 - of certain investments in debt securities, defined as "structured", held by the Company or by consolidated companies, in particular:

1) recognition and possible separation of credit and interest rate derivatives embedded in the above instruments, given that - according to the Supervisory Authority, but unlike as effected by the Company - in cases where
   i) physical delivery of the reference obligation is not required, the credit derivative should be accounted for in the Fair value through profit or loss ("FVTPL") category separately from the host contract;
   ii) clauses are included for which payment of the coupon on credit linked notes subscribed by Unipol ceases upon the occurrence of a credit event relating to reference entities other than the issuer of the same credit linked notes (or than the issuer of the collateral in the event of a Special Purpose Vehicle ("SPV")), these must be accounted for separately in the FVTPL category because they are not closely related to the host instrument;
   iii) there are securities that are indexed to the CMS curve without a cap, the interest rate derivative should be accounted for separately from the host debt instrument as it is not closely related to the debt instrument;
2) classification of securities characterised by the presence of early redemption features at a fair value that, for "tax event" clauses rather than for credit deterioration, is potentially lower than the cost of subscription. According to the Supervisory Authority, unlike as effected by Unipol, the inclusion of such clauses would render impossible the classification of these securities in the Loans and receivables category ("L&R"), because they do not comply with the definition given by IAS 39, § 9, and consequently necessitate classification of these securities in the Available-for-sale category ("AFS");
3) impairment tests conducted on equity instruments. In this regard, the Supervisory Authority considers that, for a structured security having a hybrid nature, classified by the Company in the AFS category, the security does not have the characteristics of a debt security, but rather of an equity instrument.

Considering it an equity instrument and given the performance of the stock market, such a security should have been subjected to an impairment test, with impairment charges to be recorded in the income statement;

4) the consolidation of the assets (the so-called "silo" or "internal sectors") underlying the issue of debt securities by SPV, for which the Company holds more than 50% of such issues.

The Supervisory Authority considers, therefore, that:

– the Company's consolidated financial statements as at 31 December 2011 do not comply with IAS 1 (Presentation of financial statements), IAS 39 (Financial instruments: Recognition and measurement) and IAS 27 (Consolidated and separate financial statements), interpretation of SIC-12 (Consolidation of special purpose entities);
– the interim condensed consolidated financial statements as of 30 June 2012 do not comply with IAS 34 (Interim financial reporting), IAS 39 (Financial instruments: Recognition and measurement) and IAS 27 (Consolidated and separate financial statements), interpretation of SIC-12 (Consolidation of special purpose entities).

While we understand the complexity of the interpretation of international accounting standards, which in themselves have a general nature and scope, Unipol does not agree with the interpretations of such principles as adopted by the Supervisory Authority in the CONSOB Ruling, as the accounting methods used by the Company are, in the opinion of the same, in line with the practice usually adopted by companies operating in the financial sector. As evidence of this, it should be noted that compliance with international accounting standards of the accounting methods adopted by Unipol is supported by:

– three major audit firms, namely: Reconta Ernst&Young S.p.A. (which recently issued a separate opinion on the accounting method applied by the Company), KPMG S.p.A. (which certified the consolidated financial statements and the interim condensed consolidated financial statements up until the end of 2011 included) and PricewaterhouseCoopers S.p.A. (which certified the interim condensed consolidated financial statements as at 30 June 2012);
– two of the greatest experts in the field, i.e. Prof. Enrico Laghi (Professor of Business Administration at the University of Rome "Sapienza") and Prof. Michele Rutigliano (Professor of Economics of Financial Intermediaries at the University of Verona and SDA Bocconi University of Milan).

In each case, as notified to the Supervisory Authority during the investigation, Unipol will – on a prudent basis and starting from the next consolidated financial statements – alter its accounting methods as indicated by CONSOB for those securities for which, even after the addition of contractual supplements, classification as L&R cannot not be determined with sufficient clarity.

Please find attached (Annex 1) the pro-forma consolidated statement of financial position and income statement as at 31 December 2011 and the pro-forma consolidated statement of financial position and income statement as at 30 June 2012 (and, for completeness, the pro-forma consolidated statement of financial position and income statement as at 30 September 2012) showing the effects of accounting in accordance with the rules, as interpreted by CONSOB, regarding financial instruments classified as L&R with credit derivatives, interest rate derivatives and with the so-called tax event clauses, which have not undergone contract amendments (in this respect it is noted that, in order to further support the classification of the above securities in the category L&R, Unipol has, for the vast majority of the same, in agreement with market counterparties and without costs or burdens of any kind, supplemented the relevant contractual provisions).

In this regard, it is noted that:

– as regards the impairment test on the equity instrument, its pro-forma accounting was not carried out as the instrument was disposed of and the loss on disposal was recognised in the income statement in the month of September 2012; therefore, its economic and financial effects are already reported in the Interim consolidated financial report as at 30 September 2012, which was approved by the Board of Directors on 14 November 2012 and made public on the same date;
– the consolidation of the so-called “silos” for which Unipol holds a majority share of the issue was not performed as the accounting effects of a possible consolidation would not be different from those of the accounting method applied.

Such pro-forma statements show:
– as of 31 December 2011, a decrease of euro 49.2 million in equity and a decrease of euro 28.2 million in consolidated profit (loss);
– as of 30 June 2012, a decrease of euro 45.2 million in equity and an increase of euro 6.1 million in consolidated profit (loss);
– as of 30 September 2012, a decrease of euro 11.4 million in equity and an increase of euro 31.8 million in consolidated profit (loss).

Finally, please find attached (Annex 2) the list of securities classified as L&R and which are undergoing the contractual amendments mentioned previously, with an indication of their carrying amount and fair value as at 31 December 2011, 30 June, and 30 September 2012.

With reference to the quantitative calculations underlying the determination of exchange ratios between shares of the companies Unipol Assicurazioni S.p.A., Premafin HP S.p.A. and Milano Assicurazioni S.p.A. and the shares of the acquiring company Fondiaria-Sai S.p.A., approved by the respective Boards of Directors on 20 December 2012 within the project to integrate the Unipol Group and the Fondiaria-Sai Group, it should be noted that the adoption of the accounting methods set forth by the Supervisory Authority in the CONSOB Ruling would not have had any impact on such calculations.

In conclusion, as may be necessary, it is emphasised that the observations made by the Supervisory Authority pertain exclusively to the consolidated financial statements and have no impact on the statutory financial statements of Unipol and of its subsidiary Unipol Assicurazioni S.p.A..

This information must be read jointly with the consolidated financial statements of Unipol Gruppo Finanziario S.p.A. as at 31 December 2011 and the interim condensed consolidated financial statements as at 30 June 2012, which are already available on the Company's website (www.unipol.it) in the section “Investor Relations - Financial Reports.”

Consolidated Statement of Financial Position - Assets

Values in Millions of Euros

		31/12/2012	Pro-forma adjustments	31/12/2011 pro-forma	30/06/2012	Pro-forma adjustments	30/6/2012 pro-forma	30/09/2012	Pro-forma adjustments	30/9/2012 pro-forma
1	INTANGIBLE ASSETS	1,641.0		1,641.0	1,636.7		1,636.7	1,961.9		1,961.9
1.1	Goodwill	1,522.5		1,522.5	1,522.9		1,522.9	1,810.9		1,810.9
1.2	Other intangible assets	118.5		118.5	113.8		113.8	151.0		151.0
2	PROPERTY, PLANT AND EQUIPMENT	804.1		804.1	829.1		829.1	1,221.9		1,221.9
2.1	Property	746.0		746.0	774.7		774.7	1,104.0		1,104.0
2.2	Other tangible assets	58.2		58.2	54.4		54.4	117.9		117.9
3	REINSURERS' SHARE OF TECHNICAL PROVISION	396.0		396.0	432.6		432.6	1,232.6		1,232.6
4	INVESTMENTS	33,181.1	-32.6	33,148.6	34,584.9	-33.1	34,551.7	69,840.6	-15.7	69,824.9
4.1	Investment property	314.2		314.2	305.6		305.6	2,818.9		2,818.9
4.2	Investments in subsidiaries, associates and joint ventures	42.3		42.3	49.8		49.8	161.8		161.8
4.3	Investments held to maturity	1,689.0		1,689.0	2,387.1		2,387.1	3,085.3		3,085.3
4.4	Loand and receivables	15,250.3	-201.4	15,048.9	14,794.2	-233.5	14,560.7	18,418.5	-233.1	18,185.3
4.5	Available-for-sale financial assets	11,985.1	149.5	12,134.6	13,109.3	178.5	13,287.8	34,475.3	190.3	34,665.6
4.6	Financial assets at fair value through profit or loss	3,900.3	19.3	3,919.6	3,938.9	21.8	3,960.7	10,880.8	27.1	10,908.0
5	OTHER RECEIVABLES	1,761.5		1,761.5	1,539.4		1,539.4	3,227.5		3,227.5
5.1	Receivables arising out of direct insurance business	820.6		820.6	582.8		582.8	1,519.6		1,519.6
5.2	Receivables arising out of reinsurance business	57.9		57.9	50.7		50.7	121.1		121.1
5.3	Other receivables	883.0		883.0	905.8		905.8	1,586.9		1,586.9
6	OTHER ASSETS	1,554.3	25.7	1,580.0	1,499.8	23.6	1,523.4	3,068.4	6.0	3,074.4
6.1	Non-current assets or disposal groups classified as held-for-sale	0.0		0.0	5.2		5.2	134.9		134.9
6.2	Deferred acquisition costs	18.8		18.8	17.7		17.7	45.1		45.1
6.3	Deferred tax assets	1,230.0	25.7	1,255.7	1,089.6	23.6	1,113.2	2,084.0	6.0	2,090.0
6.4	Current tax assets	27.3		27.3	37.0		37.0	306.5		306.5
6.5	Other assets	278.2		278.2	350.4		350.4	497.9		497.9
7	CASH AND CASH EQUIVALENT	239.7		239.7	178.0		178.0	1,065.6		1,065.6
	TOTAL ASSETS	39,577.8	-6.8	39,570.9	40,700.5	-9.5	40,690.9	81,618.5	-9.7	81,608.8

Consolidated Statement of Financial Position Equity and Liabilities

Values in Millions of Euros

		31/12/2012	Pro-forma adjustments	31/12/2011 pro-forma	30/06/2012	Pro-forma adjustments	30/6/2012 pro-forma	30/09/2012	Pro-forma adjustments	30/9/2012 pro-forma
1	EQUITY	3,204.5	-49.2	3,155.3	3,502.7	-45.2	3,457.6	6,428.3	-11.4	6,416.8
1.1	attributable to the owners of the Parent	3,078.3	-49.2	3,029.1	3,363.2	-45.2	3,318.0	4,785.1	-11.4	4,773.7
1.1.1	Share capital	2,699.1		2,699.1	2,699.1		2,699.1	3,365.3		3,365.3
1.1.2	Other equity instruments	0.0		0.0	0.0		0.0	0.0		0.0
1.1.3	Capitale reserves	1,506.3		1,506.3	1,338.0		1,338.0	1,724.8	0.0	1,724.8
1.1.4	Retained earnings and other reserves	91.0		91.0	152.5	-27.6	124.9	151.7	-27.6	124.1
1.1.5	(Own shares)	-0.2		-0.2	0.0		0.0	-0.1		-0.1
1.1.6	Reserve for currency translation differences	0.0		0.0	0.0		0.0	0.0		0.0
1.1.7	Gains or losses on available-for-sale financial assets	-1,090.9	-21.7	-1,112.5	-916.5	-23.7	-940.1	-555.6	-15.3	-570.9
1.1.8	Other gains or losses recognised directly in equity	-18.6		-18.6	-24.8		-24.8	-30.6		-30.6
1.1.9	Profit (loss) for the period/year attributable to the owners of the Parent	-108.4	-27.6	-136.0	114.9	6.1	121.0	129.7	31.5	161.2
1.2	attributable to non-controlling interests	126.2	0.0	126.2	139.6	0.0	139.6	1,643.2	0.0	1,643.1
1.2.1	Share capital and reserves	140.0		140.0	155.0	-0.6	154.4	1,348.1	-0.6	1,347.5
1.2.2	Gains or losses recognised directly in equity	-28.3	0.6	-27.7	-21.6	0.7	-20.9	279.1	0.3	279.4
1.2.3	Profit (loss) for the period/year attributable to non-controlling interests	14.5	-0.6	13.8	6.1	0.0	6.1	16.0	0.3	16.3
2	PROVISIONS	112.5		112.5	89.8		89.8	472.4		472.4
3	TECHNICAL PROVISIONS	22,039.3		22,039.3	22,237.3		22,237.3	55,712.9		55,712.9
4	FINANCIAL LIABILITIES	12,828.7	42.4	12,871.1	13,462.1	35.6	13,497.7	16,173.9	1.7	16,175.6
4.1	Financial liabilities at fair value through profit or loss	1,458.2	42.4	1,500.6	1,513.6	35.6	1,549.2	2,129.0	1.7	2,130.8
4.2	Other financial liabilities	11,370.5		11,370.5	11,948.5		11,948.5	14,044.9		14,044.9
5	PAYABLES	439.7		439.7	472.1		472.1	1,173.6		1,173.6
5.1	Payables arising out of direct insurance business	67.4		67.4	55.4		55.4	166.0		166.0
5.2	Payable arising out of reinsurance business	43.2		43.2	43.0		43.0	119.4		119.4
5.3	Other payables	329.0		329.0	373.8		373.8	888.1		888.1
6	OTHER LIABILITIES	953.2		953.2	936.5		936.5	1,657.5		1,657.5
6.1	Liabilities of adisposal group held for sale	0.0		0.0	0.0		0.0	113.3		113.3
6.2	Deferred tax liabilities	339.2		339.2	286.5		286.5	437.5		437.5
6.3	Current tax liabilities	28.6		28.6	43.3		43.3	139.7		139.7
6.4	Other liabilities	585.4		585.4	606.7		606.7	967.0		967.0
	TOTAL EQUITY AND LIABILITIES	39,577.8	-6.8	39,570.9	40,700.5	-9.5	40,690.9	81,618.5	-9.7	81,608.8

Consolidated Income Statement

Values in Millions of Euros

		31/12/2012	Pro-forma adjustments	31/12/2011 pro-forma	30/06/2012	Pro-forma adjustments	30/6/2012 pro-forma	30/09/2012	Pro-forma adjustments	30/9/2012 pro-forma
1.1	Net premiums	8,679.1		8,679.1	3,091.6		3,091.6	7,357.1		7,357.1
1.1.1	*Gross premiums*	*8,836.4*		*8,836.4*	*3,171.4*		*3,171.4*	*7,556.8*		*7,556.8*
1.1.2	*Reinsurance premium*	*-157.3*		*-157.3*	*-79.8*		*-79.8*	*-199.7*		*-199.7*
1.2	Fee and commission income	130.9		130.9	63.8		63.8	100.0		100.0
1.3	Gains and losses on financial instruments at fair value through profit or loss	-245.3	-42.9	-288.3	21.9	9.2	31.1	230.0	48.5	278.4
1.4	Incorme from investments in subsidiaries, associates and joint ventures	12.9		12.9	0.6		0.6	1.1		1.1
1.5	Income from other financial instruments and investment property	1,753.3		1,753.3	778.1		778.1	1,460.2		1,460.2
1.5.1	*Interest income*	*1,380.5*		*1,380.5*	*586.3*		*586.3*	*1,103.6*		*1,103.6*
1.5.2	*Other income*	*110.6*		*110.6*	*53.4*		*53.4*	*105.3*		*105.3*
1.5.3	*Realised gains*	*184.1*		*184.1*	*95.4*		*95.4*	*206.5*		*206.5*
1.5.4	*Unrealised gains*	*78.0*		*78.0*	*43.0*		*43.0*	*44.8*		*44.8*
1.6	Other income	113.0		113.0	37.7		37.7	102.3		102.3
1	TOTAL REVENUES	10,443.8	-42.9	10,400.9	3,993.6	9.2	4,002.8	9,250.7	48.5	9,299.1
2.1	Net insurance claims	7,843.3		7,843.3	2,765.5		2,765.5	6,827.0		6,827.0
2.1.1	*Amounts paid and chages in technical provisions*	*7,891.8*		*7,891.8*	*2,823.9*		*2,823.9*	*7,012.5*		*7,012.5*
2.1.2	*Reinsurers' share*	*-48.5*		*-48.5*	*-58.5*		*-58.5*	*-185.5*		*-185.5*
2.2	Fee and commission expense	28.3		28.3	15.8		15.8	24.4		24.4
2.3	Losses on investments in subsidiaries, associates and joint ventures	24.2		24.2	0.1		0.1	11.4		11.4
2.4	Charges from other financial instruments and investment property	762.5		762.5	256.9		256.9	494.1		494.1
2.4.1	*Interest expense*	*276.5*		*276.5*	*146.1*		*146.1*	*244.6*		*244.6*
2.4.2	*Other charges*	*12.1*		*12.1*	*7.9*		*7.9*	*27.3*		*27.3*
2.4.3	*Realised losses*	*203.7*		*203.7*	*30.8*		*30.8*	*75.9*		*75.9*
2.4.4	*Changes in fair values*	*270.1*		*270.1*	*72.1*		*72.1*	*146.4*		*146.4*
2.5	Management expenses	1,383.2		1,383.2	694.8		694.8	1,383.3		1,383.3
2.5.1	*Commissions and other acquisition costs*	*864.9*		*864.9*	*429.2*		*429.2*	*879.9*		*879.9*
2.5.2	*Investment management expenses*	*16.6*		*16.6*	*7.6*		*7.6*	*19.4*		*19.4*
2.5.3	*Other administrative expenses*	*501.7*		*501.7*	*258.0*		*258.0*	*484.0*		*484.0*
2.6	Other costs	669.6		669.6	72.9		72.9	245.4		245.4
2	TOTAL COSTS AND EXPENSES	10,711.1		10,711.1	3,806.0		3,806.0	8,985.7		8,985.7
	NET PROFIT BEFORE TAX	-267.3	-42.9	-310.2	187.6	9.2	196.9	265.0	48.5	313.5
3	Tax	173.3	14.7	188.1	-66.7	-3.2	-69.8	-119.0	-16.6	-135.7
	NET PROFIT	-93.9	-28.2	-122.1	121.0	6.1	127.1	146.0	31.8	177.8
4	NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	0.0		0.0	0.0		0.0	-0.4		-0.4
	CONSOLIDATED PROFIT	-93.9	-28.2	-122.1	121.0	6.1	127.1	145.6	31.8	177.5
	attributable to the owners of the Parent	*-108.4*	*-27.6*	*-136.0*	*114.9*	*6.1*	*121.0*	*129.7*	*31.5*	*161.2*
	attributable to non-controlling interests	*14.5*	*-0.6*	*13.8*	*6.1*	*0.0*	*6.1*	*16.0*	*0.3*	*16.3*

SECURITIES SUBJECT TO CONTRACTUAL CHANGE

Securities with clauses CREDIT LINKED

Values in Euros

Number of securities	Contractual change	Cat. IAS	31/12/2011		30/06/2012		30/09/2012	
			fair Value	*Carrying value IAS*	*fair Value*	*Carrying value IAS*	*fair Value*	*Carrying value IAS*
7	Da Cash Delivery a Phisical Delivery	L&R	340,086,984	459,901,980	357,565,673	464,347,584	395,403,211	466,620,425

Securities with clauses TAX EVENT

Values in Euros

Number of securities	Contractual change	Cat. IAS	31/12/2011		30/06/2012		30/09/2012	
			fair Value	*Carrying value IAS*	*fair Value*	*Carrying value IAS*	*fair Value*	*Carrying value IAS*
44	Additional TAX EVENT clause with the possibility of reimboursement at fair value before maturity in the hands of the noteholder (Unipol)	L&R	1,870,942,740	2,483,155,835	1,924,121,619	2,490,724,758	2,097,468,328	2,500,633,184

Statement on the Consolidated Financial Statements

(in accordance with Article 81-ter of Consob Regulation 11971/1999)

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO 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 Officer in charge of financial reporting of Unipol Gruppo Finanziario S.p.A., hereby confirm, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

   - the adequacy with respect to business/corporate characteristics and
   - the proper application,

   of administrative and accounting procedures applied in drawing up the 2012 consolidated financial statements.

2. The suitability of the administrative and accounting procedures applied in drawing up the consolidated financial statements at 31 December 2012 was assessed using processes that Unipol Gruppo Finanziario S.p.A. established on the basis of the COSO Framework (Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organisations of the Tradeway Commission) and, in respect of IT, on the basis of the COBIT Framework (Control OBjectives for IT and related technology). The frameworks are unanimously recognised as reference frameworks for the implementation and assessment of internal control systems.

3. They also confirm that:

   3.1. The consolidated financial statements at 31 December 2012:

   - are drawn up in accordance with IFRSs as adopted by the European Union pursuant to EC Regulation 1606/2002 and with Legislative Decree 38 of 2005, Legislative Decree 209 of 2005 and the relevant ISVAP resolutions, regulations and circulars;
   - 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 and the group companies included in the consolidation;

   3.2. the management report includes a reliable analysis of the performance, results and the financial position of the issuer and all the group companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Bologna, 24 April 2013

The Chief Executive Officer	The Officer in charge of financial reporting
Carlo Cimbri	*Maurizio Castellina*
(signed on the Italian original version)	*(signed on the Italian original version)*

Summary of fees for the year for services provided by the Independent Auditors

SUMMARY OF FEES FOR THE YEAR FOR SERVICES PROVIDED BY THE INDEPENDENT AUDITORS (art. 149 - duodecies of the CONSOB Issuers Regulation)			
Values in €K			
Type of services	Provider of the service	Recipient	Fees (*)
Audit	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	142
Total Unipol Gruppo Finanziario			142
Audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	749
Audit	PricewaterhouseCoopers SA	Subsidiaries	62
Attestation services	PricewaterhouseCoopers S.p.A.	Subsidiaries	254
Other services: technical provision analysis	PricewaterhouseCoopers S.p.A.	Subsidiaries	184
Other services: advisory (**)	PricewaterhouseCoopers S.p.A.	Subsidiaries	641
Other services: technical provision analysis (**)	PricewaterhouseCoopers LLP	Subsidiaries	711
Other services: tax services	TLS Associazione Professionale di Avvocati e Commercialisti	Subsidiaries	25
Other services: tax services (**)	TLS Associazione Professionale di Avvocati e Commercialisti	Subsidiaries	382
Other services (**)	PricewaterhouseCoopers Advisory S.p.A.	Subsidiaries	685
Total subsidiaries			3,693
Total			3,834

(*) the fees do not include recharged expenses and any non-deductable VAT

(**) servises rendered on entities of the Group prior to the acquisition Premafin

Independent Auditors' Report

AUDITORS' REPORT REISSUED IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 39 of 27 JANUARY 2010

To the Shareholders of
Unipol Gruppo Finanziario SpA

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

Foreword

In execution of our engagement, we had audited the consolidated financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2012, as approved by the Board of Directors on 21 March 2013. We had accordingly issued our report on the audit of those financial statements on 8 April 2013.

On 17 April 2013 we received, for our information, the letter sent by CONSOB to Unipol Gruppo Finanziario SpA on the following subject matter: consolidated financial statements as at 31 December 2012 – Information required in accordance with Article 114, paragraph 5 of Legislative Decree 58 of 1998. In this letter, CONSOB requested your Company to include additional information in the consolidated financial statements as at 31 December 2012.

As a result of the above, we withdrew our report dated 8 April 2013 by means of an announcement to that effect made to the Board of Directors of Unipol Gruppo Finanziario SpA on 24 April 2013.

On 24 April 2013, the Board of Directors of Unipol Gruppo Finanziario SpA approved the new consolidated financial statements as at 31 December 2012. These had been modified compared to the previous financial statements due to the restatement of certain financial instruments that resulted in changes in the presentation of 2011 comparative figures. The effects of the restatement of comparative figures as at 31 December 2011 and of changes in equity for the financial year ended 31 December 2012 are illustrated in the notes to the consolidated financial statements.

The new consolidated financial statements have been examined by us, as independent auditors, for the purpose of issuing our audit report.

PricewaterhouseCoopers SpA

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Conclusions

In view of the above, we hereby reissue our audit report on the consolidated financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2012:

1 We have audited the consolidated financial statements, which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes of Unipol Gruppo Finanziario SpA and its subsidiaries ("Unipol Group") for the year ended 31 December 2012.
The Directors of Unipol Gruppo Finanziario SpA are responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the Regulation issued to implement Article 9 of Legislative Decree 38 of 2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with auditing standards and criteria recommended by CONSOB (the Italian Commission for listed companies and the Stock Exchange). In accordance with those standards and criteria, the audit has been planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether they are fairly presented, when considered as a whole. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the accounting principles used and the reasonableness of estimates made by the Directors. We believe that our audit provides an adequate basis for our opinion.

The consolidated financial statements include comparative information in relation to the 2011 financial year. As explained in the notes to the financial statements, the Directors have restated certain comparative information as at 31 December 2011, when compared to the information that had been audited by the previous auditor. The latter had reported on 4 April 2012. The procedures applied in restating the comparative information and the related disclosure included in the notes to the financial statements, have been examined by us for the purposes of expressing our opinion on the consolidated financial statements for the year ended 31 December 2012.

3 In our opinion, the consolidated financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2012 are in accordance with International Financial Reporting Standards as adopted by the European Union and with the Regulation issued to implement Article 9 of Legislative Decree 38 of 2005; accordingly, they give a true and fair view of the consolidated financial position, the consolidated financial performance, the changes in consolidated shareholders' equity and the consolidated cash flows of Unipol Group for the year then ended.

4 The Directors of Unipol Gruppo Finanziario are responsible for the preparation of the Board of Directors' Report and the Corporate Governance and Share Ownership Report available in Unipol Gruppo Finanziario web-site section "Corporate Governance", in accordance with applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Boards of Directors' Report and of the information required by paragraphs 1, sub-paragraphs c), d), f), l), m) and by paragraph 2, sub-paragraph b) of Article 123-bis of Legislative Decree 58 of 1998, contained in the Corporate Governance and Share Ownership Report, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Board of Directors' Report and the information required by paragraph 1, sub-paragraphs c), d), f), l), m) and by paragraph 2, sub-paragraph b) of Article 123-bis of Legislative Decree 58 of 1998, contained in the Corporate Governance and Share Ownership Report are consistent with the consolidated financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2012.

Milan, 25 April 2013

PricewaterhouseCoopers SpA

Signed by

Angelo Giudici
(Partner)

This report is only a translation of the original report in Italian, issued in accordance with Italian law.

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Registered Capital, Fully Paid-up
3,365,292,295.47 Euros

Bologna Business and Trade Register
no. tax no. and VAT no.: 00284160371
Economic/Administrative Business
Register no. 160304

Parent company of the Unipol
Insurance Group, listed with no. 046 on
the Register of Insurance Companies

www.unipol.it

www.unipol.it

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