Unipol Gruppo Finanziario
2013 Consolidated Financial Statements

UNIPOL
GRUPPO FINANZIARIO S.P.A.

Registered and Head Offices at Via Stalingrado 45, Bologna
Share capital €3,365,292,408.03 fully paid-up
Tax Code and registration number in the Bologna Business Register 00284160371 - R.E.A. No. 160304
Parent of the Unipol Insurance Group entered in the Register of Insurance Groups - No. 046

www.unipol.it

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Bologna, 20 March 2014

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Company bodies

Honorary Chairman	Enea Mazzoli	

Board of Directors

Chairman	Pierluigi Stefanini	
Vice Chairman	Giovanni Antonelli	
Chief Executive Officer and General Manager	Carlo Cimbri	
Members of the Board	Giovanni Battista Baratta	Ivan Malavasi
	Francesco Berardini	Paola Manes
	Rocco Carannante	Pier Luigi Morara
	Piero Collina	Milo Pacchioni
	Sergio Costalli	Elisabetta Righini
	Ernesto Dalle Rive	Francesco Saporito
	Vanes Galanti	Adriano Turrini
	Guido Galardi	Marco Giuseppe Venturi
	Giuseppina Gualtieri	Hilde Vernaillen
	Claudio Levorato	Rossana Zambelli
		Mario Zucchelli
Secretary to the Board of Directors	Roberto Giay	

Board of Statutory Auditors

Chairman	Roberto Chiusoli
Standing Auditors	Silvia Bocci Domenico Livio Trombone
Alternate Auditors	Carlo Cassamagnaghi Chiara Ragazzi

Manager in charge of financial reporting	Maurizio Castellina

Independent auditors	PricewaterhouseCoopers SpA

Introduction

Macroeconomic background, market performance and principal new legislation

Macroeconomic background

The year 2013 was characterised by global economic growth of just under 3%, regressing slightly compared to 2012.
During the year, thanks to the crucial contribution from the European Central Bank (ECB), the impact of the sovereign debt crisis in Europe became gradually less exaggerated. A sign of the success achieved in keeping tensions on the financial market under control was the appreciation of the single European currency, which rose 4.5% against the dollar. At the same time, awareness of the ineffectiveness of the austerity measures in turning around public finances increased, and of the detrimental effect they had on economic growth.

According to a preliminary estimate issued by Eurostat, GDP in the Eurozone returned to growth in the fourth quarter, both in economic terms (+0.3%) and on a trend basis (+0.5%). This is reflected, at the current state of play, in a weak cyclical improvement, still fragile and not widespread in all EMU countries, due in particular to the loosening of the fiscal policy and the positive trend in exports, fostered by a global economic scenario which has generally improved over the last few months.
A significant economic performance was recorded in the US, whose GDP, according to the forecasts of the Bureau of Economic Analysis, should have increased by 1.9% in 2013 (+2.7% in the fourth quarter on a trend basis). Private sector performances allowed a considerable reduction in unemployment, down to 6.7% in December.
A positive result was also achieved by Japan, where the expansive measures implemented by the government led to a 2.7% increase in GDP in the fourth quarter on a trend basis.
In Europe, the UK economy recovered, up 2.8% in the fourth quarter compared to the same period in the previous year.
In 2013, a starkly contrasting trend was recorded by the economies in the so-called emerging countries. The announcement of tapering (i.e. the process of easing of extraordinary monetary policy measures known as quantitative easing) by the FED triggered major reverberations in the financial markets, resulting from the return of significant volumes of capital to advanced economies. These flows of capital caused serious currency problems for the more fragile nations (Brazil, Turkey, India), meaning they also recorded a marked slowdown in economic growth. China also encountered some problems, having to contend with a delicate phase of rebalancing of its economic hub from exports and investments to domestic consumption.

While the Federal Reserve is putting in place the first measures to relax the expansive monetary policy, across the Atlantic the ECB is in a totally different position. The President of the Frankfurt-based institution is well aware of the fragile nature of the European economic situation, cutting the reference rate to an all-time low of 0.25% in November.
The weakness of aggregate demand in the Eurozone was reflected in a significant slowdown in inflation, which fell to 0.8% in December. According to various observers, the risk of a deflationary process in Europe has still not been warded off. Although, on the one hand, there are encouraging signs, like the abating of tensions also in some countries that joined '*Troika*' assistance programmes (International Monetary Fund, European Union and ECB), such as Ireland and Spain, on the other, economic development in the Eurozone does still not appear to be strong enough. Don't forget that, at December 2013, there are over 19m jobless in the Eurozone.
Italy, in particular, is characterised by a deep-rooted inability to resume the path of growth. In the October-December period, Italian GDP (preliminary Istat forecast) recorded, for the first time after eight negative quarters and one with no change, economic growth of 0.1% (which, nonetheless, was down -0.8% on

a trend basis). This result is confirmation that the contraction of the economy could have reached an end. However, we are still talking about early signs, more in keeping with the entry into a phase of stagnation rather than the start of a genuine economic recovery. In the meantime, in 2013, more than 420k jobs were lost (-2% in average terms compared to 2012). Therefore, the decrease in retail sales (an average decrease of 2.1% in 2013) is not surprising, which confirms the inability of domestic demand to sustain production activities. The raw industrial production index signalled a decrease of 3% in 2013.
Foreign trade (current account balance), based on the provisional figures produced in 2013 by the Bank of Italy, was positive for more than €12bn. However, this result was achieved by virtue of a significant decrease in imports which suggests that the improvement in the trade balance is due primarily to the negative Italian economic situation and not to a structural change in our country’s position in terms of flows of international trade.
The public accounts benefitted, in the year just ended, from a reduction in the cost of servicing debt, thanks to the fall in interest rates on government securities. Unfortunately, the government formed after the political elections in February 2013 did not appear to be in a position to implement a consistent economic policy which, without losing sight of the objective of cutting the deficit, was capable of providing the necessary impetus to the real economy. In particular, the modest reduction in the tax wedge set forth in the stability law is insufficient to relaunch the Italian economy.

Financial markets

In this context, the performances in 2013 of the European share markets, thanks in particular to the last two quarters, were hugely positive: the Eurostoxx 50 index, representing Eurozone securities with the highest level of capitalisation, increased by 17.9% (+7.5% in the fourth quarter). The German Dax performed well with a rise of 25.5% (+11.1% in the last quarter of the year), while Borsa Italiana (the Italian Stock Exchange), with the Milan Ftse Mib index, gained 16.6% (+8.8% in the fourth quarter). Lastly, Madrid’s Ibex recorded an extremely positive performance, rising 21.4% (+8% in the October – December 2013 quarter).
Shifting the analysis beyond Europe, the Standard & Poor’s 500 index, representing the main listed companies in the United States, recorded an increase of 29.6% last year (+9.9 in the fourth quarter), while in Japan, the Nikkei index, aided by the decision to implement new fiscal and monetary expansion policies, gained 56.7% in 2013 (+12.7% in the fourth quarter).
Finally, as regards the stock markets in emerging markets, the most representative index, the Morgan Stanley Emerging Markets index, recorded growth of no more than a modest 0.9% (+2.7% in the fourth quarter).

In 2013, the money market interest rate curve recorded an increase of around 50 basis points in terms of long-term maturities, while short-term maturities registered a more contained upturn at around 10 cents.
As regards government rates, the German bond curve recorded a general increase, more pronounced on nodes with longer maturities: the yield on the 10-year bond rose from 1.30% at the end of 2012 to 1.94% at 31 December 2013, marking an increase of 64 basis points. The Italian government rate curve charted a different path, shifting downward on all maturities, even though the movement was more marked for short-term maturities. The yield on the 10-year BTP (Long-Term Treasury Bond), which stood at 4.50% at the end of 2012, was just over 4% at the end of 2013 (4.09%). This meant that the yield differential between Italian and German bonds underwent a significant reduction on all curve nodes in the past year. In particular, the spread between 10-year bonds (2.15% at the end of 2013) fell by 106 basis points with respect to the previous twelve months.

The strong performance of the share and bond markets in 2013 contributed to a significant improvement in the Itraxx Senior Financial index, representing the average spread of financial sector companies with a high credit rating, fell by 54.1 basis points, from 141.3 to 87.2 (-60.4 basis points from 147.6 in the fourth quarter).

Individual savings

Despite the fall in disposable income, linked to the decrease in employment numbers and increase in tax charges, individuals are committed to rebuilding their financial savings, primarily by prudently managing their spending. Prometeia estimates that, at the end of 2013, individuals' financial activities should have recovered the pre-crisis levels, owing both to the positive trend in share prices, and thanks to the increase in the propensity to save, up following the low recorded in 2012. By contrast, individual debt fell in 2013. The stagnation in the real estate market and prudence in purchasing durable goods led to a decrease in the provision of mortgages and consumer credit respectively.

In the first half of 2013, individuals' investments were targeted at the more liquid portfolio components, in which term bank deposits played a leading role. Subsequently, the strong performance of the financial markets led to an increased risk appetite, promoting the subscription of asset management products. The sales networks also played a central role in said process, the banking channel in particular, less burdened by the need to develop direct funding, in light of the decrease in loans to the economy. Hence, mutual investment funds achieved, in 2013, positive net income of €48.7bn, more than €39bn of which targeted at the share, balanced fund and flexible fund segments.
Life products also recorded an excellent performance with savers, with new products exceeding €74bn (figure that also includes the activities of companies operating cross-border). By contrast, the share of debt securities held directly by individuals in administered deposits fell; one of the causes of said reduction was a lower supply of bonds from banks.

Insurance sector

In 2013, the Italian insurance market reported two starkly contrasting trends: on the one hand, Non-Life business activities fell away considerably, related to the difficult economic situation experienced by the country; on the other, Life premiums benefitted from a favourable scenario incorporating low interest rates and the banking channel's renewed enthusiasm for marketing insurance products.

The provisional figures for 2013, issued by IVASS, show a marked decline in Non-Life premiums (-4.6%). In particular, premiums in the main branch, MV Third-Party Liability insurance, recorded a heavy decrease (-7%). This result reflects the recovery of price competition between insurance companies at a time in which, due to the economic crisis, the vehicle fleet shows signs of contraction. Lastly, another element linked to the country's difficult economic situation is the spread of the phenomenon of insurance avoidance by a sizeable number of motorists.
The technical profitability of the MV TPL class could have entered a decreasing trend from the middle of 2013. In fact, in respect of a further reduction in claims frequency, a small increase was recorded in the average cost, therefore, the total claims cost was still down. However, the competitive rate on the market led to a reduction in the average premium which, in absolute terms, is greater than the decrease in the total cost of claims. This allows us to predict a rise in the technical ratio of claims to premiums and, therefore, a turning point in the profit cycle of the MV TPL class. Other questions regarding the mandatory insurance system remain unanswered, which can also affect the technical result of the class. These include the definition of a single national table for the reimbursement for physical damages. It should be noted that some steps forward have been made on other issues: the Italian Driver and Vehicle Licensing Agency created an Integrated Vehicle and Insurance Coverage Archive to counteract the phenomenon of insurance avoidance; while as regards the fight against fraud in the industry, IVASS created an appropriate Claims Database.

The other segment class, Land Vehicle Hulls, continued to record a drop in business (-8.7% in 2013). From spikes in premiums registered in 2007, the decrease - in absolute terms - is well above 20%. The gradual decline in the registrations of new vehicles in Italy is at the root of this trend: 2013 recorded car sales of just over 1.3m, figures which mirror the size of the market at the end of the 1970s. These figures reflect the difficulties faced by individuals, who are having to contend with the need to balance their budget by reducing non-essential spending, and, at this moment, optional car insurance coverage also falls into this category.

The trend in the non-MV Non-Life class appears to be more structured. The figure published by IVASS, which includes the activities performed by national companies and representatives of non-EU country companies signalled a slight decrease of 1.1%. However, an analysis of the activities carried out in Italy by representatives of companies belonging to the European Economic Area (information produced by ANIA), shows that said aggregate recorded an increase of 5.1% in premiums. It is a sign of the shift of major customer segments towards specialised operators able to best meet specific requirements in complex management segments, such as civil liability insurance or goods in transit insurance. These two classes combined (national operators and cross-border activities) recorded a minor average increase in premiums of 0.5% in the first three quarters. It should be noted that, against an increase of 1.2% in consumer prices, the real growth in insurance business in the non-MV Non-Life classes was negative once again.

Despite the difficult economic scenario, Italian individuals began the process of restoring an adequate savings cushion. Istat recorded a rise in individuals' propensity to save, recording an upturn following the low recorded in the fourth quarter of 2012. On this basis and by virtue of banks' renewed interest in placing asset management products, at a time of reduced pressure on accumulating direct deposits, Life business took a leap forward. The initial estimates issued by IVASS show Life premiums at above €85bn in 2013, up 22.1% compared to the previous year (figures that do not include the transactions of cross-border companies). The growth in activities centred on class I products (+26.9%), unit-linked policies (+23.2%) and class V (+16.9%) products. The biggest contribution came from the banking and post office channel, whose premiums rose by 48.6%. Followed by agents (+7.8%), while financial advisors, bucking the trend, recorded a 12.3% fall in products sold.

Although, in 2013, supply was able to benefit from the return to full commercial operations of bank branches, in terms of demand, there were valid reasons for underwriting Life policies at extremely low interest rates. An important role was also played by customers' search for forms of investment able to guarantee minimum returns, or at least the return of capital. Net income, i.e. the difference between premiums and services paid by insurers returned to positive figures in 2013, allowing the consolidation of assets linked to segregated accounts. According to the initial ANIA results, net Life premiums should have passed €18.6bn last year.

Banking and assets under management

In 2013, Italian banks significantly cut the volume of loans granted to economic operators. Loans to non-financial companies fell from €864.7bn in December 2012 to €813.9bn at the end of 2013. Loans to individuals registered a small decrease of 1.3%.
There were various reasons for the reduction in bank credit to economic operators. The recessionary context certainly leads us to believe that the demand for credit is not sustained, even though the information coming from EURISC, the Credit Information System managed by CRIF (*Centrale Rischi di Intermediazione Finanziari* - Financial Intermediation Risks Register) shows an increase in loan applications from companies, especially in the last few months of 2013. However, there is no doubt that the growth in impaired loans, the upcoming Asset Quality Review and stress tests prior to the move to single supervision by the ECB, led many banks to search out possible avenues for strengthening their equity position, also incorporating an extremely prudent approach to granting credit. We shouldn't forget that a part of the payment of previous payables of Public Administrations to their suppliers (over €16bn up until November) was used by the beneficiaries to repay loans to banks.

The determining factors of the decrease in credit to individuals were the cautious approach to purchasing durable goods, brought about by the shrinking of disposable income, and the negative performance of the real estate market, which was reflected in a reduction in mortgages provided.
At the end of 2013, Italian banks registered bad and doubtful loans of €155.9bn. This marked an increase of 24.7% over the previous twelve months. The increase in bad and doubtful loans is mainly attributable to non-financial companies, especially those operating in the construction sector. In terms of the incidence of net bad and doubtful loans on loans, this rose from 3.36% in December 2012 to 4.34% at the end of 2013.

The ECB cut the main refinancing rate in November, which contributed to a widespread reduction in the interest rates on new loans both to individuals and companies. However, in the last few months of 2013, non-financial companies recorded a decrease of more than €1m in the cost of borrowing (loans), while the interest rates applied to smaller loans were up slightly. This is confirmation of the persistence of less favourable borrowing conditions for smaller companies, considered more fragile in the current difficult economic climate. The gap in the cost of borrowing between Italian companies and those in Europe's 'core' remains considerable, to the detriment of companies in our country.
The drive towards accumulating securities in banking portfolios seems to have run its course. At the end of 2013, securities lending reached €893bn, marking a modest increase of 2.2% over the previous year (in 2012, a year in which the effects of the LTRO - Long Term Refinancing Operation (launched by the ECB) materialised, the increase in securities in the portfolio stood at 30.3%).

At the same time as the fall in the volume of loans provided, the direct deposits of banks also recorded a slight decrease (-2.8% compared to December 2012). Nevertheless, the different types recorded varying trends: whereas an increase of 1.6% was recorded in deposits, the amount of bonds recorded a slump (-9.1%), also related to the fact that they represent the liability component with the highest cost for banks. Italian banks continued to find it extremely difficult to access wholesale markets, borne out by the fresh drop in overseas funding, down by 5.9% compared to 2012. If we consider that, in 2007, funding from overseas markets amounted to €506.5bn, compared with €328.3bn at the end of 2013, it is clear to see how Italian banks' problem of covering the funding gap is an increasingly topical issue. At present, this gap has been filled thanks to financing from the ECB. But this is not a long-term solution: Italian banks, as a whole, will need to implement major initiatives to reduce the funding gap on a structural basis.

The process of equity strengthening of Italian banks is continuing, also in view of the regulatory changes predicted in the near future (ECB supervision, Basel III). In that sense, the reduction in risk-weighted assets made a significant contribution, achieved through the decrease in loans in the portfolio.
Banks' profitability will be limited by the shrinkage of the yield spread. A decrease in the mark-up will drive said variable downwards. A simultaneous decrease in traded volumes would determine a reduction in the interest margin and gross operating income. In spite of the measures implemented to reduce operating costs, bank profitability will be adversely affected by the flow of adjustments to loans in the portfolio, expected to increase owing to both the deterioration in borrowers' creditworthiness, and the application of prudential criteria to the evaluation of impaired positions.

Pension fund market

At 31 December 2013, total members of different forms of supplementary pension recorded an increase of 6.8%, at aggregated level. In fact, the total number of members reached 6,223,716 (4,366,446 of which employees).
The trend is notably different at disaggregated level by type of supplementary pension. In fact, Occupational Pension Fund member numbers fell by 1% (a decrease linked, in all probability, to the contraction in employment numbers as a result of the economic crisis), Open-Ended Pension Funds recorded a significant

increase in member numbers (+7.7%), while Personal Pension Plans continued to post the most sustained rate of growth (+19.4%). At the end of 2013, Personal Pension Plans recorded a total of 2,121,495 members, Occupational Pension Funds had 1,950,904 members while Open-Ended Pension Funds counted 984,611 members (those signed up to so-called Personal Pension Funds not adjusted into line with the reforms and pre-existing funds were not taken into consideration).

Also as a result of the general positive performance of the financial markets, Net Assets Allocated to Benefits (ANDP), at aggregated level, recorded an increase of 8.4% compared to the end of 2012, reaching €113.1bn (€34.5bn of which for Occupational Funds, €11.9bn for Open-Ended Funds and €12.3bn for Personal Pension Funds). It should be noted that pre-existing pension funds still hold more than €48bn in funding.

In 2013, the employees' leaving entitlement revaluation rate stood at 1.92%, in respect of which the Occupational Pension Fund segment recorded an average yield of 5.4%, Open-Ended Funds 8.1% and Personal Pension Funds 12.2%.

Principal new legislation

Regulations issued by IVASS

Regulation no. 1 of 8 October 2013 concerning the imposition of pecuniary administrative penalties. The procedure, already governed by ISVAP Regulation no. 1 of 15 March 2006, was redefined taking into account the establishment of IVASS and of the plan for the organisational restructuring of the Institution, and the need to achieve the following objectives: rationalisation, greater clarity, homogeneity, consistency of penalty proceedings and cost-effectiveness of administrative actions.
The Regulation, which came into force on 31 October 2013, essentially provides more detailed and up-to-date instructions and guidelines on the penalty procedure, completing the arrangement of primary regulations which governed the matter previously.

Regulation no. 4 of 17 December 2013 concerning the administrative compulsory liquidation of insurance companies pursuant to title XVI (protection, turnaround and liquidation measures), chapter IV (administrative compulsory liquidation) of Legislative Decree no. 209 of 7 September 2005 - Private Insurance Code. In order to improve and streamline liquidation operations, the Regulation assigns greater autonomy to insolvency proceeding bodies, increases the amount of information to be provided to the supervisory authorities and makes provision for a possible examination of insolvency proceedings by an external auditor.

Provision no. 14 of 28 January 2014
The Provision contains amendments to ISVAP Regulation no. 7 of 13 July 2007, relating to the layout of the financial statements of insurance companies that must adopt IFRS.
In particular, these amendments acknowledge some changes to the international accounting standards IAS/IFRS, adopted under Regulation (EC) no. 1606/2002 of the European Parliament.
In particular, the changes introduced concern:
- with regard to IAS 1: the subdivision of items of "Comprehensive income/expense", distinguishing between those that can or cannot be reclassified in the future in the Income Statement (similar amendment concerned the table in the Notes to the Financial Statements "Details of other comprehensive income/(expense)");
- with regard to IFRS 13:
  a) the revision of two tables of the already existing notes to the financial statements, containing details of financial assets/liabilities for the fair value hierarchy, which were modified to extend the scope of application to non-financial assets/liabilities and to also include (according to the provisions of IFRS 13, parag. 93, letters b), e) and f) and in accordance with example no. 15 of the "Illustrative Examples") assets/liabilities at fair value on a non-recurring basis. The aforementioned tables were then renamed:
  b) the introduction of a new table which includes (according to the provisions of IFRS 13, parag. 97) the fair value hierarchy for assets/liabilities recognised in the financial statements using different criteria from fair value (e.g. amortised cost), for which the indication of fair value is required for the purposes of disclosure in the notes to the financial statements.

Some documents submitted for consultation by IVASS are outlined below:

Consultation document no. 5/2013
The document contains the layout of the Implementing Regulation of article 7 of Legislative Decree no. 231 of 21 November 2007, regarding the methods of fulfilment of customer due diligence obligations by insurance companies and insurance intermediaries.

The decree restructured the entire legislation targeted at preventing money laundering and financing of terrorism, reshaping, among other things, the collaborative relationships between the Supervisory Authorities of the sector and, subsequently, the role of IVASS.
The regulation is based on the principle of proportionality so that the recipients can gradually increase the intensity and scope of the customer due diligence obligations according to the degree of risk of money laundering and financing of terrorism (risk-based approach), without, however, determining the non-fulfilment or partial fulfilment of the obligations set forth by the law or by this Regulation.
This allows recipients to implement the new provisions in line with the nature, dimensions, organisational structure and legal form of the activities carried out.

Consultation document no. 1/2014
The document contains amendments to various ISVAP Regulations and, more specifically, to ISVAP Regulation no. 20/2008 governing internal controls, risk management and outsourcing and ISVAP Regulation no. 36/2011 concerning investments and assets covering technical provisions.
The document also contains a draft letter to the market on the application of EIOPA guidelines regarding governance systems, forward-looking risk assessment (based on ORSA principles), transmission of information to the national competent authorities and pre-application for internal models. The guidelines are directed at national authorities and, in essence, anticipate parts of the future prudential supervision system ‘Solvency II’. The aim of the guidelines is to ensure that the companies that will be subject to said system will be ready in time for its first-time application, set for 1 January 2016.

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

- Decree Law no. 69 of 21 June 2013, the so-called “Decreto Fare” (Action Decree), containing “Urgent provisions for kick-starting the economy”. The various regulations include the one relating to the governance of the tax responsibility in contracts, with the exclusion of VAT payments from joint tax responsibility; the amendment to parag. 497 of art. 1 of Law no. 228/2012 regarding tax on financial transactions (so-called Tobin Tax), with the deferment to 1 September 2013 of effectiveness for the application of tax on transactions relating to derivatives and the deferment to 16 October 2013 of the deadline for making the first tax payment relating to all transactions performed up to 30 September 2013.
- Decree Law no. 76 of 28 June 2013, containing the “First urgent measures to promote youth employment and social harmony, as well as regarding value added tax (VAT) and other urgent financial measures” - so-called “Decree Lavoro” (employment decree), converted, with amendments, from Law no. 99, 9 August 2013. This decree raised, for the tax period ended at 31 December 2013, the advance IRES payment from 100% to 101%; the increase in the ordinary VAT rate from 21% to 22% was also postponed to 1 October 2013 (instead of 1 July).
- Decree Law no. 102 of 31 August 2013, containing “Urgent provisions relating to IMU (Unique Municipal Tax), other real estate taxation, support for housing policies and local finance, as well as CIG (wages guarantee fund) and pensions”, converted with amendments from Law no. 124 of 28 October 2013. The changes introduced took effect on 30 October 2013. In particular, the cap for Life and Accident insurance premiums on which to calculate deductions for IRPEF (personal income tax) purposes, was reduced to €630 for 2013 and to €530 for 2014, with an extension of the cap for policies relating to the risk of non self-sufficiency to €1,291.14 from 2014. Similarly, provision was made for the non-deductibility, for IRES (corporate income tax), IRAP (regional business tax) and IRPEF (personal income tax) purposes, of the SSN (national health service) contribution paid on vehicle insurance premiums, from the tax period ended at 31 December 2014.
- Decree Law no. 133 of 30 November 2013, containing “Urgent provisions concerning IMU, the disposal of public properties and the Bank of Italy” - so-called “Decreto Imu-Bankitalia”, converted with amendments

from Law no. 5 of 29 January 2014, which increased to 130% the advance IRES and IRAP payment due for the 2013 tax year from banks and financial institutions and insurance companies, deferring the payment deadline to 10 December. A surcharge of 8.5% was introduced for IRES purposes for the tax period ending at 31 December 2013, payable by said insurance companies, banks and financial institutions and the Bank of Italy. For banks and financial intermediaries, a 100% advance payment of taxes calculated on assets under administration was introduced. Lastly, the Decree modifies the Articles of Association of the Bank of Italy, making provision for a share capital increase up to €7.5bn through the use of statutory reserves, with the issue of new shares with a value of €25,000 each, replacing those issued previously. Investors must subscribe the new shares at the same values, by applying a substitute tax for income taxes and IRAP to the resultant capital gain.

- Law no. 147 of 27 December 2013, containing "Provisions for the preparation of the Annual and Pluri-annual Budget of the State" - so-called "2014 Stability Law". This law also contains important measures for the insurance sector. In particular, effective from the tax period ending at 31 December 2013, the regulations governing the deductibility of write-downs and the losses on loans of banks and financial institutions and insurance companies were radically altered. These will be deductible in the year they accrue and in four subsequent years, with the extension of said deferred deductibility also for IRAP purposes. The percentage of deferred IRES deductibility of the change in the claims provision was redetermined at 75%, which will be deductible on a straight-line basis in the year of recognition in the income statement and in four subsequent years (in place of the previous deduction of 52.25% over 18 years).
  Also worthy of note are the increase of the deduction for the rise in the employment tax base for IRAP purposes, the increase in the rate of the notional return for ACE (Aid for Economic Growth) purposes, the partial deductibility of IMU (Property Tax) from IRES for instrumental properties and the introduction, from 2014, of unified municipal tax, comprising the equity component (IMU) and the services components of the waste tax (TARI) and the tax for indivisible services (TASI).

On 23 December 2013, Decree Law no. 145 (so-called "Destinazione Italia" - Destination Italy) was also published in Official Gazette no. 300, in which article 8 contains numerous provisions on mandatory MV-TPL insurance.
The Decree Law entered into force on 24 December 2013. Therefore, without prejudice to possible changes during conversion of the law, the provisions are already effective, although in some cases, pending the associated implementing regulations. The provisions of the aforementioned article 8 of the decree introduce changes to the Insurance Code and, in one case, to the Civil Code. They concern:

– increase in the mandatory minimum limits of liability for buses with more than eight seats to €10m starting from 1 January 2014; they remain unchanged for other motor vehicles;
– obligation to offer a prior vehicle inspection to policyholders, with the provision of a non-quantified premium discount, for those that take up the offer;
– right to propose to policyholders policies including black box with the costs of installation, removal, replacement and portability payable by the company and with the obligation for the reduction of the premium by at least the pre-established minimum amount. Device operating costs will, therefore, no longer be charged to the company. The results of instrument registrations constitute evidence in court. Policyholders are prohibited from uninstalling and deactivating the device;
– identification of any witnesses in the accident report and compensation request. Inadmissibility in court of witnesses not identified in the initial documentation, except in the case of the results of police reports and except where the prompt identification of said witnesses proves to be objectively impossible. Verification by the judge of recurring witnesses who have already given evidence in more than three legal proceedings in the last five years;
– right of the company to avail itself of specific forms of compensation for damages to vehicles like the settlement procedure replacing pecuniary compensation, communicated beforehand to IVASS, with an

indication of the amount of the premium reduction to be applied to policyholders, according to the minimum requirements established by law. Companies that intend to avail themselves of said procedure, which involves offering the repair service for material damages to vehicles at the premises of the company itself or of entities with arrangements with said company, must provide the necessary guarantee for said repairs, valid for at least two years for all parts not subject to ordinary wear and tear. The company intending to adopt the specific form of compensation procedure in a given year must inform IVASS by 20 December of the previous year, also indicating the amount of discount it will provide its policyholders in the same year of application. For 2014, the latest notice date is set for next 30 January;

- increase from 5 to 10 days of the term for the appraisal of damages to property and the elimination of the claimant's right not to repair the vehicle;
- for claims with fraud risk parameters, the group of indicators which allow the company to suspend the offer was expanded and it was established that compensation could only be offered after the communication of the conclusive decisions of the company after the suspension of the offer procedure or, in any case, after 90 days from said suspension date;
- right of the company to propose, in stipulating the contract, a clause containing the prohibition to transfer the right of compensation, with the application of a premium reduction of at least the minimum requirement established by law;
- obligation for companies to propose contractual clauses, optional for the policyholder, which make provision for medical-health services supplied by personnel paid by said companies, with the application to members of premium reductions in line with the pre-established minimum requirements;
- medical-legal confirmation of minor injuries solely through instrumental verification (elimination of 'visual' checks);
- penalties for the failure to apply premium reductions, for the failure to communicate the non-application of the rights set forth by the previous regulations and the failure to indicate, on the company's website, the premium reductions applied in the event of exercise of the rights envisaged;
- expiry of the right to compensation in the case of an application submitted more than 90 days from the harmful event, except in cases of force majeure.

Solvency II: recent legislative changes

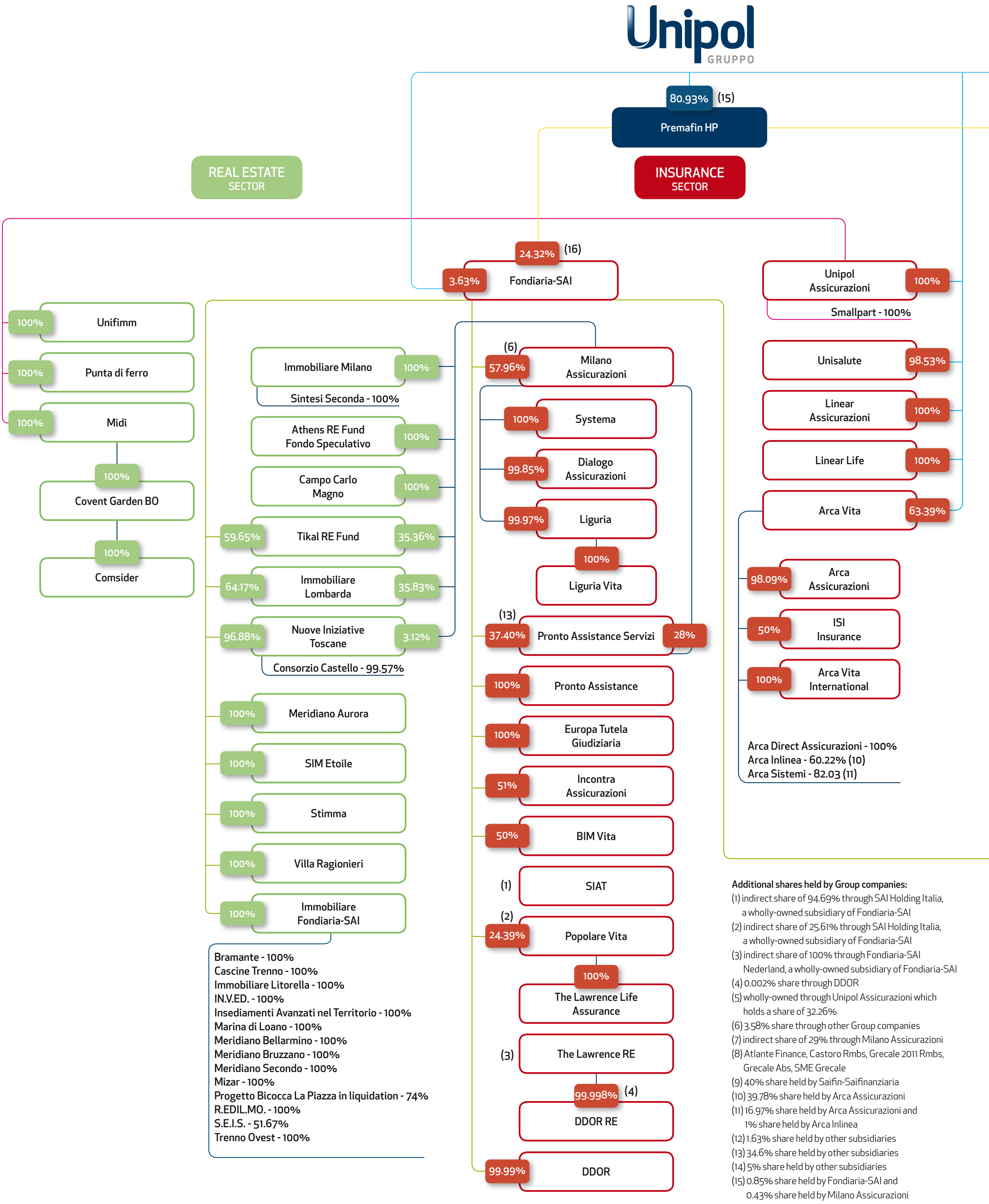
The difficulties in the process of defining and approving the legislative details of the Solvency II project led to the need to defer their entry into force, through the drafting of the so-called Omnibus II Directive, which was approved in the plenary session of the EU Parliament in March. This document introduces significant amendments to Directive 2009/138/EC "Solvency II", including a series of transitory measures, in order to consider the eventuality of a "soft launch" of the new legislative framework of EU supervision. As a result of the agreement reached on 13 November 2013 by the European Parliament, European Council and European Commission on the "Quick Fix 2" Directive, Directive 2013/58/EU was published in the Official Journal of the European Union on 18 December, which establishes the entry into force of Solvency II on 1 January 2016, and its acknowledgement by EU Member States on 31 March 2015.

On 27 September 2013, EIOPA published the definitive guidelines for the preparatory phase for the entry into force of Solvency II, directed at the Supervisory Authorities of the individual Member States, which, however, will not be required to apply them, by virtue of the "comply or explain" principle, which makes provision for adoption or explanation of the reasons for non-adoption; said Authorities must send EIOPA a "progress report" as of 28 February 2015, relating to the year 2014. At local level, the acknowledgement of the preparatory phase guidelines by IVASS is currently pending. In January 2014, IVASS launched a public consultation on the provisions that said Authority intends to adopt in accordance with the new European supervision regulations. The guidelines in question aim to facilitate the uniform early introduction of Solvency II, by concentrating initial efforts on certain specific areas, such as: Governance, Own Risk and Solvency Assessment, the phase of pre-application of Internal Models and Reporting to the Supervisory Authorities.

The 2013 Consolidated Financial Statements contain the first elements of integrated financial performance and sustainability reporting, in line with the principles defined by the International Integrated Reporting Council (IIRC). The objective is to highlight the links between the creation of value, forms of capital employed, the value system which guides the business decisions together with the governance and control systems adopted by the Group.
For this reason, the chapter 'Social and environmental responsibility' not only details the activities performed during the year, but, for the first time, describes the Group's value chain, i.e. the business model designed by the company, to turn its resources into products and services which promote the improvement in living conditions and in the safety of its stakeholders, in full compliance with the rules, maximum transparency and sustainability.

Graph showing Consolidation Scope at 31 December 2013

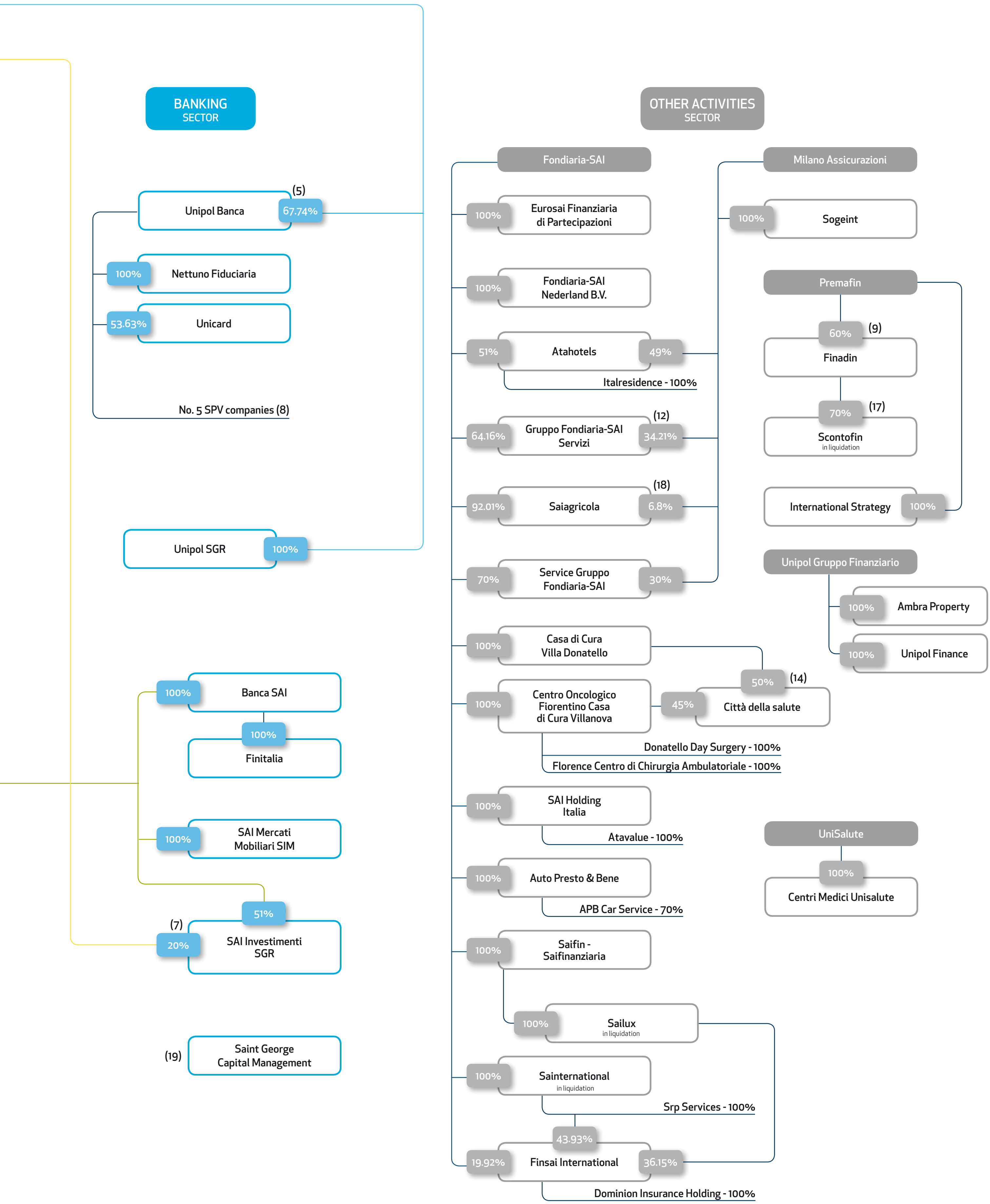
(line-by-line method - direct holding out of total share capital)



Additional shares held by Group companies:

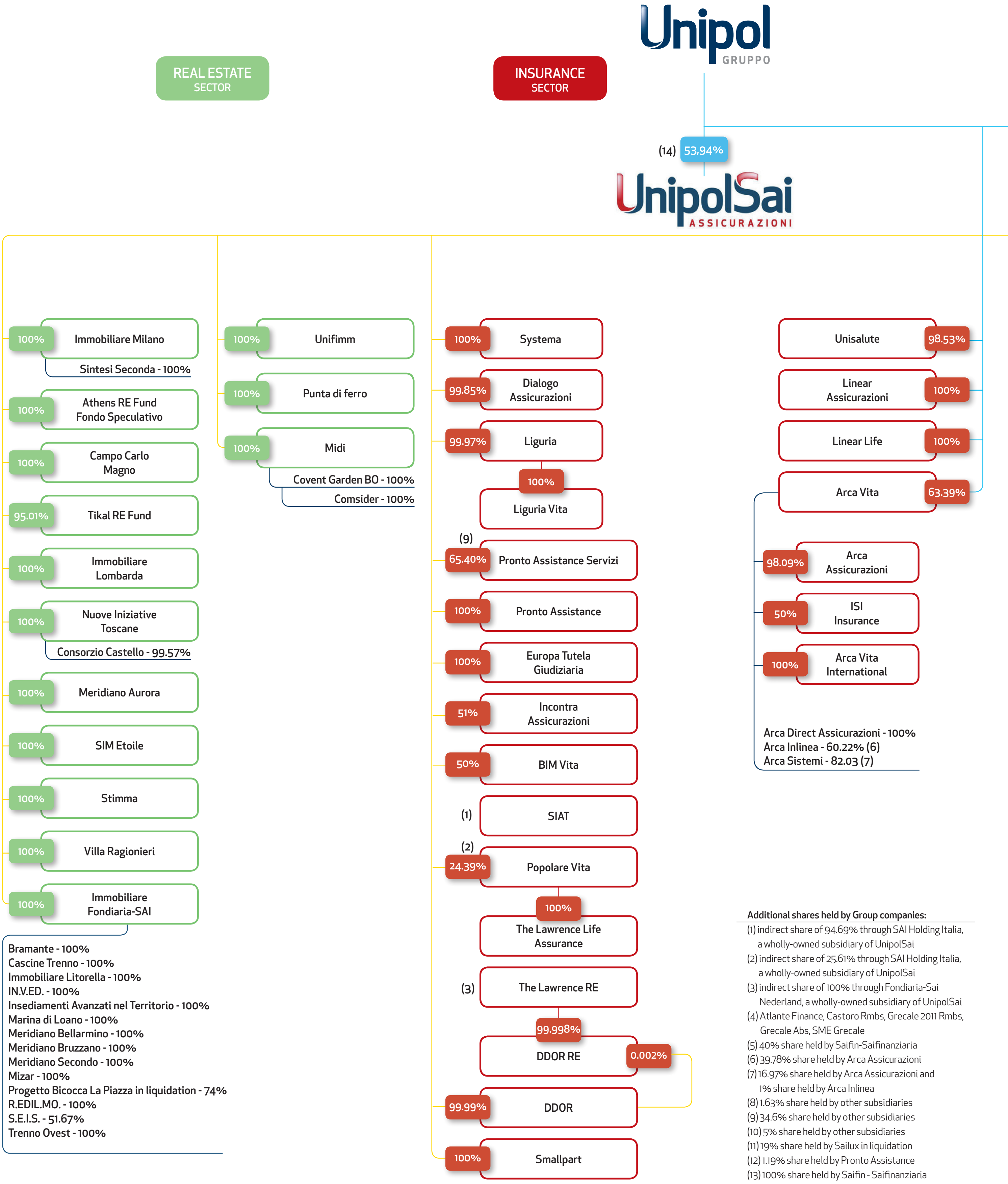
(1) indirect share of 94.69% through SAI Holding Italia, a wholly-owned subsidiary of Fondiaria-SAI
(2) indirect share of 25.61% through SAI Holding Italia, a wholly-owned subsidiary of Fondiaria-SAI
(3) indirect share of 100% through Fondiaria-SAI Nederland, a wholly-owned subsidiary of Fondiaria-SAI
(4) 0.002% share through DDOR
(5) wholly-owned through Unipol Assicurazioni which holds a share of 32.26%
(6) 3.58% share through other Group companies
(7) indirect share of 29% through Milano Assicurazioni
(8) Atlante Finance, Castoro Rmbs, Grecale 2011 Rmbs, Grecale Abs, SME Grecale
(9) 40% share held by Saifin-Saifinanziaria
(10) 39.78% share held by Arca Assicurazioni
(11) 16.97% share held by Arca Assicurazioni and 1% share held by Arca Inlinea
(12) 1.63% share held by other subsidiaries
(13) 34.6% share held by other subsidiaries
(14) 5% share held by other subsidiaries
(15) 0.85% share held by Fondiaria-SAI and 0.43% share held by Milano Assicurazioni
(16) 3.092% share held by Finadin and indirect share of 19.35% held by Unipol Gruppo Finanziario through Unipol Finance (wholly-owned)
(17) 19% share held by Sailux in liquidation
(18) 1.19% share held by Pronto Assistance
(19) 100% share held by Saifin-Saifinanziaria

For more details see the relevant appendix to the Notes "Consolidation Scope"



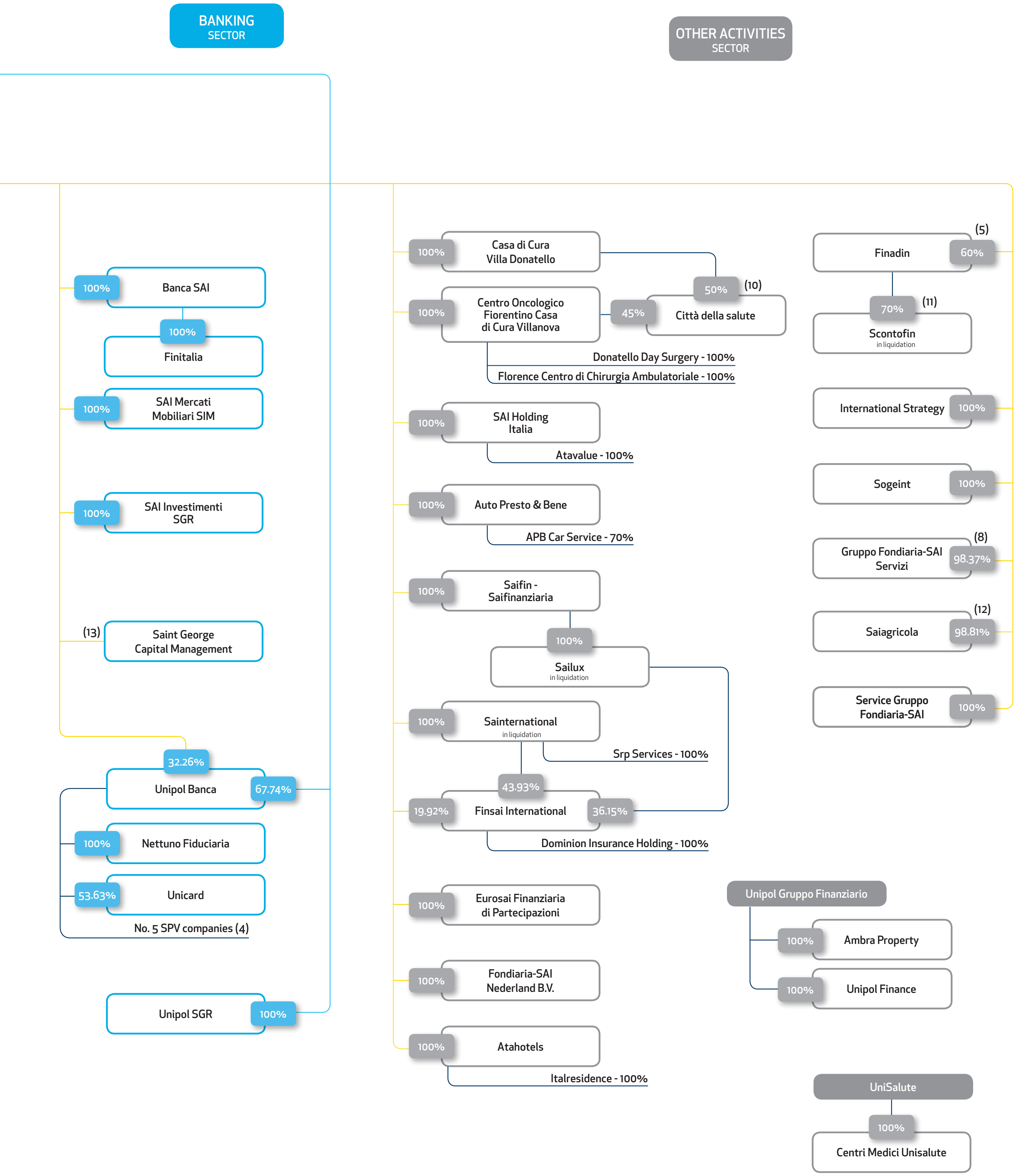
Graph showing Consolidation Scope at 01 January 14

(line-by-line method - direct holding out of total share capital, taking account of the merger of Premafin, Milano Assicurazioni and Unipol Assicurazioni in Fondiaria-SAI, now UnipolSai, which takes effect for legal purposes on 6 January 2014, and for accounting and tax purposes on 1 January 2014)



Additional shares held by Group companies:

(1) indirect share of 94.69% through SAI Holding Italia, a wholly-owned subsidiary of UnipolSai
(2) indirect share of 25.61% through SAI Holding Italia, a wholly-owned subsidiary of UnipolSai
(3) indirect share of 100% through Fondiaria-Sai Nederland, a wholly-owned subsidiary of UnipolSai
(4) Atlante Finance, Castoro Rmbs, Grecale 2011 Rmbs, Grecale Abs, SME Grecale
(5) 40% share held by Saifin-Saifinanziaria
(6) 39.78% share held by Arca Assicurazioni
(7) 16.97% share held by Arca Assicurazioni and 1% share held by Arca Inlinea
(8) 1.63% share held by other subsidiaries
(9) 34.6% share held by other subsidiaries
(10) 5% share held by other subsidiaries
(11) 19% share held by Sailux in liquidation
(12) 1.19% share held by Pronto Assistance
(13) 100% share held by Saifin - Saifinanziaria
(14) 9.72% share held by Unipol Finance


BANKING SECTOR
OTHER ACTIVITIES SECTOR
100% Banca SAI
100% Finitalia
100% SAI Mercati Mobiliari SIM
100% SAI Investimenti SGR
(13) Saint George Capital Management
32.26% Unipol Banca 67.74%
100% Nettuno Fiduciaria
53.63% Unicard
No. 5 SPV companies (4)
Unipol SGR 100%
100% Casa di Cura Villa Donatello
100% Centro Oncologico Fiorentino Casa di Cura Villanova
50% (10) 45% 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 - 70%
100% Saifin - Saifinanziaria
100% Sailux in liquidation
100% Sainternational in liquidation
Srp Services - 100%
43.93% 19.92% Finsai International 36.15%
Dominion Insurance Holding - 100%
100% Eurosai Finanziaria di Partecipazioni
100% Fondiaria-SAI Nederland B.V.
100% Atahotels
Italresidence - 100%
(5) Finadin 60%
70% (11) Scontofin in liquidation
International Strategy 100%
Sogeint 100%
(8) Gruppo Fondiaria-SAI Servizi 98.37%
(12) Saiagricola 98.81%
Service Gruppo Fondiaria-SAI 100%
Unipol Gruppo Finanziario
100% Ambra Property
100% Unipol Finance
UniSalute
100% Centri Medici Unisalute

Management Report

Preamble

The year 2013 was the first full year of operations after the acquisition of the Premafin/Fondiaria-SAI Group, which occurred in July 2012, after which the Unipol Group was considered the leading insurance operator in Non-Life business on the domestic market.
In consideration of the relevance of the business combination, the income statement figures of 2013 and those of the previous year could only be compared on a limited basis. To make it easier to understand the operating performances, changes in the income statement figures are also provided on a like-for-like basis, determined by including in the figures for the previous year the contribution of the Premafin/Fondiaria-SAI Group for the entire year, as if the acquisition had taken place on 1 January 2012. For more information on the determination of the variations on a like-for-like basis, please see the next paragraph "Statement of changes".

It should also be noted that the values for the previous year stated in these financial statements for the year ended 31 December 2013 differ from those originally approved and published in the financial statements for the year ended 31 December 2012, due to the retroactive application of the definitive recognition of the business combination, as illustrated in the next paragraph.

Re-statement of the figures of the previous year deriving from the definitive recognition of the business combination

The process of accounting for the business combination relating to the acquisition of the Premafin/Fondiaria-SAI Group was completed at the end of the first half of 2013, within the 12-month period following the acquisition, as required by IFRS 3.
The definitive values were accounted for as if the initial recognition of the combination had been completed at the acquisition date, in compliance with paragraph 49 of IFRS 3, consequently modifying the comparative figures for the previous year at 31 December 2012.
For more information on the re-statements of figures, please refer to the Notes to the financial statements, Chapter 1 - Basis of presentation.

Statement of changes

- The percentage changes in the income statement figures relate to the comparison with the data at 31 December 2012 (which contain the figures of the Premafin/Fondiaria-SAI Group only for the second half of 2012, adjusted, with respect to those contained in the Consolidated Financial Statements for the year ended 31/12/2012, following the definitive recognition of the business combination).
- The percentage changes in the balance sheet figures relate to the comparison with the data at 31 December 2012 (adjusted following the definitive recognition of the business combination).
- Variations, on a like-for-like basis, in the income statement economic figures with respect to the corresponding figures in the previous year are stated by including in the data at 31 December 2012 the economic contribution of the Premafin/Fondiaria-SAI Group, determined with reference to the entire year and not limited to the period after the acquisition corresponding to solely the second half. The 2012 income statement figures of the Premafin Group were taken from the pro-forma consolidated income statement of UnipolSai at 31 December 2012, contained in the Information Document jointly drafted by Fondiaria-SAI, Premafin, Milano Assicurazioni and Unipol Assicurazioni, pursuant to art. 70, parag. 6, of Consob Regulation no. 11971/1999, published on 9 October 2013, chapter 5, sub-chapter 5.3.2. In particular, the values presented in the column "Premafin Group post-PPA" were considered (included in the aforementioned pro-forma consolidated income statement), which include the income statement

figures of the Premafin Group, adjusted due to the accounting options made consistent with those used by Unipol to draft its 2012 Consolidated Financial Statements, by taking into account the final values derived from the process of accounting for the business combination.

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

GROUP HIGHLIGHTS

Amounts in €m	31/12/2013	31/12/2012
Non-Life direct insurance premiums	9,821	7,240
Life direct insurance premiums	6,983	4,562
of which Life investment products	*169*	*130*
Direct insurance premiums	16,804	11,802
Banking business - direct customer deposits	10,809	10,737
% variation	*0.7*	*12.0*
Annual Premium Equivalent (APE) Life business - Group share(1)	430	369
% variation	*16.3*	
Loss ratio - Non-Life - direct business	68.2%	69.8%
Expense ratio - Non-Life - direct business	24.7%	23.4%
Combined ratio - Non-Life - direct business	92.9%	93.2%
Net gains on financial instruments (excl. assets/liabilities at fair value)	1,661	1,419
% variation	*17.1*	*79.3*
Consolidated profit/(loss) for the year	188	426
% variation	*-55.9*	
Comprehensive income (expense)	450	1,832
Investments and cash and cash equivalents(2)	74,109	72,943
% variation	*1.6*	*113.7*
Non-current assets held for sale or disposal groups (3)	175	4
Technical provisions	56,875	56,456
% variation	*0.7*	*156.2*
Financial liabilities	16,041	16,234
% variation	*-1.2*	*26.1*
Equity attributable to the owners of the Parent	5,414	5,308
% variation	*2.0*	*75.2*
Liabilities associated with disposal groups	74	2
No. staff	15,230	15,212

(1) The APEs at 31 December 2012 were calculated by taking into consideration the premiums of the Premafin/Fondiaria-SAI Group from 1 January to 31 December 2012.

(2) Including owner-occupied properties. At 31 December 2012, properties held for sale were also included (IFRS 5), amounting to €3m.

(3) At 31 December 2012, a total of €3m was not included relating to properties held for disposal, stated in the item Investments and cash and cash equivalents.

Direct insurance premiums with comparison with 31 December 2012 on a like-for-like basis

Amounts in €m	31/12/2013	31/12/2012
Non-Life direct insurance premiums	9,821	10,641
% change on a like-for-like basis	*-7.7*	
Life direct insurance premiums	6,983	6,176
% change on a like-for-like basis	*13.1*	
of which Life investment products	*169*	*153*
% change on a like-for-like basis	*10.5*	
Direct insurance premiums	16,804	16,817
% change on a like-for-like basis	*-0.1*	

Alternative performance indicators

Alternative performance indicators	business	31/12/2013	31/12/2012
Loss ratio - direct business (including OTI ratio)	non-life	68.2%	69.8%
Expense ratio - direct business	non-life	24.7%	23.4%
Combined ratio - direct business (including OTI ratio)	non-life	92.9%	93.2%
Loss ratio - net of reinsurance	non-life	69.3%	68.9%
Expense ratio - net of reinsurance	non-life	24.7%	23.3%
Combined ratio - net of reinsurance	non-life	94.0%	92.2%
Premium retention ratio	non-life	95.7%	96.2%
Premium retention ratio	life	99.7%	99.5%
Premium retention ratio	total	97.3%	97.5%
Pro quota APE - Group (amounts in €m)	life	430	369
Expense ratio - direct business	life	4.3%	4.3%
Expense ratio - net reinsurance	life	4.2%	4.5%

It should be noted that the indicators at 31 December 2012 were calculated on the basis of consolidated figures which only included the data of the Premafin/Fondiaria-SAI Group for the second half of 2012, with the sole exception of the calculation of APEs which, by contrast, were calculated in consideration of the premiums of the Premafin/Fondiaria-SAI Group from 1 January to 31 December 2012.

These indicators are not laid down in the accounting standards but are calculated in accordance with the economic and financial practice of the sector.

Loss ratio: is the principal indicator of the profitability of an insurance company's operations in the Non-Life sector. It is the ratio between the cost of claims for the period and premiums earned.

OTI (*Other Technical Items*) *ratio*: ratio between the sum of the balance of other technical expenses/income and the change in other technical provisions and net premiums earned. From 2013, the *OTI ratio* (the ratios of the previous periods were adjusted accordingly) was also included in the *Loss ratio*.

Expense ratio: a percentage indicator for the ratio between operating expenses and recognised premiums.

Combined ratio: an indicator that measures the balance of the Non-Life technical account and is made up of the sum of the loss ratio and the Expense ratio.

APE – *Annual Premium Equivalent*: the new Life business expressed in APE is a measurement of the volume of business relating to new policies and corresponds to the sum of periodic premiums of new products and one tenth of single premiums. This type of indicator is used to assess the Life business jointly with the in-force value and the new Life business value of the Group.

The premium retention ratio is the ratio between premiums retained (total direct and indirect premiums, net of premiums ceded) and total direct and indirect premiums. Investment products are excluded from the calculation.

Management report

The year 2013 was a particularly significant one for the Unipol Group which, in its fiftieth anniversary year, managed to complete the long process of corporate integration with the Premafin/Fondiaria-SAI Group, which concluded with the creation of UnipolSai, a leading company in the insurance market.

In 2013, Unipol celebrated its first fifty years of operations. Compagnia Assicuratrice Unipol, founded in 1961 on the initiative of automobile manufacturer Lancia, was transferred in 1962 to a group of Bologna-based cooperatives, but became operational in March 1963, when the company's first meeting of the Board of Directors was held. Thanks to an initial process of gradual consolidation and territorial expansion and, from the start of the 2000s, and a major push towards external growth, which culminated in the acquisition of the Premafin/Fondiaria-SAI Group in 2012, Unipol has now become the leader in the Italian Non-Life insurance market. The anniversary event, held in the courtyard of the new Unipol building in Via Larga, was open to the public which took part in the planned initiatives in great numbers.
Furthermore, on the occasion of the 50th anniversary since the birth of Unipol Assicurazioni, CUBO (www.cubounipol.it) was established, a multimedia meeting space which provides users with a tool for accessing, through recorded history, the collection of experiences acquired and paths taken by the Group in its first 50 years. The centre was unveiled on 26 March 2013 and occupies an area on the ground floor in the raised square of Porta Europa in Bologna (piazza Vieira de Mello).

Satisfaction for the path taken thus far has now been augmented with the creation of UnipolSai, a new development prospect for the future.
In fact, the corporate integration process between the Unipol Group and the Premafin/Fondiaria-SAI Group was completed at the end of 2013. In October, after the anticipated authorisation was received from IVASS on 25 July 2013, the Extraordinary Shareholders' Meetings of the companies involved approved the merger by incorporation of Premafin, Unipol Assicurazioni and Milano Assicurazioni into Fondiaria-SAI. As a result of said corporate restructuring, which, from the outset, always constituted an integral and essential part of the Unipol Group and Premafin/Fondiaria-SAI Group integration plan, UnipolSai Assicurazioni SpA was created, operational since 6 January 2014, known as "UnipolSai" for short, for which major synergies are expected to be realised.
The merger between the long-established companies, among the most important in the domestic insurance field in terms of brands, tradition, expertise and experience, was the final act in the Unipol Group and Premafin/Fondiaria-SAI Group integration plan launched at the beginning of 2012.
UnipolSai now operates on the market through seven divisions. Unipol, La Fondiaria, Sai, Milano, Nuova MAA, SASA and La Previdente.

The formation of UnipolSai, listed on the Stock Exchange from 6 January 2014, completed the new structure of the Unipol Group which, thanks to the new company's numbers, joined the list of the top ten insurance groups in Europe.

Merger integration plan: summary of the main phases

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

The merger deed was stipulated after the completion of the corporate merger procedure and the subscription and simultaneous payment by the parent Unipol of the share capital increase of Unipol Assicurazioni for a total of €600m, resolved by Unipol Assicurazioni's Extraordinary Shareholders' Meeting on 8 August 2013. The merger took effect on 6 January 2014 ("Effective Date"), following the registration of the associated deed with the competent offices of the Register of Companies, which took place on 2 January 2014. By contrast, the merger took effect on 1 January 2014 for tax and accounting purposes.

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

- assigned all the shares of the Merged Company owned by the Merging Companies through their redistribution to service the exchanges, without them ever being acquired into the assets of the Merged Company as treasury shares, and
- as regards the excess portion, increased its share capital for a total of €782,960,791.85, through the issuing of 1,330,340,830 new ordinary shares and 55,430,334 new class "B" savings shares, all with no nominal value and with regular dividend entitlement, to be allocated to the shareholders of Unipol Assicurazioni, Milano Assicurazioni and Premafin, based on the following share exchange ratio:
  - 0.050 ordinary shares of the Merged Company for every ordinary Premafin share;
  - 1.497 ordinary shares of the Merged Company for every ordinary Unipol Assicurazioni share;
  - 0.339 ordinary shares of the Merged Company for every ordinary Milano Assicurazioni share;
  - 0.549 class "B" savings shares of the Merged Company for each savings share of Milano Assicurazioni.

No holders of Milano Assicurazioni savings shares exercised the right of withdrawal pursuant to art. 2437, parag. 1, letter g) of the Civil Code.
By contrast, the right of withdrawal was legitimately exercised by Premafin ordinary shareholders, in relation to a total of 13,975,294 ordinary Premafin shares, corresponding to 0.6495% of Premafin's share capital, for a total settlement amount of €2,441,483.86.

As of the Effective Date, the statutory amendments relating to the merger entered into force and the share capital of UnipolSai is now €1,977,533,765.65, fully subscribed and paid-in, comprised of 2,250,906,752 ordinary shares, 1,276,836 class "A" savings shares and 377,193,155 class "B" shares, all without a nominal value.
The shares of the Merging Companies Milano Assicurazioni and Premafin were cancelled from listing on 6 January 2014.
The newly issued ordinary shares and class "B" savings shares were listed on the Mercato Telematico Azionario (screen-based share market) organised and managed by Borsa Italiana SpA on 6 January 2014, at the par value of the ordinary shares and class "B" savings shares outstanding at the time of their issue.

Based on the share exchange ratios resolved the shareholding structures of UnipolSai are as follows (at the Effective Date):

	% Interest in ordinary share capital	% Interest in share capital composed of class A savings	% Interest in share capital composed of class B savings	% Interest in total share capital
Unipol	63.00%		67.75% (*)	63.66% (**)
Former Premafin	0.85%			0.73%
Former Fondiaria-SAI	25.46%	100.00%	21.51%	24.92%
Former Milano Assicurazioni	10.69%		10.74%	10.69%
Total	100.00%	100.00%	100.00%	100.00%

(*) share transferred on 28 November 2013 to Unipol Finance, 100%-owned by Unipol.
(**) of which 0.66% held by the wholly-owned subsidiary Unipol Finance

It should be noted that the Merger constitutes an essential part of the wider integration plan between the Unipol Group and the Premafin/Fondiaria-SAI Group, and the strategic objective pursued by the Unipol Group, which envisages the creation of a leading domestic operator in the insurance industry, able to compete effectively with the main domestic and European competitors and generate value for all the shareholders of the companies involved. A plan based on a solid industrial approach, summarised by the following pillars:

- the opportunity to strengthen the leading position of the UnipolSai and Unipol Groups in the market, enhancing the historical brands of the insurance market;
- the strengthening of the equity positions of the UnipolSai and Unipol Groups;
- the restructuring of Fondiaria-SAI's Non-Life insurance business;
- the use of the experience acquired by the Unipol Group in insurance turnaround operations and the proven capacity for integration;
- the margins of operational and corporate simplification, achieved by optimising structures and processes (purchasing centres, supplier list, single supplementary agent contact) and the potential rationalisation of current investment programmes;
- the complementary nature of skills in the Health, Welfare and Direct channel sectors;
- the opportunity to bolster the Unipol Group's leading position in innovation.

The key phases of the Merger Integration Plan are summed up below:

- on 29 January 2012 Unipol and Premafin signed an agreement concerning a Plan for the Integration of the two Insurance Groups, which made provision for Unipol's assumption of control of Premafin and the subsequent merger of Unipol Assicurazioni, Premafin and eventually Milano Assicurazioni into Fondiaria-SAI (the "Companies Participating in the Merger");
- in May, June and July 2012, Unipol obtained: (i) from the competent authorities (AGCM, IVASS, Bank of Italy, foreign Supervisory Authorities) the necessary exemptions and authorisations for the acquisition of direct control of Premafin, and therefore, of indirect control of Fondiaria-SAI and Milano Assicurazioni; and (ii) from Consob the exemptions for the launch of the mandatory takeover bid pursuant to and in accordance with art. 106, parag. 5 of TUF (Consolidated Law on Finance) and articles 45 and 49 of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments (the Issuers' Regulation);
- on 19 July 2012, Unipol subscribed and released a total of 1,741,239,877 ordinary Premafin shares - issued as part of Premafin's share capital increase, resolved by Premafin's Extraordinary Shareholders' Meeting on 12 June 2012 - and, as a result, Unipol directly acquired de jure control of Premafin and, therefore, indirectly acquired de jure control of Fondiaria-SAI and Milano Assicurazioni;

- 13 September 2012 saw the execution of Fondiaria-SAI's share capital increase - resolved by Fondiaria-SAI's Extraordinary Shareholders' Meeting on 27 June 2012 - with the full subscription of 916,895,448 ordinary Fondiaria-SAI shares and 321,762,672 Fondiaria-SAI class "B" savings shares, collectively offered under option to the shareholders of Fondiaria-SAI;
- on 14 November 2012, Unipol commenced the management and coordination of Premafin, Fondiaria-SAI and Milano Assicurazioni in accordance with articles 2497 et seq. of the Civil Code;
- on 20 December 2012, (i) the Board of Directors of the Companies Participating in the Merger approved - based on the prior favourable judgment of the respective committees of independent directors - the Merger Plan and the supporting documentation, and (ii) Unipol's Board of Directors approved the financial terms of the Merger and expressed its favourable judgment on the interest of Unipol and its shareholders in carrying out the Transaction, and on the convenience and substantive correctness of the transaction's conditions;
- on 27 December 2012, Unipol and each of the Companies Participating in the Merger published an Information Document relating to the transactions of major significance with related parties, supplemented with a memorandum published on 10 January 2013 and prepared on the request of Consob pursuant to art. 114, parag. 5 of the Consolidated Law on Finance, drafted pursuant to and in accordance with art. 5 of the Regulation governing related party transactions, qualifying said Merger as a transaction of major significance with related parties pursuant to the Regulation referred to above;
- on 28 January 2013, the Companies Participating in the Merger filed the Merger Plan with the respective registered offices, and posted it on the respective websites;
- on 25 July 2013 IVASS – by means of measure no. 51-13-000148 - issued its authorisation of the Merger, pursuant to and in accordance with articles 201 et seq. of Legislative Decree no. 209/2005 - Private Insurance Code and articles 23 et seq. of IVASS Regulation no. 14/2008 on mergers, ascertaining that, regardless of whether Milano Assicurazioni participates in the merger or not, the requirements were met for the issuing of said measure, with regard to sound and prudent management and ownership of the assets to cover the technical provisions and the solvency margin of the post-merger company;
- during the first ten days of August 2013, the Companies Participating in the Merger filed the Merger Plan with the competent Registers of Companies; the associated registrations were completed by Milano Assicurazioni on 6 August 2013 and by all other Companies Participating in the Merger on 7 August 2013;
- on 23 September 2013, Reconta Ernst & Young, as common expert appointed by the Court of Turin by means of provision of 7 December 2012, issued the report on the consistency of the Share Exchange Ratios, drafted pursuant to and in accordance with art. 2501-sexies of the Civil Code;
- on 24 September 2013, the Companies Participating in the Merger published the call notices for the Extraordinary Shareholders' Meetings and Special Shareholders' Meetings of Milano Assicurazioni, and – as regards Premafin and Milano Assicurazioni – simultaneously communicated the redemption value for shares eventually subject to withdrawal, pursuant to and in accordance with art. 2437-ter, parag. 5 of the Civil Code;
- on 24 September 2013, the Companies Participating in the Merger filed the documents indicated in art. 2501-septies of the Civil Code with the respective registered offices;
- on 9 October 2013, the Companies Participating in the Merger and Unipol made the Information Document on the Merger available to the public, prepared in accordance with art. 70, parag. 6 of the Issuers' Regulation;

– on 22 October 2013, the Companies Participating in the Merger and Unipol made the Supplementary Merger Document available to the public, published on the request of Consob in accordance with art. 114, parag. 5 of the Consolidated Law on Finance;

– the Merger was approved by means of the resolutions adopted by the following shareholders' meetings of the Companies Participating in the Merger and, more specifically, by the Extraordinary Shareholders' Meetings of Fondiaria-SAI, Premafin and Unipol Assicurazioni on 25 October 2013, by the Extraordinary Shareholders' Meeting of Milano Assicurazioni on 26 October 2013 and by the Special Shareholders' Meeting of Milano Assicurazioni on 28 October 2013, which, for matters within its competence, approved the aforementioned resolution adopted by the Extraordinary Shareholders' Meeting of said company. Effective from the registration of the aforementioned resolutions of the shareholders' meetings at the competent Registers of Companies, on 31 October 2013, and communicated to the market on the same date, the term of fifteen days for entitled parties to exercise the right of withdrawal and the term of sixty days set out in art. 2503 of the Civil Code for creditors' opposition to the Merger took effect;

– on 24 December 2013, Consob issued its judgment of equivalence, pursuant to 57, parag. 1, letter d) of the Issuers' Regulation on the 'Updated Information Document' concerning the Merger for the purposes of the admission and listing on the Mercato Telematico Azionario (screen-based share market) of the ordinary shares and class "B" savings shares to be issued in service of the merger, which reiterates and supplements the information already contained in the information document prepared pursuant to and in accordance with art. 70, parag. 6, of the Issuers' Regulation.

– on 24 December 2013, the Updated Information Document was made available to the public at the registered office of the Companies Participating in the Merger and published on the websites of said Companies Participating in the Merger and Unipol's website.

As part of the Merger Integration Plan, the following transactions were also carried out.

Premafin debt restructuring plan – Issue of convertible loan

Premafin's debt Restructuring Plan made provision, in summary, for two successive phases, the first of which essentially depended on the execution of the share capital increase of Premafin, which took place on 19 July 2012, and the second primarily on the completion of the Merger.

On completion of the first phase, the following entered into force:
(i) The Amended Pre-Integration Loan Agreement concerning the restructuring of debt for an amount of roughly €368m plus interest accrued from the last interest payment, deferring its expiry, inter alia, to 31 December 2020; and
(ii) the New Confirmation Deed of the pledge established on 116,067,007 ordinary Fondiaria-SAI shares prior to 2012 grouping, with the extinguishment of the previous integration or pledge reduction mechanism.

In the second phase, in place of the Amended Pre-Integration Loan Agreement and in respect of the extinguishment of the binding pledge on Fondiaria-SAI shares, the following entered into force:
(i) the Amended Post-Integration Loan Agreement, which modified the Amended Pre-Integration Loan Agreement, for an amount of roughly €330m, with the exclusion of Premafin's debt to GE Capital, introducing a repayment plan with two equal instalments on 31 December 2017 and on the date of expiry of the loan on 31 December 2018; and
(ii) the Loan Agreement with GE Capital Interbanca SpA, relating solely to the portion of the loan pertaining to the latter, for an amount of around €38m, expiring on 31 December 2020.

After the effective date of the merger for legal purposes, provision is also made, inter alia, for:

a) a tranche of Premafin's restructured debt of €201.8m to be transformed into a Convertible Loan, and
b) the Convertible Loan to be subscribed, for €134.3m, by the lending banks of Premafin, excluding GE Capital Interbanca SpA, and for €67.5m by the parent Unipol.

On 15 January 2014, the Board of Directors of UnipolSai Assicurazioni resolved to exercise the power conferred to it by the shareholders' meeting of the company on 25 October 2013, pursuant to articles 2420-ter and 2443 of the Civil Code, for the issuing of a €201.8m loan convertible into ordinary UnipolSai shares, with the subsequent increase in share capital in service of the conversion for a total maximum value of €201.8m, including share premium, to be carried out through the issuing of ordinary company shares with no nominal value, with regular dividend rights, with the same characteristics as those outstanding at the issue date.

Disposals envisaged as part of the Merger Integration Plan

The Antitrust Authority ("AGCM"), by means of Provision dated 19 June 2012, authorised the Unipol Group to acquire control of the Premafin/Fondiaria-SAI Group, prescribing certain measures, including the transfer - by employing an independent advisor, of primary international standing, accepted by the Antitrust Authority - of some company insurance portfolios of former Milano Assicurazioni for the creation and distribution of insurance products. These measures also require, following said disposal, the market shares of the Unipol Group to be less than 30% in the national and provincial Life and Non-Life insurance business, based on "IVASS source" data (i.e. if exceeding 30% before the concentration, to be brought back to the same share held previously).

The disposal procedure is structured, during the year, in a competitive context in which many industrial and financial investors, both Italian and international, are invited to participate.

On 19 December 2013, Unipol received an offer from a leading European insurance group, subject to various conditions being satisfied. On 15 January 2014, the Boards of Directors of Unipol and UnipolSai resolved the aforementioned offer to be unacceptable.

On 14 January 2014, Unipol received a proposal from Allianz SpA which, on 21 January 2014, the Boards of Directors of Unipol and UnipolSai reviewed, resolving to proceed with the exclusive definition of contractual agreements with said Allianz.

On 19 February 2014, the Antitrust Authority notified Unipol of provision protocol no. 0016093 with which it started non-compliance proceedings, notifying Unipol and UnipolSai of the breach of art. 19, parag. 1, of Law 287/1990, for not having observed the obligation of selling the assets indicated in the Provision within the pre-established deadlines set by said Provision. If any non-compliance was to be ascertained, the Antitrust Authority could impose a pecuniary administrative penalty in accordance with the aforementioned regulation.

On 15 March 2014, UnipolSai and Allianz SpA signed an agreement for the transfer of a business unit including a Non-Life insurance portfolio for a value of €1.1bn (2013 figures), 729 insurance agencies and 500 employees dedicated to managing these activities. The transfer of the assets forming part of former Milano Assicurazioni (now UnipolSai) makes provision for a maximum consideration of €440m. The transaction will be completed following the approval from the competent Supervisory and Antitrust Authorities.

Unipol and UnipolSai, deeming their actions to be proper on the basis of valid arguments in fact and in law, will take the necessary defensive actions in these proceedings.

It should be noted that, in relation to the perimeter involved in the transfer, IFRS 5 - Non-current assets held for

sale and discontinued operations was applied starting from the drafting of the Condensed Consolidated Financial Statements at 30 June 2013 and in relation to the perimeter highlighted from time to time. In particular, in the consolidated statement of financial position at 31 December 2013, assets subject to transfer, amounting to €150m (€4,001m at 30/6/2013), were classified under a single item 'Non-current assets held for sale or disposal groups' (item 6.1 of the Assets) while, liabilities amounting to €73m (€3,778m at 30/6/2013) were similarly reclassified under a single item 'Liabilities associated with disposal groups' (item 6.1 of Liabilities). Both items are stated net of intercompany transactions.
The decrease in the values recorded in the financial statements compared to 30 June 2013 is attributable to the changed transfer perimeter, and different asset transfer methods.
Given that the assets and liabilities falling under the transfer perimeter do not represent, considered as a whole, "discontinued operations", the profit components concerning the disposal group are stated according to normal classification rules, in the various income statement items.
The application of IFRS 5 did not have any effects on the consolidated income statement or consolidated equity.

It should be pointed out that the measures imposed by the Antitrust Authority by means of the aforementioned Provision also require the Unipol Group to reduce its overall debt to Mediobanca by €350m - and said debt to gradually be eliminated - through the following methods:
– reduction by €250m over the 2013-2015 period;
– as part of the disposal of insurance assets, the transfer of an additional amount of €100m.

In relation to the transfer of insurance assets, it should be noted that, in the context of the agreement signed between UnipolSai and Allianz on 15 March 2014, the latter ruled out acquiring the existing debt with Mediobanca for an amount of €100m. Unipol and UnipolSai intend, using alternative means, to reduce said loan by the aforesaid amount by the date set for the completion of the transfer in question.

With reference to the reduction of the existing debt with Mediobanca equal to €250m, evaluations are underway regarding the technical possibilities of finalising and subsequently respecting the amount in question.

As regards the transfers of the investments held (directly and indirectly) by Fondiaria-SAI in Assicurazioni Generali and in Mediobanca, these too falling under the measures set by the Provision, the following should be noted:
a) Fondiaria-SAI transferred, in 2012, the entire interest held in Assicurazioni Generali, equal to around 1%, through (i) the exercise, by Fondiaria-SAI and Milano Assicurazioni and the respective counterparty banks, of "put" and "call" options at the same strike price (forward sale), and (ii) direct sale on the market; pending the transfer, Fondiaria-SAI, in compliance with the contents of the Provision, abstained from exercising the administrative rights, including therein voting rights, concerning the investment in question;
b) as regards the transfer of the entire shareholding held by the Premafin/Fondiaria-SAI Group in Mediobanca (a total of 33,019,886 shares, equal to 3.83% of share capital), 23,114,386 ordinary Mediobanca shares were transferred on 9 October 2013, equal to around 2.68% of the share capital, through an "accelerated bookbuilding" procedure targeted exclusively at qualified investors in Italy, as defined in art. 34-ter, parag. 1, letter b) of the Issuers' Regulation, and at foreign institutional investors. The consideration for the sale of the shares came to approximately €135.2m. The other 9,905,500 Mediobanca shares held by Fondiaria-SAI, equal to 1.15% of share capital, were not included in the transfer as they are the subject of forward sale contracts signed previously, which made provision for "put" and "call" options at the same strike price; the latter can be exercised at the expiry dates set out in the contract in the period between 16 October 2013 and 14 November 2013. The aforementioned contracts were all settled at the envisaged expiry dates, via the physical delivery of said securities, determining the collection of an amount of around €50.5m.

Also as regards the investment in Mediobanca, pending the transfer, in compliance with the contents of the Provision, Fondiaria-SAI abstained from exercising the administrative rights, including therein voting rights, also with reference to the shareholders' agreement.

However, it should be noted that Unipol observed all other amounts set out in the Provision.

Put and call options on the interest in Unipol Banca

As part of the Merger, Unipol agreed to grant Fondiaria-SAI a put option on the interest held by Unipol Assicurazioni in Unipol Banca SpA, equal to 32.26% of the associated share capital, to be exercised on expiry of the fifth year after the statutory effective date of the Merger, at a price equal to the present carrying amount of said interest (therefore equal to roughly €299.4m), and Fondiaria-SAI agreed to grant Unipol a corresponding call option on said interest, at the same price, but providing Unipol with the possibility of exercising the option for the entire period running between the statutory effective date of the Merger and the expiry of the fifth year after said date. The agreement was formally signed on 31 December 2013.

IVASS inspections

As part of the preliminary proceedings launched following the application for authorisation of the Merger, in order to perform a full evaluation of the legislative requirements related to said preliminary proceedings, on 21 February 2013, IVASS arranged inspections at Unipol Assicurazioni, Fondiaria-SAI and Milano Assicurazioni, aimed at assessing:

(i) as regards Unipol Assicurazioni, compliance with the regulations governing assets for the coverage of technical provisions (ISVAP Regulation no. 36/2011) with reference to the procedures and controls adopted regarding the admissibility for the coverage of investments; and

(ii) as regards Fondiaria-SAI and Milano Assicurazioni, the actions implemented following the previous inspections completed at the end of 2011, relating to the MV and General TPL claims cycle and compliance with the regulations governing assets for the coverage of technical provisions, with particular regard to investments in the real estate segment and technical receivables.

Lastly, the inspections referred to previously were also extended, on 24 April 2013, to the assessment of compliance with the anti-money laundering regulations at the aforementioned companies.

The inspections were concluded in June 2013 and, on 18 and 19 September 2013, IVASS presented the Administrative Bodies of the companies with the outcomes of the assessments and the subsequent comments raised by the Supervisory Authority. These comments, acknowledged in the prescription of the corrective measures conveyed by IVASS at the time of the issuing of the Provision authorising the Merger dated 25 July 2013, did not result in any criticalities which may give rise to the launch of penalty proceedings against the companies.

Other information

Access to the Solidarity Fund for the insurance sector - Trade union agreement of 18 December 2013

As part of the Merger, a trade union agreement was signed on 18 December 2013 which makes provision, among other things, for use of the extraordinary part of the Solidarity Fund for the insurance sector. In particular, in the agreement, it was specifically agreed that the objectives of the Business Plan can also be pursued through voluntary access to the extraordinary part of the Solidarity Fund for personnel (amount equal to roughly 900 units) who are less than 5 years from meeting the pension requirements, to ensure that - at the

end of membership of the aforementioned Fund managed by INPS (National Social Security Institute) - personnel can immediately receive their pensions.
It should be noted that UnipolSai is the first company in the insurance market to make use of the Solidarity Fund.
For more details, please refer to the Supplementary Notes, in chapter 5 'Other Information', sub-chapter 5.8 'Information on employees'.
In line with the aforementioned agreement, expenses amounting to €145m were set aside in the 2013 Consolidated Financial Statements.

Decree for the preventive seizure of property assets

On 12 August 2013, as part of the criminal proceedings launched by the Public Prosecutor's Office of Turin against members of the Ligresti family and some former directors of Fondiaria-SAI, said Public Prosecutor's Office served notice of a decree for preventive seizure targeted at the forfeiture, for the equivalent of properties owned by Fondiaria-SAI or its subsidiaries, for a total accounting value of €107.7m at 30 June 2013.
This provision was adopted in accordance with the provisions of articles 19 and 53 of Legislative Decree 231/2001.
In particular, the seizure concerned the following property complexes: Golf Hotel Campiglio in Madonna di Campiglio, Naxos Beach in Giardini Naxos (Messina), Hotel Principi di Piemonte in Turin, Ata Hotel Varese and Grand Hotel Fiera in Milan, without compromising the ordinary hotel operations of the premises concerned.

On 25 September 2013, the Court of Turin, Review Section, in ruling on appeals against the seizure provision submitted by the companies and some of the defendants, issued an order which cancelled the seizure decree, restoring full and free title of the assets to the recipients.
The Public Ministry filed an appeal against said provision on 10 October 2013 in the Court of Cassation. The hearing before the Supreme Court of Cassation, Fifth Criminal Section, is set for 3 April 2014.

Corporate liability action against some former directors and statutory auditors resolved by the shareholders' meetings of Fondiaria-SAI and Milano Assicurazioni

On 17 October 2011, Amber Capital LP, fund manager of Amber Global Opportunities Master Fund Ltd, a Fondiaria-SAI shareholder, in accordance with art. 2408 of the Civil Code, informed the Board of Statutory Auditors of Fondiaria-SAI of various transactions carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family, criticising the "non-market" conditions and "anomalies" of said transactions.

On 16 March 2012, the Board of Statutory Auditors of Fondiaria-SAI provided its first reply by means of the "Report pursuant to art. 2408, parag. 2 of the Civil Code", and following this report, the shareholder Amber Capital, by means of letter dated 26 March 2012, requested further details.

The Board of Statutory Auditors therefore conducted further checks and in-depth reviews. On 15 June 2012, IVASS notified Fondiaria-SAI of Provision no. 2985 with which the Authority defined the proceedings launched in accordance with art. 238 of the Private Insurance Code, disputing with said Fondiaria-SAI - by means of IVASS communication, protocol no. 32-12-000057 on the same date – significant irregularities pursuant to and in accordance with art. 229 of the Private Insurance Code, with particular regard to certain transactions entered into by Fondiaria-SAI and its subsidiaries with counterparties qualified as related parties of said Fondiaria-SAI, assigning the latter a period of fifteen days to definitively remove the effects of them.
IVASS ruled that the actions proposed or carried out by the company following said provision were not suited to determining a change in the situation which led to the objections set out in the Institution's cited memorandum dated 15 June 2012, with Fondiaria-SAI continuing to fail to act - in the opinion of said Institution - to bring an end to the violations disputed and remove the associated effects.
Therefore, IVASS, with Provision no n. 3001 of 12 September 2012 (the "IVASS Provision"), appointed Mr. Matteo Caratozzolo as acting Commissioner of Fondiaria-SAI (the "Commissioner"), also as parent, deeming the conditions set out in art. 229 of Legislative Decree no. 209 of 7 September 2005 to have been satisfied.
In particular, with regard to the disputed transactions considered not only on an individual basis but as a whole, IVASS tasked the Commissioner with (i) specifically identifying the individuals responsible for the transactions carried out to the detriment of Fondiaria-SAI SpA and its subsidiaries; (ii) determining the damage suffered by the same; (iii) promoting or encouraging the promotion of all necessary initiatives, including judicial, at Fondiaria-SAI SpA and its subsidiaries, suitable, in relation to the disputed transactions, to safeguard and reintegrate the assets of Fondiaria-SAI SpA and its subsidiaries; (iv) exercising the powers held by Fondiaria-SAI SpA as parent and as a shareholder in the shareholders' meetings of the subsidiaries.

Following the in-depth examinations conducted regarding the above-mentioned transactions, entered into by the Fondiaria-SAI Group primarily in the property segment in the 2003-2011 period, which directly involved members of the Ligresti family and certain SPVs attributable to said family, the Commissioner asked the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni to call the respective shareholders' meetings, placing on the agenda the proposed corporate liability action, pursuant to articles 2392 and 2393 of the Civil Code, against some directors and statutory auditors of the companies (jointly with other parties).

On 5 February 2013, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni, having examined the respective reports drafted by the Commissioner in accordance with art. 125-ter of the Consolidated Law on Finance, resolved, following the aforementioned request, to call the shareholders' meetings of the two companies for 13 and 14 March 2013, on first and second call respectively.
The shareholders' meetings, held on second call on 14 March 2013, resolved to file liability actions against the recipients indicated in the reports drafted for said shareholders' meetings by the Commissioner and made public in accordance with law.

Following the aforementioned resolutions, the acting Commissioner appointed its legal representatives who brought ordinary civil proceedings before the Court of Milan against the individuals identified as being responsible for the transactions described above. The proceedings are currently at the preliminary phase.
In relation to the aforementioned transactions, the companies requested and, on 20 December 2013, obtained a seizure order from the Court of Milan against some of the defendants in the above proceedings. The company executed the seizure in respect of both the parties subject to the enforcement of a writ of execution and third parties; the associated executive proceedings are still in progress.
The seizure was duly challenged by the counterparties and the Judicial Authorities have still not reached any decision regarding the complaints.

Furthermore, with reference to the other transactions involved in the complaint from Amber Capital LP, not included in the Commissioner's mandate ("Minor Transactions"), on the invitation of the Board of Statutory Auditors of Fondiaria-SAI pursuant to art. 2408 of the Civil Code, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni conducted investigations and checks, which showed that Minor Transactions were also carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family with various breaches of directors' and statutory auditors' duties. In particular, the investigations and checks highlighted both breaches of directors' and statutory auditors' duties and damages to the company assets of the Fondiaria-SAI Group.
The persons who, as a result of the checks performed by the Boards of Directors, were deemed responsible for the Minor Transactions are (i) members of the Ligresti family, who exercised control over the Fondiaria-SAI Group companies involved, and who would have pursued their own personal interests to the detriment of said companies in violation of articles 2391 and 2391-bis of the Civil Code and the procedure governing "related party" transactions; (ii) the former "executive" directors, who would have proposed and implemented the transactions in question, and the administrators on the internal control committees of Fondiaria-SAI and Milano Assicurazioni, who would also have been responsible for the violation of said regulations and procedures; (iii) the statutory auditors who would have also been responsible for the damages suffered by the companies in the Fondiaria-SAI Group due to the violation of articles 2403 and 2407 of the Civil Code and art. 149 of the Consolidated Law on Finance.
The liability of members of the Ligresti family in relation to the transaction in question (as with the transactions already involved in the liability actions of the Commissioner) would derive not only from the violation of their duties of the offices of director formally held in Fondiaria-SAI and Milano Assicurazioni but also (aa) from the "unitary management" they would have illegitimately exercised over companies in the Fondiaria-SAI Group by helping to approve and implement the transactions constituting a "conflict of interests" and "in violation of the principles of correct corporate and business management" (pursuant to art. 2497 of the Civil Code); (bb) the de facto interference (in particular from Mr. Salvatore Ligresti) in the administration of the companies in the Fondiaria-SAI Group (in accordance with art. 2392 of the Civil Code).

Therefore, on 30 July 2013, the ordinary shareholders' meetings of Fondiaria-SAI and Milano Assicurazioni resolved to file a liability action, pursuant to articles 2392 and 2393 of the Civil Code, and, insofar as may be necessary, in accordance with articles 2043 and 2497 of the Civil Code, against certain former directors in fact and in law of Fondiaria-SAI and Milano Assicurazioni, regardless of the special roles held and even where not formally in office; against certain former directors of Fondiaria-SAI and Milano Assicurazioni, and, pursuant to art. 2407 of the Civil Code, against certain members of the Boards of Statutory Auditors of Fondiaria-SAI and Milano Assicurazioni.
In relation to the aforementioned resolutions, the company's legal representatives were charged with preparing the writs.

Castello Area

On 6 March 2013, the Court of Florence acquitted Fondiaria-SAI on all counts (because the fact does not exist) in the criminal proceedings concerning the urbanisation of the Castello area (Florence).
In this regard, it should be noted that the company was accused, in the criminal proceedings launched in 2008 by the Public Prosecutor's Office of Florence, of the crime of corruption, which involved other defendants that included some representatives of Fondiaria-SAI, certain professionals and some public administrators.
Fondiaria-SAI was accused of unlawful administration set forth in articles 5 and 25 of Legislative Decree 231/2001 in relation to the offence set out in articles 319 and 321 of the criminal code, which punishes the crime of corruption by a public official.
The Court also arranged for the release from seizure and return of the Castello area which had been subject to a precautionary seizure order in November 2008. The Public Prosecutor's Office filed an appeal against the ruling.

Purchase of ordinary Unipol shares by Unipol and the subsidiary Unipol Assicurazioni in service of payment plans based on financial instruments

In 2013, Unipol and the subsidiary Unipol Assicurazioni acquired 6,740,000 and 175,000 ordinary Unipol shares respectively, as part of the programmes for the purchase of shares to service payment plans based on financial instruments (performance shares), for a total consideration of €23.1m.

At the end of the aforementioned purchase programmes, Unipol held a total of 6,955,000 ordinary treasury shares, of which 6,740,000 directly and 215,000 indirectly through the subsidiaries Unipol Assicurazioni (175,000), Fondiaria-SAI (24,000) and Milano Assicurazioni (16,000).

Purchase of Milano Assicurazioni savings shares by Unipol

On 9 August 2013, Unipol completed the purchase of 27,201,199 Milano Assicurazioni savings shares, equal to 26.55% of this category of share capital (i.e. solely savings share capital), through a reverse accelerated book-building procedure targeted exclusively at qualified investors in Italy and foreign institutional investors. The consideration for the purchase of the aforementioned shares amounted to €0.8425 per savings share, for a total outlay of €23m. Unipol's direct percentage interest in the total share capital (savings shares plus ordinary shares) of Milano Assicurazioni stood at 1.399%. Subsequently, on 28 November 2013, these savings shares were transferred at market values to the wholly-owned subsidiary Unipol Finance, as part of the share capital increase resolved by the shareholders' meeting of said company, generating a capital gain of €1.5m in the financial statements, eliminated in the consolidation phase.

Sum of €1,108,000 provided to the President of the Emilia Romagna Region, Vasco Errani, to help the populations affected by the earthquakes in May 2012

On 1 March 2013, the Chairman, Pierluigi Stefanini, and Chief Executive Officer of Unipol, Carlo Cimbri, supplied the President of the Emilia Romagna Region and the officer in charge of the Rebuilding, Vasco Errani, funds of €1,108,000 to help the populations affected by the earthquake in May 2012, raised thanks to voluntary contributions from employees and agents of the Group and the company itself. The money was set aside for the renovation of the Ospedale Civile (Public Hospital) "Casa della Salute" in Finale Emilia, one of the municipalities hit hardest by the earthquake.
The delivery of the funds was an opportunity to mark out a broader framework of initiatives put in place by the Unipol Group for the different categories of stakeholders present in the area (customers, civil society, agents, social organisations, suppliers). Consistent with its social responsibility policies and a desire to support an area

in which Unipol has its roots and a significant presence, an action plan was implemented in 2012 through its insurance companies (Unipol Assicurazioni, Linear, Unisalute, Arca) and banks (Unipol Banca) for Group customers, and more generally speaking, socio-cultural initiatives were promoted for the populations affected by the earthquakes.

Unipol Services Centre

The Unipol Services Centre has been operational since 6 December 2013, on an experimental basis, solely for the Bologna area, whose objective is to provide customers with a single reference point for claims management, from opening of the claim to repair of the vehicle.
This service also aims to monitor average cost through an accurate estimate of the damage which is then proposed to the contracted body shops for the repair of same. When the above experimental phase is complete, the possibility of extending said model to other metropolitan areas will be assessed.

Myglass

On 6 December 2013, the first Myglass centre was opened, a network specialised in the replacement and repair of windows for cars and lorries insured with the Group.
The Myglass project is a new initiative which, through the direct management of the entire claims process concerning the window guarantee, has the goal of significantly improving the service for policyholders. By using this network, the customer does not incur any outlay given that works are carried out under the company's responsibility and at the company's expense. A total of seven Myglass centres were opened throughout the year up until 31 December 2013, which became 40 in the first two months of 2014. The service will be extended nationwide in the first half of 2014.
The expected economic benefit relates to a reduction in the average repair cost, taking into account that the current window market is almost fully concentrated on a single network.

Operating performance

In 2013, the Group recorded a noteworthy economic result in the insurance segment (pre-tax result of €1,376m). In fact, despite a scenario of increasing competition, reflected in a significant reduction in the tariffs applied, the Group witnessed an improvement in the loss ratio for the current year, no longer burdened by the disastrous events of the previous year (in particular, the earthquake in Emilia), and an improved stability of claims provisions of previous years following major strengthening in recent years.
A positive performance was recorded by premiums and profitability in the Life insurance business, against the backdrop of a financial market improvement which increased customers' propensity to acquire insurance products.
By contrast, in the banking segment, the persistence of the difficult economic situation which adversely impacted the country's companies involved an increase in non-performing loans which, combined with a important policy of provisions on non-performing loans already in the portfolio, determined a negative economic result for the period.

More specifically, in the Non-Life business, direct premiums, which amounted to more than €9.8bn, were affected by the persistence of the economic crisis, which continues to determine a decrease in the number of vehicles insured and a reduction in the spending power of companies and individuals, and denotes a pronounced competitive trend with downward pressure on average contract premiums (especially in the MV TPL class).
In order to counteract these negative trends, the Group's commercial policies, despite continuing to be based on selection criteria, were geared towards a gradual increase in underwriting flexibility and other actions aimed at both safeguarding the contract portfolio, such as the strengthening of marketing campaigns, and at an improvement in the service to customers who are having to get to grips with the economic crisis, such as the launch of a MV TPL policy with interest-free loans with repayments in instalments.
Premiums in the MV TPL class stood at €5,226m, of which €2,052m relating to Group companies prior to the acquisition of the Premafin/Fondiaria-SAI Group (-7.3% over 2012) and €3,174m relates to the companies acquired (-12.8% compared to 2012 on a like-for-like basis).
Premiums in the Land Vehicle Hulls class fell, recording premiums of €760m, of which €279m relating to Group companies prior to the acquisition of the Premafin/Fondiaria-SAI Group (-10.5%) and €482m relates to the companies acquired (-15.1% compared to 2012 on a like-for-like basis). The class was heavily impacted by the decrease in registrations of new vehicles which policyholders tend to protect more with the guarantees given by said class compared to older vehicles.
In a generally poor-performing market, shaped by the repercussions of the economic crisis on individuals and companies, non-MV premiums recorded excellent staying power, highlighted by premiums which totalled €3,835m of which €1,702m relating to Group companies prior to the acquisition of the Premafin/Fondiaria-SAI Group (with a slight increase of 0.1%) and €2,133m contributed by the companies acquired (-3.5% over 2012 on a like-for-like basis), where the remaining portfolio turnaround initiatives were completed in Fondiaria-SAI's corporate segment.

As regards the Non-Life class loss ratio for the year, the performances in the year confirmed the positive trends already recorded in the previous year, highlighting a consolidation of the technical MV TPL ratios, thanks to another decrease in claims reported compared to the same period in the previous year, which allowed the company to contain the effects of the reduction in the average premium.
A favourable trend was also registered in the loss ratio of the non-MV classes, particularly the loss ratio linked to weather events and natural disasters, affected in the first half of 2012 by the damages caused by the heavy snowfall in Romagna (February) and those caused by the earthquake in Emilia and the surrounding regions (in May).

In 2013, following the reinforcement of the main Group companies in 2012, a notable improvement was recorded in the staying power of claims reserving of previous years for third-party liability classes. Following the inventory process and the application, as set forth in the regulations, of statistical-actuarial methods, some additions were, nonetheless, made to the provisions which determined a negative balance of total Non-Life run-off in terms of direct Group business amounting to roughly €135m.
Taking into account the above, the loss ratio for the direct business of the new Group setup (including the balance of other technical items), nonetheless, recorded a huge improvement, standing at 68.2%, compared to 77.9%, calculated by taking into consideration the figures of the Premafin/Fondiaria-SAI Group for the whole of 2012 and excluding the effects of application of IFRS 3.

The expense ratio of direct business, which stood at 24.7%, felt the effects of the accounting of some integration costs, already provided for in the business plan, and, for the MV TPL class, costs connected with the so-called black boxes, charged in full to companies this year, and the commission fees related to "interest-free loan" products provided through a Group banking segment company. Furthermore, a greater incidence of variable Unipol Assicurazioni commissions was recorded, linked directly to the improvement in technical business.
Therefore, the Group recorded a combined ratio (direct business) of 92.9% at 31 December 2013, compared to 101.1% in 2012 calculated on a pro-forma basis, i.e. considering the figures of the Premafin/Fondiaria-SAI Group for twelve months.

In the **Life business segment**, direct premiums grew at particularly sustained rates, totalling €6,983m at the end of the year, of which €3,024m relating to Group companies prior to the acquisition of the Premafin/Fondiaria-SAI Group (up 20% compared to 2012) and €3,958m contributed by the companies acquired (+8.3% over 2012 on a like-for-like basis). The increases recorded were also facilitated by decreases in market interest rates which made the supply of insurance products with a minimum guaranteed return more appealing. In particular, the segment benefitted from the growth in the bancassurance channel (+17.7%) represented mainly by the companies Arca Vita and Arca Vita International, which recorded total premiums of € 845m (+53.4% over 2012), and Popolare Vita and Lawrence Life which, recorded growth of 8.7% (premiums of €2,534m).
The traditional companies recorded more contained growth, with Unipol Assicurazioni registering premiums of €2,179m, marking an increase of 10.6%.
As a result of the above, new business in terms of pro-quota APE was €430m at 31 December 2013, of which €311m contributed by the traditional companies and €119m relating to bancassurance companies.

As regards the financial management of insurance segment assets, 2013 was characterised by a scenario of renewed confidence in the country's financial markets, despite the government instability triggered by the recent elections and structural nodes, negative growth and high debt, issues still unresolved. Within this context, the Group generated significant gross profitability in the income statement of more than 4.6% of the assets invested. The Group's investment policies remained prudent, geared towards maintaining an adequate balance between risk and return, with a view to consistency between the assets and liabilities assumed in respect of policyholders.

In the **Banking segment**, direct deposits from customers remained essentially stable with respect to the balances at 31 December 2012, with an improvement in the balance between sources of financing and loans, compared with a slight fall in loans to customers, according to the guidelines which continue to favour capital rebalancing and a business focus on the retail and small business segments.
The persistence of a deep recession in our country, especially in the real estate market, has brought about another increase in non-performing loans which subsidiary Unipol Banca, also in consideration of more prudent judgments regarding existing guarantees, tackled through a robust policy of provisions on non-

performing loans. As a result of this situation, it was decided, with a view to greater prudence, to fully write down the goodwill recorded in the bank's financial statements, which mainly related to costs for past acquisitions of bank branches. This determined a negative economic result for the period in comparison, however, with a notable improvement in the level of coverage of non-performing loans which, in terms of bad and doubtful loans at Unipol Group level, exceeded 50% at the end of 2013, compared to 36.9% in 2012.

As regards the Real Estate segment, after completing, in the first half of the year, the preliminary activities prior to the valuation of part of real estate assets, a phase commenced for the marketing of the first property units as set out in the Group's Business Plan. Various transactions are also being arranged, targeted at the rationalisation and reduction of costs through mergers of property companies, whose corporate purposes were eliminated under the new setup and strategy of the Group. Certain write-downs of properties, a consequence of the recessionary phase affecting the country's real estate market, also impacted the real estate segment.

The Holding/Services and Other Activities Sector contributed a negative economic result, primarily due to the operating costs of the Holding and the losses of the companies acquired in the Premafin/Fondiaria-SAI Group which formed part, in particular, of the healthcare (clinical) and hotel sectors, in which weaknesses persisted linked to the tourism crisis. In the first half of 2013, the Group renewed the corporate bodies at these companies and identified management and business-related problems, in respect of which it is implementing the necessary actions to improve the operating results.

On the whole, the Unipol Group closed 2013 with a positive consolidated result of €188m which reflects not only the negativity in the banking segment, but an allocation of €145m in relation to the agreement on the plan for accessing the Solidarity Fund for the insurance sector, signed with trade union representatives, in relation to the rationalisation of human resources and increase in tax expenses, amounting to €73m, resulting from the introduction of the IRES surcharge of 8.5% by the government at the end of 2013.
This result, from a management point of view, is scarcely comparable with the result in 2012 (€426m - result determined following the definitive recognition of the business combination relating to the acquisition of the Premafin/Fondiaria-SAI Group) which included the contribution from the companies acquired solely for the second half of 2012.
In addition, due to the definitive recognition of the business combination in application of IFRS 3, the 2012 income statement of the Unipol Group did not feel the effects of the value adjustments to the assets and liabilities of the Premafin/Fondiaria-SAI Group existing at the acquisition date and recorded on said date, even if due to information available at a later date.

The consolidated solvency position at 31 December 2013, incorporating the assumptions of the distribution of dividends, which will be proposed by the various Group companies at the next shareholders' meetings, presents available capital roughly 1.6 times the required minimum, with surplus capital of €2.7bn.

Unipol GRUPPO

Salient aspects of business operations

The consolidated financial statements at 31 December 2013 closed with a positive net economic result for the year of €188m (€ 426m[1] at 31/12/2012). The decrease compared to the previous year is attributable in particular to the negative contribution of the banking sector for €296m (a positive €1m in 2012), and to integration costs of €206m, including €145m in provisions relating to the launch of the plan for accessing the Solidarity Fund for the insurance sector.

The consolidated pre-tax result came to €520m (€665m in 2012), to which the insurance sector contributed €1,376m (€881m in 2012), of which €865m relating to Non-Life business (€824m in 2012) and €512m to Life business (€57m in 2012).
By contrast, the other sectors recorded a negative pre-tax result: the banking sector recorded a negative €424m (+€13m in 2012), due to the write-downs carried out by Unipol Banca on goodwill with an indefinite useful life (€125m) and on non-performing loans (€306m), the Holding/Services Sector and Other Activities recorded a negative €382m (-€215m in 2012), as a result of the negative performances of companies operating in the healthcare and hotel sectors, and the negative result of the holding Unipol which reflects provisions relating to the credit indemnity agreement in place with Unipol Banca for €200m, the real estate sector recorded a total of -€49m (-€14m in 2012), after having effected property write-downs totalling €21m and depreciation of €25m.

Amongst the most important aspects that characterised Group performance the following are worthy of note:

- direct insurance premiums, gross of ceded premiums, totalled €16,804m (€11,802m in 2012 and €16,817m on a like-for-like basis, -0.1%). Non-Life direct premiums amounted to €9,821m (€7,240m in 2012 and €10,641m on a like-for-like basis, -7.7%) and Life direct premiums €6,983m (€4,562m in 2012 and €6,176m on a like-for-like basis, +13.1) €169m of which related to Life investment products (€130m in 2012 and €152m on a like-for-like basis);
- premiums earned, net of ceded premiums, amounted to €16,581m (€11,624m in 2012), €9,787m of which was from Non-Life business (€7,211m in 2012) and €6,794m from Life business (€4,412m in 2012). On a like-for-like basis the overall variation was +0.2%;
- bank direct customer deposits amounted to €10,809m (€10,737m in 2012, +0.7%);
- net charges relating to claims, net of ceded premiums, amounted to €14,016m (€9,932m in 2012), €6,655m of which was from Non-Life business (€4,835m in 2012) and €7,361m from Life business (€5,097m in 2012), including €293m in net gains on financial assets and liabilities at fair value (€437m in 2012);
- the loss ratio of direct Non-Life business was 68.2%, (69.8% in 2012);

[1] Result determined following the definitive recognition of the business combination relating to the acquisition of the Premafin/Fondiaria-SAI Group.

- **operating expenses** amounted to €3,083m (€2,219m in 2012). On a like-for-like basis the variation was -0.4%; In the Non-Life business, they amounted to €2,362m (€1,654m in 2012), €319m in the Life business (€219m in 2012), €309m in the banking sector (€286m in 2012), €392m in the Holding/Services and Other Activities sector (€216m in 2012) and €8m in the real estate sector (€5m in 2012);
- **the combined ratio** of direct Non-Life business was 92.9%, (93.2% in 2012);
- **net gains on investments and financial income** from financial assets and liabilities (excluding net gains on financial assets and liabilities at fair value relating to Life business) amounted to €1,661m (€1,419m in 2012);
- the **gross result** came to €520m (€665m in 2012, after discounting write-downs of goodwill, investment property, loans and receivables and available-for-sale assets amounting to €774m, primarily due to the banking sector (€689m);
- **taxation** for the period constituted a net expense of €331m (€234m in 2012). The tax rate stood at 63.7% (35.3% in 2012) due, in particular, to the extraordinary taxes deriving from the IRES surcharge of 8.5% on financial/insurance companies (€73m, with an incidence of 14% on the pre-tax result), the substitute tax calculated on the capital gain relating to the interest held in the Bank of Italy (€18m compared to consolidated income of €30m) and the impact on IRAP, whose incidence on the pre-tax result rose to 17.9%, compared to 13.4% in the previous year;
- net of the €267m profit attributable to non-controlling interests the **Group's result** at 31 December 2013 was a **loss of €79m** (€285m profit in 2012);
- the net result just for the fourth quarter of 2013 was negative to the tune of €175m (profit of €181m in the fourth quarter of 2012);
- the **comprehensive result** was a profit of €450m (€1,832m in 2012), because of the increase in the reserve for gains or losses on available-for-sale financial assets (€221m), which continued to benefit, in particular, from the recovery in Italian government bonds;
- **investments** and **cash and cash equivalents** amounted to €74,109m (€72,943m in 2012), after having reclassified €46m under assets held for disposal, pursuant to IFRS 5.
- **technical provisions and financial liabilities** amounted to €72,917m (€72,690m in 2012), after having reclassified €19m under liabilities held for disposal, pursuant to IFRS 5.
- following the application of IFRS 5, €175m was reclassified under **Non-current assets or disposal groups**, of which €150m relating to the disposals ex ACGM Ruling and €21m for properties, and €74m reclassified under **Liabilities associated with disposal groups**, of which €73m relating to the disposals ex ACGM Ruling.

Below is a summary of the consolidated income statement at 31 December 2013, broken down by business segment: Insurance (Life and Non-Life), Banking, Holding/Services/Other and Real Estate, compared with the figures at 31 December 2012, bearing in mind that the data of the previous year only include the figures of the Premafin/Fondiaria-SAI Group for the second half of 2012, adjusted following the definitive recognition of the business combination relating to the acquisition of the Premafin/Fondiaria-SAI Group.

Condensed Consolidated Operating Income Statement broken down by business segment

Amounts in €m	NON-LIFE BUSINESS			LIFE BUSINESS			INSURANCE SECTOR			BANKING SECTOR			HOLDING/SERVICES/OTHER SECTOR			REAL ESTATE SECTOR			Intersegment eliminations		CONSOLIDATED TOTAL		
	31/12/13	31/12/12	%	31/12/13	31/12/12	%	31/12/13	31/12/12	%	31/12/13	31/12/12	%	31/12/13	31/12/12	% var.	31/12/13	31/12/12	%	31/12/13	31/12/12	31/12/13	31/12/12	%
Net premiums	9,787	7,211	*35.7*	6,794	4,412	*54.0*	16,581	11,624	*42.7*												16,581	11,624	*42.7*
Net commission income	0	0		9	7	*30.0*	9	7	*25.8*	113	115	*-1.7*	6	6	*2.0*	0	0		-38	-28	89	100	*-10.9*
Financial income/expense (excl. assets/liabilities at fair value)	560	366	*53.1*	1,514	999	*51.5*	2,074	1,365	*51.9*	-103	197		-37	-65	*-43.6*	-29	-4		-244	-74	1,661	1,419	*17.1*
Net interest income	*408*	*281*		*1,190*	*847*		*1,598*	*1,128*		*246*	*218*		*-39*	*-41*	*-4.3*	*-2*	*0*				*1,789*	*1,301*	
Other gains and losses	*49*	*33*		*23*	*17*		*73*	*51*		*0*	*1*		*-7*	*-15*		*20*	*12*		*-30*	*-21*	*56*	*28*	
Realised gains and losses	*176*	*62*		*269*	*114*		*445*	*176*		*14*	*55*		*8*	*2*		*-2*	*-2*				*465*	*230*	
Unrealised gains and losses	*-74*	*-10*		*32*	*21*		*-42*	*11*		*-364*	*-77*		*2*	*-11*		*-46*	*-13*		*-200*	*-50*	*-649*	*-140*	
Net charges relating to claims	-6,655	-4,835	*37.6*	-7,361	-5,097	*44.4*	-14,016	-9,932	*41.1*												-14,016	-9,932	*41.1*
Operating expenses	-2,362	-1,654	*42.8*	-319	-219	*45.7*	-2,681	-1,873	*43.2*	-309	-286	*8.3*	-392	-216	*81.7*	-8	-5	*48.5*	307	160	-3,083	-2,219	*38.9*
Commissions and other acquisition costs	*-1,911*	*-1,351*	*41.4*	*-180*	*-121*	*48.4*	*-2,091*	*-1,473*	*42.0*										*18*	*5*	*-2,073*	*-1,468*	*41.2*
Other expenses	*-451*	*-302*	*49.1*	*-139*	*-98*	*42.3*	*-590*	*-400*	*47.4*	*-309*	*-286*	*8.3*	*-392*	*-216*	*81.7*	*-8*	*-5*	*48.5*	*288*	*155*	*-1,010*	*-751*	*34.5*
Other income/expense	-466	-264	*76.3*	-125	-45	*176.0*	-591	-310	*90.9*	-125	-13	*831.7*	41	60	*-32.3*	-12	-5	*141.0*	-25	-59	-712	-327	*118.1*
Pre-tax profit/(loss)	865	824	*4.9*	512	57	*794.5*	1,376	881	*56.1*	-424	13		-382	-215	*-77.7*	-49	-14		0	0	520	665	*-21.8*
Income tax																					-331	-234	*41.3*
Profit (loss) of discontinued operations																					-1	-4	
Consolidated profit (loss) for the year																					188	426	*-55.9*
Profit (loss) attributable to the owners of the Parent																					*-79*	*285*	
Profit (loss) attributable to non-controlling interests																					*267*	*141*	

The main effects on the pre-tax income statement at 31 December 2012 generated by the definitive recognition of the business combination are:
- in the Non-Life business, the result decreased by €61m, from €885m to €824m, equal to the amount of amortisation on the value of the Non-Life portfolio acquired;
- in the Life business, the result decreased by €28m from €85m to €57m, equal to the amount of amortisation on the value of the Life portfolio acquired;
- the consolidated pre-tax result decreased by €89m, from €970m to €665m.

Insurance sector

Premiums and investment products

Total premiums (direct and indirect premiums and investment products) at 31 December 2013 amounted to €16,842m (€11,829m at 31/12/2012, and €16,847m on a like-for-like basis).
Life premiums amounted to €6,985m (€4,564m at 31/12/2012, and €6,177m on a like-for-like basis) and Non-Life premiums totalled €9,857m (€7,265m at 31/12/2012 and €10,670m on a like-for-like basis).

In compliance with the requirements of IFRS 4 (presence of a significant insurance risk) all the Non-Life premiums of the companies in the Group were classified as insurance premiums.
As regards Life business, investment products at 31 December 2013 worth €169m, related to Class III (unit- and index-linked policies), Class V (capitalisation insurance) and Class VI (pension funds).

Consolidated premiums

Amounts in €m	31/12/2013	*comp. %*	31/12/2012	*comp. %*	*% var.*	31/12/2012 on a like-for-like basis	*% var. on a like-for-like basis*
Non-Life direct premiums	9,821		7,240		*35.7*	10,641	*-7.7*
Non-Life indirect premiums	36		26		*41.0*	28	*27.7*
Total Non-Life premiums	9,857	*58.5*	7,265	*61.4*	*35.7*	10,670	*-7.6*
Life direct premiums	6,814		4,432		*53.7*	6,024	*13.1*
Life indirect premiums	2		2		*10.5*	2	*-6.5*
Total Life business premiums	6,816	*40.5*	4,434	*37.5*	*53.7*	6,025	*13.1*
Total Life investment products	169	*1.0*	130	*1.1*	*29.8*	152	*11.0*
Total Life business premiums	6,985	*41.5*	4,564	*38.6*	*53.0*	6,177	*13.1*
Total premiums	16,842	*100.0*	11,829	*100.0*	*42.4*	16,847	*0.0*

Direct premiums amounted to €16,804m (€11,802m at 31/12/2012, and €16,817m on a like-for-like basis), of which Non-Life premiums totalled €9,821m and Life premiums €6,983m.

Direct premiums

Amounts in €m	31/12/2013	*comp. %*	31/12/2012	*comp. %*	*% var.*	31/12/2012 on a like-for-like basis	*% var. on a like-for-like basis*
Non-Life direct premiums	9,821	*58.4*	7,240	*61.3*	*35.7*	10,641	*-7.7*
Life direct premiums	6,983	*41.6*	4,562	*38.7*	*53.1*	6,176	*13.1*
Total direct premiums	16,804	*100.0*	11,802	*100.0*	*42.4*	16,817	*-0.1*

Premiums for just the fourth quarter of 2013 totalled €4,616m (€4,648m in the fourth quarter of 2012).

Non-Life business

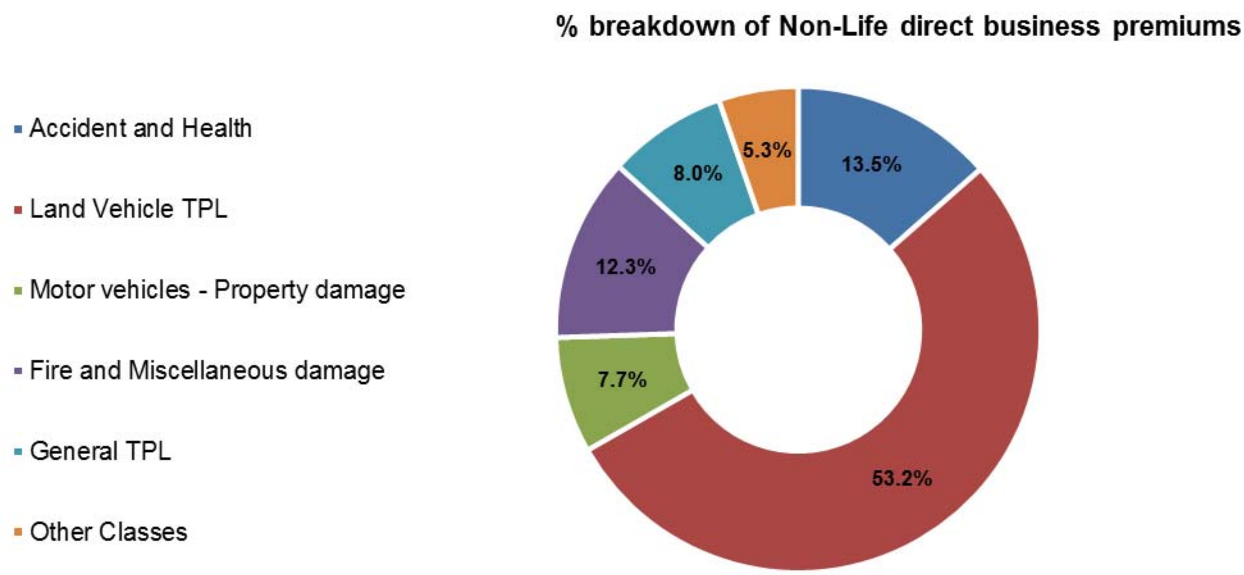
Total premiums (direct and indirect premiums) at 31 December 2013 amounted to €9,857m (€7,265m at 31/12/2012, and €10,670m on a like-for-like basis).

Direct business premiums alone amounted to €9,821m (€7,240m at 31/12/2012, and €10,641m on a like-for-like basis). **Indirect business** premiums amounted to €36m (€26m at 31/12/2012, and €28m on a like-for-like basis).

The breakdown of direct business relating to the main classes compared with 31 December 2012 is set out in the following table:

Non-Life business direct premiums

Amounts in €m	31/12/2013	31/12/2012	*% var.*	31/12/2012 on a like-for-like basis	*% var. on a like-for-like basis*
Motor vehicles - TPL and sea, lake and river (classes 10 and 12)	5,226	3,859	*35.4*	5,853	*-10.7*
Motor vehicles - Property damage (class 3)	760	571	*33.0*	879	*-13.5*
Total premiums - Motor vehicles	5,986	4,430	*35.1*	6,731	*-11.1*
Accident and Health (classes 1 and 2)	1,329	1,047	*26.9*	1,340	*-0.8*
Fire and Miscellaneous damage (classes 8 and 9)	1,204	847	*42.0*	1,236	*-2.6*
General third-party liability (class 13)	782	575	*35.9*	811	*-3.6*
Other classes	521	340	*53.4*	523	*-0.4*
Total premiums - Non-Motor vehicles	3,835	2,810	*36.5*	3,910	*-1.9*
Total Non-Life direct premiums	9,821	7,240	*35.7*	10,641	*-7.7*



The decrease of 10.7% in premiums written in the MV TPL class, is the result of the persistence of the economic crisis, which continues to determine a decrease in the number of vehicles insured and a reduction in the spending power of companies and individuals, and denotes a pronounced competitive trend with downward pressure on average contract premiums. Premiums written in the Land Vehicle Hulls class were still down considerably (-13.5%). The class was heavily impacted by the decrease in registrations of new vehicles which policyholders tend to protect more with the guarantees given by said class compared to older vehicles. The reduction is also partly due to the special sales policies of the car manufacturers which continue to offer insurance packages with guarantees such as Fire, Theft and Assistance included in the vehicle's purchase price.
Non-MV premiums were down slightly (-1.9%), in a generally poor-performing market, reflecting the effects of the economic crisis on individuals and companies.

Non-Life premiums of the main Group insurance companies

The direct Non-Life premiums of the company **Unipol Assicurazioni** totalled €3,468m (€3,654m in 2012, -5.1%).

Unipol Assicurazioni Spa - Non-Life direct premiums

Amounts in €m	31/12/2013	*% comp.*	31/12/2012	*% comp.*	*% var.*
Motor vehicles - TPL and sea, lake and river (classes 10 and 12)	1,834		1,977		-7.2
Motor vehicles - Property damage (class 3)	256		286		-10.3
Total premiums - Motor vehicles	2,090	60.3	2,262	61.9	-7.6
Accident and Health (classes 1 and 2)	462		484		-4.6
Fire and Miscellaneous damage (classes 8 and 9)	414		416		-0.5
General third-party liability (class 13)	331		325		1.9
Other classes	170		166		2.3
Total premiums - Non-Motor vehicles	1,378	39.7	1,392	38.1	-1.1
Total Non-Life premiums	3,468	100.0	3,654	100.0	-5.1

The reduction in premiums in the car segment (-7.6%) concerns both the MV TPL class (-7.2%), due to the fall in customer portfolios and the average premium, and the Land Vehicle Hulls class (-10.3%), adversely impacted by the heavy decrease in vehicle sales.
In the non-MV classes (-1.1%), the decrease in premiums is due primarily to the Health class as a result of the portfolio redevelopment initiatives. In all other sectors, the trends were influenced, on the one hand, by underwriting policies which adhere to a "selective development" approach, particularly in the General TPL class And in the Public Authority class, where the most profitable segments are developed, and, on the other, the difficult economic situation.

The Non-Life companies in the **Arca Group** (Arca Assicurazioni and ISI Insurance) registered direct premiums of €110m at 31 December 2013, down 5.5% compared to 31 December 2012.

Arca Group - Non-Life direct premiums					
Amounts in €m	31/12/2013	*% comp.*	31/12/2012	*% comp.*	*% var.*
Motor vehicles - TPL and sea, lake and river (classes 10 and 12)	44		52		*-14.4*
Motor vehicles - Property damage (class 3)	5		7		*-20.5*
Total premiums - Motor vehicles	50	*45.0*	58	*50.0*	*-15.1*
Accident and Health (classes 1 and 2)	31		28		*9.8*
Fire and Miscellaneous damage (classes 8 and 9)	15		14		*4.4*
General third-party liability (class 13)	7		7		*-1.7*
Other classes	9		10		*-8.6*
Total premiums - Non-Motor vehicles	61	*55.0*	58	*50.0*	*4.1*
Total Non-Life premiums	110	*100.0*	117	*100.0*	*-5.5*

The fall in volumes is a result of the decrease in the direct premiums of ISI Insurance, a consequence of the focus on controlling the technical performance of the portfolio, which involved activities in both the risk underwriting phase and in the claims management phase in terms of counteracting fraud. Premiums recognised by Arca Assicurazioni also fell (-4.2%) compared to the volume of premiums registered in 2012.

The direct premiums recorded by companies in the Premafin/Fondiaria-SAI Group amounted to €5,789m (€6,417m at 31/12/2012, -9.8%).

Premafin/Fondiaria-SAI Group - Non-Life business direct premiums					
Amounts in €m	31/12/2013	*% comp.*	31/12/2012	*% comp.*	*% var.*
Motor vehicles - TPL and sea, lake and river (classes 10 and 12)	3,174		3,640		*-12.8*
Motor vehicles - Property damage (class 3)	482		567		*-15.1*
Total premiums - Motor vehicles	3,656	*63.2*	4,207	*65.6*	*-13.1*
Accident and Health (classes 1 and 2)	580		587		*-1.1*
Fire and Miscellaneous damage (classes 8 and 9)	774		805		*-3.8*
General third-party liability (class 13)	444		479		*-7.3*
Other classes	334		339		*-1.4*
Total premiums - Non-Motor vehicles	2,133	*36.8*	2,210	*34.4*	*-3.5*
Total Non-Life premiums	5,789	*100.0*	6,417	*100.0*	*-9.8*

Premiums in the MV classes recorded a significant decrease of 13.1%, due to the difficult economic context (fall in registrations and undifferentiated increase in all costs connected with vehicle use), augmented by the continuation, even if to a less marked extent, of the multi-risk portfolio redevelopment policies and the reduction in the average premium.
Non-MV classes also recorded a decrease of 3.5% due to the cancellations on portfolios marked by non-profitable performances, especially in the corporate risks segment, a sector that saw a major redevelopment initiative in the previous year in both the property and casualty segments. The economic effects of these transactions, which concerned high claims incidence contracts both in the agency and broker networks, impacted the 2013 results, particularly premiums. In the current difficult economic environment, the underwriting policy continues to apply prudential filters and is predominantly targeted at the retail sector and at small and medium enterprises that operate in traditionally profitable sectors and geographic areas.

Direct premiums attributable to the main companies of the Fondiaria-SAI Group are set out below:

– Fondiaria-SAI €3,134m (€3,468m at 31/12/2012, -9.6%), of which €1,986m in the MV classes (-13.1%) and €1,147m in the non-MV classes (-3%);
– Milano Assicurazioni €2,199m (€2,455m at 31/12/2012, -10.4%), of which €1,469m in the MV classes (-12.7%) and €729m in the non-MV classes (-5.4%);
– Liguria Assicurazioni €172m (€205m at 31/12/2012, -15.9%), of which €115m in the MV classes (-19.9%) and €57m in the non-MV classes (-6.5%).

The specialist companies (Linear and UniSalute) recognised direct premiums of €454m at 31 December 2013 (+0.3%).

UniSalute achieved direct premiums of €248m, (€233m at 31/12/2012, +6.6%). Based on the initial provisional figures on insurance premiums provided by IVASS, Unisalute's market share in 2013 would be around 10.8%, compared to 9.8% in 2012.
Unisalute continues to concentrate prevalently on developing collective coverage for company employees and members of sector funds, maintaining a selective underwriting policy which the focuses maximum attention on the profitability and sustainability over time. The main new contracts in 2013 include Fondo Salute Sempre (Press, Publishing, Paper and Paper-transformation industry), SanArti (Craft trade workers), Corte dei Conti (Court of Auditors), Enasarco.
In the most innovative market area, relating to long-term care, premiums increased from €5m at 31 December 2012 to €7m at 31 December 2013, marking an increase of 47.5%. The number of customers passed 4.8m, around 3.6m of which in the Health class (2.9m at 31 December 2012) and roughly 1.3m in the other authorised insurance class, i.e. Assistance.

Linear achieved direct premiums of €206m, (€220m at 31/12/2012, -6.3%). The year was characterised by a deterioration in the renewal rate and in new products, mainly due to a gradual intensification of competition on the car market combined with the difficult economic scenario. The result was an increased focus on price and a decrease in the average premium across the board. Therefore, company management was characterised by actions targeted at supporting products and a cautious tariff policy.

Life business

Life premiums (direct and indirect) amounted to €6,985m (€4,564m at 31/12/2012, and €6,177m on a like-for-like basis), driven mainly by bancassurance companies which, at 31 December 2013, recorded premiums of €3,518m (+17.7%). Classes I and V recorded an increase, while classes III and VI registered a decrease. The increases recorded were also facilitated by decreases in market interest rates which made the supply of insurance products with the guarantee of a minimum guaranteed return more appealing.

Direct premiums, which account for almost all premiums, are composed as follows:

Life business direct premiums

Amounts in €m	31/12/2013	31/12/2012	*% var.*	31/12/2012 on a like-for-like basis	*% var. on a like-for-like basis*
Premiums					
I - Whole and term life insurance	4,455	2,336	*90.7*	3,493	*27.5*
III - Unit-linked/index-linked policies	1,063	844		1,143	*-7.1*
IV - Health	1	0	*196.8*	1	*56.6*
V - Capitalisation insurance	897	394	*127.6*	528	*69.8*
VI - Pension funds	398	858	*-53.6*	858	*-53.6*
Total Life business premiums	6,814	4,432	*53.7*	6,024	*13.1*
Investment products					
III - Unit-linked/index-linked policies	120	102	*17.8*	106	*13.0*
V - Capitalisation insurance	1	0		0	
VI - Pension funds	48	28	*68.6*	47	*2.3*
Total Life investment products	169	130	*29.8*	153	*10.5*
Total premiums					
I - Whole and term life insurance	4,455	2,336	*90.7*	3,493	*27.5*
III - Unit-linked/index-linked policies	1,182	945	*25.1*	1,249	*-5.4*
IV - Health	1	0	*196.8*	0	*196.8*
V - Capitalisation insurance	898	394	*128.0*	528	*70.1*
VI - Pension funds	446	887	*-49.7*	905	*-50.7*
Total Life business direct premiums	6,983	4,562	*53.1*	6,176	*13.1*

New business in terms of APE, net of non-controlling interests, amounted to €430m at 31 December 2013 (€369m at 31/12/2012 on a like-for-like basis).

Pension funds

The Unipol Group retained its leading position in the supplementary pension market in 2013, despite a difficult competitive context.

At 31 December 2013, the subsidiary Unipol Assicurazioni managed a total of 23 occupational pension fund mandates (13 of them for accounts 'with guaranteed capital and/or minimum return') and total resources managed came to €3,681m (of which €2,269m with guaranteed capital).

With respect to 31 December 2012, the number of mandates managed fell by one unit, due to the expiry of the management agreement of a minimum return mandate. At the end of 2012, resources under management totalled €3,495m (€2,099m with guaranteed capital).

At 31 December 2013, the Unipol Group managed eight Open-Ended Pension Funds for total assets of €723m and total member numbers of 45,533. In particular, Unipol Assicurazioni manages the assets of the "Unipol Previdenza" and "Unipol Insieme" funds, which recorded a total of €370m and 25,113 members (€326m and 24,928 members at 31/12/2012), while the Fondiaria-SAI manages 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) for a total of 20,420 members and assets of €353m (20,943 members at 31/12/2012 with assets managed amounting to €319m).

Life premiums of the main Group insurance companies

The traditional company Unipol Assicurazioni achieved direct Life premiums of €2,179m, an increase of 10.6% due in particular to class V, which rose from €272m at 31 December 2012 to €604m at 31 December 2013, due also to a significant contract with Fondo Pensione Dipendenti Regione Sicilia. Class I premiums also recorded a significant rise compared to the same period in 2012 (up 41.2%) attributable in particular, to individual annual premium policies (first year premiums up 33.4%) and individual single premium policies (+55.2%). In relation to class VI, the decrease is due to the acquisition in 2012 of major contracts for a total of €470m.

The breakdown of direct Life premiums by class is shown in the following table:

Unipol Assicurazioni Spa - Life business direct premiums

	Amounts in €m	31/12/2013	% comp.	31/12/2012	% comp.	% var.
I	Whole and term life insurance	1,160	53.2	822	41.7	41.2
III	Unit-linked/index-linked policies	3	0.1	4	0.2	-38.1
	- of which investment products	2	0.1	4	0.2	-42.0
IV	Health	0	0.0	0	0.0	12.5
V	Capitalisation insurance	604	27.7	272	13.8	122.3
	- of which investment products	1	0.1	0	0.0	
VI	Pension funds	412	18.9	871	44.2	-52.7
	- of which investment products	13	0.6	12	0.6	6.5
Total Life business		2,179	100.0	1,969	100.0	10.6
- of which investment products		17	0.8	16	0.8	2.1

At 31 December 2013, the Life insurance companies in the Arca Group (Arca Vita and Arca Vita International), with premiums of €845m, recorded significant growth (up 53.4%) compared to the corresponding period in the previous year, which was characterised by a particularly weak performance. The breakdown by class is shown in the following table:

Arca Group - Life business direct premiums

	Amounts in €m	31/12/2013	% comp.	31/12/2012	% comp.	% var.
I	Whole and term life insurance	730	86.4	458	83.2	59.4
III	Unit-linked/index-linked policies	108	12.8	93	16.8	16.7
	- of which investment products	108	12.8	92	16.8	16.8
V	Capitalisation insurance	7	0.8	0	0.0	
Total Life business		845	100.0	551	100.0	53.4
- of which investment products		108	12.8	92	16.8	16.8

The direct premiums recorded by companies in the Premafin/Fondiaria-SAI Group amounted to €3,958m (€3,655m at 31/12/2012, +8.3%). The increase is due, in particular, to the bancassurance channel, thanks to the premiums of the subsidiary Lawrence Life.

The breakdown by class is shown in the following table:

Premafin/Fondiaria-SAI Group - Life business direct premiums

	Amounts in €m	31/12/2013	% comp.	31/12/2012	% comp.	% var.
I	Whole and term life insurance	2,564	64.8	2,212	60.5	15.9
III	Unit-linked/index-linked policies	1,072	27.1	1,152	31.5	-6.9
	- of which investment products	10	0.2	10	0.3	-0.7
IV	Health	1	0.0	0	0.0	76.7
V	Capitalisation insurance	287	7.3	256	7.0	12.2
VI	Pension funds	35	0.9	34	0.9	0.7
	- of which investment products	35	0.9	34	0.9	0.7
Total Life business		3,958	100.0	3,655	100.0	8.3
- of which investment products		44	1.1	44	1.2	0.4

Direct premiums attributable to the main companies of the Fondiaria-SAI Group are set out below:
- Fondiaria-SAI €874m (€827m at 31/12/2012, +5.8%);
- Popolare Vita €1,584m (€1,608m at 31/12/2012, -1.5%);
- Lawrence Life €951m (€723m at 31/12/2012, +31.4%);
- Milano Assicurazioni €385m (€367m at 31/12/2012, +4.8%);
- BIM Vita €138m (€105m at 31/12/2012, +31%).

Reinsurance

Indirect business

Indirect Non-Life and Life **premium income** amounted to €38m at 31 December 2013 (€27m in 2012) and was made up of €36m of premiums from Non-Life business (€26m in 2012) and €2m from Life business, unchanged with respect to 2012.

Indirect business *Amounts in €m*	31/12/2013	31/12/2012	*% var.*	31/12/2012 on a like-for-like basis	*% var. on a like-for-like basis*
Non-Life premiums	36	26	*41.0*	28	*27.7*
Life premiums	2	2	*10.5*	2	*-6.5*
Total indirect premiums	38	27	*39.2*	30	*25.6*

Outwards reinsurance

Group **premiums ceded** totalled €443m (€298m in 2012), €421m of which came from Non-Life premiums ceded (€276m in 2012) and €22m from Life premiums ceded (unchanged with respect to 2012).

Premiums ceded *Amounts in €m*	31/12/2013	31/12/2012	*% var.*	31/12/2012 on a like-for-like basis	*% var. on a like-for-like basis*
Non-Life premiums	421	276	*52.7*	422	*-0.3*
Retention ratio - Non-Life business (%)	*95.7%*	*96.2%*		*96.0%*	
Life premiums	22	22	*1.1*	27	*-17.7*
Retention ratio - Life business (%)	*99.7%*	*99.5%*		*99.6%*	
Total premiums ceded	443	298	*48.9*	449	*-1.3*
Overall retention ratio (%)	*97.3%*	*97.5%*		*97.3%*	

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

At 31 December 2013, the technical result of Non-Life premiums ceded recorded a positive balance for reinsurers due to both the strong performances of direct business for the year and positive run-off on provisions of previous years (including, in particular, those for the earthquake in Emilia in 2012).

The technical result of Life premiums ceded at 31 December 2013 was positive for reinsurers, mirroring the value in 2012.

Unipol Group reinsurance policy

The Unipol Group's reinsurance policy was modified in 2013 in order to achieve synergies and economies of scale due to the expansion of the consolidation scope realised as a result of the acquisition of the Premafin/Fondiaria-SAI Group. Therefore, extensive and balanced programmes were presented to the international market, through retrocession cover composed of the sum of the various portfolios of the individual companies in the new scope of consolidation.

In particular, on 1/1/2013 the unification of the most important non-proportional treaties was carried out (disaster protection per event of the Property classes, cover for fire risk and protection per risk/event of the Land Vehicle TPL class), together with a standardisation of those of the Aviation classes.
This strategy will continue over the new few years on the remaining outwards reinsurance contracts, all the more so after the completion of the Merger Plan, with the objective of achieving:
i) an effective increase in retention levels;
ii) more efficient governance of the costs structure through the achievement of economic benefits from the management of larger critical masses of risks subject to reinsurance.

As regards occupational aspects, significant economies of scale can therefore be realised through the simplification and strengthening of reinsurance plans, developed with a more rational and flexible approach to ensure support for the general development strategy for direct insurance business.
The greater scope and diversification of the portfolios also makes it possible to retain higher shares of risks underwritten in direct business, in this way decreasing the transfer of the associated benefits to reinsurers.
Due to the integration, more effective management was finally achieved, through the possibility to offset debits due to/credits due from reinsurers.

Therefore, in 2013, the outwards reinsurance of the individual Group companies was focused on some specialised hubs, which also make provision for external retrocessions, in particular:
– in Unipol Assicurazioni, for the transfers of companies belonging to the Group prior to the acquisition of the Premafin/Fondiaria-SAI Group (consistent with previous arrangements) and for the majority of non-proportional transfers of all companies in the new scope of consolidation;
– in Lawrence Re Ltd for treaties that are still separate of the companies in the Premafin/Fondiaria-SAI scope;
– in SIAT solely for the Transport classes of the companies in the Premafin/Fondiaria-SAI scope;

Solely the risks in the Aviation classes are placed directly by the underwriting companies.

As regards the risks of all classes of particular relevance ceded optionally, they are generally placed directly by the individual underwriting companies.

The protection of risks assumed in the following classes continues to be geared prevalently towards transfers on a non-proportional basis: Fire, Accident, Theft, General TPL, Land Vehicle TPL and Land Vehicle Hulls, while for the Aviation classes, provision has been made for a mixed structure based on proportional treaties and excess of loss cover to protect the associated risks preserved.
For the Technological Risk and Bond classes, proportional insurance cover was confirmed for Unipol Assicurazioni and, for companies in the Premafin/Fondiaria-SAI, the mixed structure based on proportional and non-proportional treaties.
In relation to the Transport classes, excess of loss protection was confirmed for Unipol Assicurazioni and, for companies in the Premafin/Fondiaria-SAI, the mixed structure based on proportional and non-proportional treaties. The Credit class continued to be ceded on a proportional basis.

As regards risks underwritten in the Life business, insurance cover continued to be implemented in line with previous years, with the adoption, for companies in the perimeter prior to the acquisition of the Group, of the usual automatic proportional types of cover through Unipol Assicurazioni, and, in relation to the companies in the Premafin/Fondiaria-SAI perimeter, proportional transfers to the subsidiary Lawrence Re Ltd which insures itself with non-proportional cover.

In order to reduce the counterparty risk to a minimum, the reinsurance of Group companies was placed with leading professional reinsurers rated very sound by the world's leading rating agencies.

Performance of the Insurance Business

The Group's insurance business ended with a **total pre-tax profit of €1,376m** (€881m[2] at 31/12/2012), of which €865m relating to the Non-Life segment (€824m at 31/12/2012) and €512m relating to the Life segment (€57m at 31/12/2012).

In terms of claims, as regards the Non-Life class loss ratio for the year, the performances in the year confirmed the positive trends already recorded in the previous year, highlighting a consolidation of the technical MV TPL ratios, thanks to another decrease in claims reported compared to the same period in the previous year, which allowed the company to contain the effects of the reduction in the average premium. A favourable trend was also registered in the loss ratio of the non-MV classes, particularly the loss ratio linked to weather events and natural disasters, affected in the first half of 2012 by the damages caused by the heavy snowfall in Romagna (February) and those caused by the earthquake in Emilia and the surrounding regions (in May).

The **loss ratio** solely for Non-Life direct business, including the OTI ratio, stood at 68.2% (69.8% at 31/12/2012).

The number of claims reported, without considering the MV TPL class, rose by 3.7%, due in particular to the Health class (+6.5%), while claims in the main classes fell, especially in the Accident (-11.1%) and General TPL (-10.3%) classes.

Number of claims reported (excluding MV TPL)

	31/12/2013	31/12/2012	% var.
Motor vehicles - Property damage (class 3)	365,127	372,301	-1.9
Accident (class 1)	147,436	165,897	-11.1
Health (class 2)	2,662,864	2,499,364	6.5
Fire and Miscellaneous damage (classes 8 and 9)	341,052	342,910	-0.5
General third-party liability (class 13)	131,742	146,919	-10.3
Other classes	326,495	304,806	7.1
Total	3,974,716	3,832,197	3.7
Total net of Health class	1,311,852	1,332,833	-1.6

[2] Result determined following the definitive recognition of the business combination relating to the acquisition of the Premafin/Fondiaria-SAI Group, with respect to €970m (of which €885m in the Non-Life business and €85 in Life business).

As regards the MV TPL class, where the CARD agreement is applied[3], at 31 December 2013, cases relating to "fault" claims (Non-Card, Debtor Card or Natural Card) reported totalled 860,024, down 12.5% (982,504 at 31/12/2012).
Claims reported that present at least Debtor Card claims handling numbered 571,895, down 11.7% compared to the same period in the previous year.
Handler Card claims totalled 611,269 (including 66,901 Natural Card claims, claims between policyholders at the same company), down 12.5%. The settlement rate in December 2013 was 80.3%, compared to 79.8% in the same period of the previous year.
The weight of claims handled compliant with the principles for the application of the Card agreement (both handler and debtor) out of total claims handled (Non-Card + Handler Card + Debtor Card) at 31 December 2013 stood at 84.2% (84.1% at 31/12/2012).

The expense ratio for Non-Life direct business stood at 24.7% (23.4% at 31/12/2012).

The combined ratio, based on direct business, was 92.9% at 31 December 2013 (93.2 at 31/12/2012).

[3] CARD - Convenzione tra Assicuratori per il Risarcimento Diretto (Agreement Between Insurance Companies concerning Direct Compensation): MV TPL claims can be classified into three different types of handling:

– Non-CARD claims: claims settled by the ordinary system for which the CARD agreement does not apply;
– Debtor CARD claims: claims settled by the CARD agreement in which "our" policyholder is liable, in whole or in part, are settled by counterparty companies to which "our" company must pay a lump-sum payment ("Debtor Lump-sum");
– Handler CARD claims: claims settled by the CARD agreement in which "our" policyholder is not liable, in whole or in part, are settled by "our" company to which counterparty companies must pay a lump-sum payment ("Handler Lump-sum").

However, it should be noted that the above classification represents a simplified outline given that, in reality, an individual claim may include items of damage which fall under each of the three types of claims handling indicated above.

Banking sector

Operating performance of the Unipol Banca Group

The year 2013 was characterised by deep changes which concerned both the bank's management structure and the composition of the Banking Group. In June, as a result of the decisions taken by the Board of Directors at the meeting on 30 May 2013, Mr. Stefano Rossetti was appointed General Manager of Unipol Banca then both the management structure and commercial network were both reviewed with a view to simplification and streamlining.

Within the context of the reorganisation and rationalisation of the Banking Group, in 2013, the mergers by incorporation of Unipol Leasing (21 April 2013) and Unipol Merchant (8 July 2013) into Unipol Banca took effect for statutory purposes, hence completing the process to centralise lending activities in Unipol Banca. The mergers took effect on 1 January 2013 for tax and accounting purposes.
In December, the investment in Unipol Fondi Ltd was transferred to a party operating in the same sector.
It should also be noted, following the suspension of negotiations for the transfer, the assets and liabilities relating to the subsidiary Unicard were re-stated by line (in 2012, they had been reclassified under assets and liabilities held for disposal), as with the associated income statement items (in 2012, stated under the item profit (loss) of discontinued operations).

The persistence of the difficult macroeconomic period involved another deterioration in the credit quality and significant impairment, particularly attributable to the real estate and construction sector, as well as the write-down of the majority of goodwill with an indefinite life relating mainly to the business combinations completed between 2001 and 2004.

The bank's activities in 2013 were targeted primarily at retail customers (private and SMEs), and, in particular Group insurance customers and shareholders of consumer cooperatives. A total of 77.9% of new mortgage loans (equal to €228m) were disbursed to retail customers, augmented by a further €81m in unsecured loans and personal loans.

At 31 December 2013, **direct customer deposits** amounted to €10,067m, a slight increase compared to the value in December 2012 (+1.5%), owing to greater volumes attributable to the companies in the Unipol Group. Net of these, direct deposits are essentially stable (+0.3%).
The Cooperatives market remained stable, while the Retail market (mass market, affluent and small business segments - companies with sales of less than €2.5m) recorded a reduction in volumes (-3.9%), offset by the growth in the Corporate market (+14.3%). On the whole, ordinary customers recorded an increase of 1.8%. The increase in volumes attributable to the Unipol Group reflects temporary excess liquidity, also partly connected with the Group's extraordinary transactions.

In 2013, bonds matured totalling €600m, €163m of which relating to securities subscribed by Unipol Assicurazioni and not renewed. The commercial efforts in the ordinary customer segment made it possible to cover €437m falling due with respect to third party customers and simultaneously almost fully check the decrease attributable to companies in the Unipol Group with the subscription of an additional €98m.
In the first few months of 2013, €250m in notes (nominal value) initially issued by a proprietary securitisation vehicle and simultaneously repurchased on issue by Unipol Banca (object of a so-called "self-securitisation") was placed on the market. On the whole, the medium/long-term component rose by €118m, reaching 27.7% of total direct deposits (this ratio stood at 26.9% in 2012). If we exclude transactions with Cassa Compensazione e Garanzia (C.C.&G.), repurchase agreements record a decrease of 38.5% in 2013, equal to €38m, while

other forms with a shorter term (current accounts, savings deposits, certificates of deposit, time deposits) increased by €156m. Therefore, on the whole, short-term deposits (excluding C.C.&G.) recorded an increase of €156.

Indirect deposits totalled €23,722m in 2013, marking an increase of 12.3% over 31 December 2012. The increase concerned both the volumes of the Unipol Group, amounting to €20,983m (+12.9% compared to 31 December 2012), and ordinary customers (+7.9% compared to December 2012, composed of Retail +11.6%, Corporate -15.8% and Cooperatives +11.7%).
On the whole, assets under management totalled €1,222m at 31 December 2013 (+9% compared to 2012), divided into managed funds (17%), funds (35%) and Life insurance policies (47%). As already anticipated, in 2013, the investment in Unipol Fondi Ltd was sold and the associated products transferred to the company AcomeA. Funds rose by 18.9% compared to the previous year, also thanks to the selection of counterparties of high standing to complete the range of products to offer to customers.
Life insurance policies also recorded a steady rate of growth in 2013 (+27.5%), after the sharp downturn recorded in recent years, thanks also to new forms of collaboration with Unipol Group insurance agencies. Policies amounted to €570m at 31 December 2013. By contrast, assets managed recorded a negative performance with respect to December 2012 (-28.7%), totalling €224m, prevalently held in GPM (90.5%).
Funds under custody totalled €22,500m in 2013, marking growth of 12.5%. The increase in volumes compared to the figure recorded at the end of 2012 is attributable primarily to the investments of Unipol Group companies (+13% for a total of €2,413m) and, to a lesser extent, to ordinary customers (+6.2% for a total of €90m). All ordinary customer components recorded an increase in terms of volumes (Retail +1.6%, Cooperatives +7.7% and Corporate +43.8%).

At 31 December 2013, lending to customers was €9,616m down compared to the figure at the end of 2012 (€10,112m, -4.9%), whilst receivables from banks amounted to €383m compared with €434m at the end of 2012.
In relation to receivables from customers, the Retail (+€52m, +1.1%) and Cooperatives (+€71m, +6.4%) markets recorded growth, while the Corporate market recorded a decrease (-€585m, -13.5%). The reduction in receivables from the Corporate market is due in part to the significant rise in valuation reserves recorded on transactions classified under impaired loans. In terms of the medium/long-term component, the disbursement of new mortgage loans fell 4.6% in 2013, reaching €293m, €228m of which on the Retail market. The disbursement of other unsecured loans also recorded a slight drop (-2.3%) to €177m, €81m of which on the Retail market.
Gross non-performing loans at 31 December 2013 amounted to €3,176m (€2,506m at 31 December 2012). The increase registered in the year, amounting to €669m (+26.7% compared to the close of the previous year), largely reflects the persistence of a deep recession affecting the country across the board.
It should be noted that Unipol Banca mitigated the credit risk by stipulating an Indemnity Agreement with the holding company Unipol on 3 August 2011, relating to a segment of net non-performing exposures which totalled €517m at 31 December 2013, mostly relating to counterparties in the real estate sector.

In relation to concentration risks in the statement of financial position at 31 December 2013, the item "receivables from customers" included exposures that were deemed to be major because of both the level of concentration of the risk and the sector of financial activity, which in almost all cases was real estate. This relates, in particular, to 21 economic groups with a total gross exposure of €877m, of which €548m classified as bad and doubtful loans, €314m in other categories of non-performing positions, in addition to some performing positions forming part of said groups for a total of €15m; all covered by valuation reserves of €84m. At 31 December 2012, this portfolio segment included 18 economic groups for a total exposure of €743m, with valuation reserves of €29m.

This portfolio segment saw the entry of three new groups during the year for a total of €109m, in addition to a further €6m in exposures deriving from lease agreements, and €24m for fees accrued. Decreases of €5m were registered during the year.
It should be noted that part of this portfolio is subject to the Indemnity Agreement with the holding company Unipol, whose commitment consisted of more than merely a duty to make a reimbursement but took the form of helping to assess the amount of the property assets used as security for the loan. However, considering the recessionary situation in the property market, it was deemed appropriate to increase the coverage ratio on this portfolio segment from 3.9% in 2012 to 9.5% at 31 December 2013. Unipol Banca continues with its business of restructuring exposures, identifying the professional operators interested in taking over the property initiatives financed, more generally to identify methods and operators able to maximise the value of the assets on whose disposal or income-generating capacity the repayment of the exposures depends.

Net interest income in 2013 remained essentially stable compared to the same period in 2012 (-0.7%), amounting to €206m (€208m at 31 December 2012).
Net commission income fell by 5.6%, principally due to the decrease in commission income, attributable to the abolition of the "unauthorised overdraft indemnity", not offset by the decrease in commission expense.
Financial management is the component that recorded the biggest deviation with respect to the same period in the previous year, with a decrease of 88.4%, given it did not benefit, this year too, from the income from financial transactions performed in 2012 (repurchase of securities issued by the SPVs and OPS - Public Subscription Offer). Gross operating income totalled €311m in 2013, a decrease of 13.5%.

Value adjustments totalled €357m in 2013 (€77m in 2012), a significant increase due to the persistence of the economic crisis and the application of the new policy relating to the valuation of impaired loans. Valuations of loan portfolios involved net value adjustments of €306m (€77m in 2012). The cost of risk of the banking Group (calculated on the basis of the ratio of impairment losses on loans to loans to customers) amounted to 318.2 basis points on annual basis; it stood at 75.7 basis points in 2012.
In addition to the loan component, value adjustments on securities classified in the available-for-sale financial assets and other adjustments portfolio amounted to €51m.
Operating expenses totalled €261m, -1.3% compared to the same period in 2012.
Following the impairment test, goodwill with an indefinite life was almost fully written down for €125m, of which around €120m relating to bank branches.

As a result of the trends described, the net consolidated result of the Unipol Banca banking Group at 31 December 2013 was a loss of €299m (€6m profit in 2012).

Operating performance of BancaSai

Total deposits at 31 December 2013 came to €20,413m, compared to €20,141m in 2012.

The number of current accounts fell by 14% during the year, from 15,816 at the end of 2012 to 13,563 at the close of 2013, while total **direct customer deposits** in current accounts amounted to €728m (€756m at 31/12/2012). Non-Group company customers accounted for 22% of deposits, equal to €163m (€165m in 2012). Private customers accounted for the lion's share of this total: around 19% of total direct deposits, totalling €140m, while corporate customers accounted for 3%, with roughly €23m of deposits. At 31 December 2013, total placed bonds came to €21m, of which €18m retail, compared to €146m at the end of 2012 (of which €35m retail). There were no new bond issues in 2013.

Total **indirect deposits** came to €19,664m, compared to €19,240m at the end of 2012. These were composed of **funds under custody** totalling €19,539m (of which €18,602m relating to the companies in the Fondiaria-SAI Group) and **assets under management** (€126m).

In terms of **lending to customers**, in 2013, BancaSai continued the trend of reducing lending to third party counterparts, focusing more on the management of existing loans and allocating, where necessary, additional write-down provisions for closer control of credit risk.
Lending (mortgages and uses of various credit lines, before value adjustments) amounted to €782m at the end of the year (€785m at 31 December 2012).
The reduction in credit facilities approved in 2013 was also significant (net of the exposure to the subsidiary Finitalia), which fell from €555m at the end of 2012 to €471m at 31 December 2013. By contrast, credit facilities granted to the subsidiary Finitalia doubled, reaching €300m, in support of the recent policy of expanding the business of premium financing to companies in the Unipol Group.

BancaSai continued to focus attention on the concept of "fragmentation of risk", with reference to both the distribution by economic activity and concentration by individual customer. Selective criteria continued to be applied to the management of the credit portfolio, in order to adapt the size and quality of credit lines into line with the actual risk profile. In 2013, non-performing loans continued to grow, although at less sustained rates, generating another reduction in the current performing loan portfolio, from 79.1% to 77.5%. Net non-performing loans as a percentage of net loans therefore rose from 11% to 12%; the individual positions were all adequately managed and prudentially written down; the coverage level of non-performing loans rose slightly, from 54.6% to 55%.
The provision of mortgage loans continued at reduced rates, confirming the stagnant performance already recorded in the previous year; as a result of a more selective lending policy, and the reduction in property purchases/sales at national level.

The ratio of tier 1 capital to total weighted assets (Tier 1) stood at 21.1%.

Net interest income amounted to €19m, in line with the previous year. Net service revenues, composed of **net commission income**, totalled roughly €11m (€10m in the previous year).
Value adjustments to the loan portfolio came to €14m (€49m at 31/12/2012).
In 2013, the item **operating expenses** amounted to €16m, compared to €18m at 31 December 2012.

The year 2013 closed with a **profit** of €2m (compared to a loss of €29m at the end of 2012).

The pre-tax result of the Banking sector at 31 December 2013 was a loss of €424m (pre-tax profit of €13m at 31/12/2012).

The following table shows the principal items in the income statement of the Banking sector, set out in accordance with the layout specified for banks, bearing in mind that the data of the previous year include the values of the Premafin/Fondiaria-SAI Group solely for the second half of 2012:

Banking business

Amounts in €m	31/12/2013	31/12/2012	*% var.*
Net interest income	251	227	*10.5*
Net commission income	113	115	*-1.7*
Other net financial income	6	49	*-88.5*
Gross operating income	370	391	*-5.4*
Net impairment losses on financial assets	-377	-98	*285.3*
Net financial income	-7	293	*-102.5*
Operating expenses	292	280	*4.2*
Cost/income	*79.0%*	*71.7%*	*10.2*
Other income (charges)	-125	0	
Pre-tax profit/(loss)	-424	13	

Investments and cash and cash equivalents of the banking sector totalled €12,866m at 31 December 2013 (€13,279m at 31/12/2012).

Financial liabilities amounted to €12,270m (€12,419m at 31/12/2012) and are mainly composed of:

- €591m in subordinated loans (€589m at 31/12/2012);
- €2,196m in issued debt securities (€2,203m at 31/12/2012);
- €8,022m in payables to customers (€7,945m at 31/12/2012);
- €1,258m in interbank payables (€1,509m at 31/12/2012).

Unipol GRUPPO

Real Estate Sector

In 2013, following an initial phase which saw the start of preliminary activities prior to the enhancement of part of the real estate assets, which involved an analysis of all the Group's properties to identify the buildings subject to transfer or operations for optimising their profitability of the three-year period, as set out in the 2013-2015 Business Plan, a phase commenced for the transfer of certain properties.
As part of the transfer process, the properties which attracted the most interest from the market were those held for a split sale. These properties, around ten of which distributed between the cities of Turin, Milan and Florence, in fact, found their tenants to be most interested counterparties.
In relation to the transfers of land and buildings not subject to a split sale, it should be noted that a preliminary sale contract for a property in Milan viale Boezio no. 20 (accommodation facilities closed since 2009) was signed in the period with a major international real estate company, whose completion is subject to the obtainment of an authorisation from the Municipality of Milan regarding the change of use, an authorisation which is expected to be issued in 2014.

In terms of operations aimed at optimising properties' profitability, design activities commenced concerning some of the properties that will undergo renovation works, as part of which the project to restore and develop the property in Milano via Fara 41 "Torre Galfa" should be noted, completely empty since 2001. This property saw, in concert with the City Administrator of Milan, the start of the study of the property redevelopment and enhancement project, which will be finalised over the next few months.
Investments continued, through some Group companies, in the joint ventures with the US Group HINES for the creation of the real estate development project in the area known as "Porta Nuova" in Milan, structured into the independent projects Porta Nuova Garibaldi, Porta Nuova Varesine and Porta Nuova Isola.
In relation to the area in Milan in via Melchiorre Gioia at the corner of via Don Sturzo, owned by the Group, with an urban redevelopment zone known as "Porta Nuova", preliminary design activities are underway for the construction of a new multi-storey building.

As part of the project for the restructuring of the Group's premises, the Milano Corso di Porta Vigentina property was identified as the work location for some of the Group's management functions. This decision made it possible to use a previously empty Group-owned property, centrally located in Milan.

Works continued for the completion of the property complexes in Bologna, via Larga and piazza Costituzione 1, regarding the completion of building interior works, both for accommodation use, which are expected to be completed in the next few months.

As regards the areas involved in the property initiatives, the seizure of the Castello area (ordered in November 2008) was revoked in March, an area covering 170 hectares on the northern outskirts of Florence, whose detailed plan made provision for a development for not only residential and management use, but with a part set aside for "government management" purposes, to accommodate public authority offices. A change to the initiative's detailed plan is currently under consideration, in order to align the initial project to current demand in the real estate market, and the implications, generated in recent months, by the introduction of town planning legislation resulting from the Tuscany Region's adoption of the PIT (Regional Spatial Plan)

As part of the rationalisation and optimisation of the corporate structure and of the reduction of structure costs of the real estate sector, 2013 saw the launch of the merger into Immobiliare Fondiaria-SAI of five real estate companies, wholly-owned by the latter, without significant economic/equity assets, whose corporate purposes have, within the general Group context, essentially been eliminated due to cost-effectiveness and rationality reasons.

During the year, part of the payments to the future share capital increase account made by Milano Assicurazioni to its subsidiary Immobiliare Milano Assicurazioni - resolved in the first half- were also returned.

The main income statement figures of the real estate sector are shown below, bearing in mind that the data of the previous year include the values of the Premafin/Fondiaria-SAI Group solely for the second half of 2012:

Income Statement - Real Estate Sector			
Amounts in €m	31/12/2013	31/12/2012	*% var.*
Gains (losses) on remeasurement of financial instruments at fair value through profit or loss	-2	-2	*-36.4*
Gains on investments in subsidiaries, associates and interests in joint ventures	0	0	*64.7*
Gains on other financial instruments and investment property	56	37	*54.5*
Other revenues	39	21	*87.5*
Total revenue and income	94	55	*71.1*
Losses on investments in subsidiaries, associates and interests in joint ventures	0	-1	*-84.3*
Losses on other financial instruments and investment property	-84	-37	*128.3*
Operating expenses	-8	-5	*48.5*
Other costs	-51	-26	*98.0*
Total costs and expenses	-143	-69	*107.5*
Pre-tax profit (loss) for the year	-49	-14	*249.4*

The pre-tax result at 31 December 2013 was a loss of €49m (-€14m at 31/12/2012), after having effected property write-downs of €21m and depreciation of investment property and other tangible assets for €35m.

Investments and cash and cash equivalents of the real estate sector (including instrumental properties for own use) totalled €1,911m at 31 December 2013 (€1,945m at 31/12/2012), composed mainly of investment property amounting to €1,177m (€1,222m at 31/12/2012) and properties for own use totalling €541m (€514m at 31/12/2012).

Financial liabilities amounted to €175m at 31 December 2013 (€171m at 31/12/2012).

Holding/Services and Other Activities Sector

In relation to the diversified company sector, in 2013, operations initially concerned the appointment of the new Boards of Directors and the immediate start of extensive accounting, economic, financial and property due diligence, also in light of the information that emerged from the activities carried out on the Fondiaria-SAI Group by the acting Commissioner appointed by IVASS, which translated, inter alia, to a corporate liability action against certain former directors of said companies.
From a management point of view, the new directors, after the initial recognition of the areas of intervention in which to carry out the first initiatives targeted at an improvement in operations, launched a restructuring process within the individual departments, also from a commercial standpoint, in order to increase their profits. Some extraordinary transactions were also carried out to develop the business potential of various companies and reduce operating expenses.

The 'Other activities' sector continued to post a loss, partly attributable to the healthcare structures owned, shaped by the negative trends in private healthcare and another gradual decline in activities under contract with the public health authority. Villa Donatello completed expansion works within the existing complex with the opening of a new building. Aside from traditional activities, the building is now able to offer assistance in the following specialties: Ophthalmology, Dentistry, Dermatology, Physiotherapy and Rehabilitation, by using new and modern medical equipment. Villa Donatello's result (a loss of €9m), was affected by the write-down of a property asset in the first half of the year, while Centro Oncologico Fiorentino's loss (-€12m) is down compared to the figure in 2012 (€14m). A share capital increase was resolved for the latter company during the period, in order to cover the expected losses for 2013.

The segment also recorded a negative contribution from Atahotels (-€24m), operating in the hotel sector, whose result, an improvement when compared to the corresponding period of 2012 (-€35m), is still affected by the persistent weakness in the tourism sector, and the unique location of certain structures that do not benefit from a constant flow of tourists and/or business. The economic figure for the year was impacted not only by the renegotiation of rent on Group-owned buildings but the early economic effects connected with the renovation. In fact, extraordinary and non-recurring negative components affected the final result to the tune of roughly €15.5m.
In order to cover the 2013 losses and, in particular, to allow the company to recover from certain previous debt positions, the Board of Directors of Atahotels resolved a share capital increase in 2013, which was completed by the Shareholders' Meeting in February 2014.

As regards the agricultural sector, the result was adversely impacted by some adjustments and write-downs, made primarily to receivables, inventories and fixed assets, and by a dispute with the Tax Authorities for €5.4m, charged entirely to the year. Some major commercial partnerships were entered into in the last quarter of 2013 with a leading operator in the Large-scale Retail Trade and additional contacts established in order to increase the distribution of wine-growing and producing products on important foreign markets.
December saw holding company Fondiaria-SAI complete its purchase of Saiagricola della Tenuta Fattoria del Cerro, as part of a project targeted at concentrating ownership of the Group's agricultural holdings with an entity that uses them for instrumental purposes, permitting, among other things, better use of the "Fattoria del Cerro" brand. In this regard, with a view to repositioning it on the market, the project was launched for the rebranding of the company and its products.

The main income statement figures of the Holding/Services and Other Activities Sector are shown below, bearing in mind that the data of the previous year include the values of the Premafin/Fondiaria-SAI Group solely for the second half of 2012:

Income Statement Holding/Services and Other Activities Sector			
Amounts in €m	31/12/2013	31/12/2012	*% var.*
Commission income	6	6	*2.2*
Gains (losses) on remeasurement of financial instruments at fair value through profit or loss	3	-9	*-137.7*
Gains on other financial instruments and investment property	24	25	*-5.0*
Other revenues	678	343	*97.9*
Total revenue and income	712	364	*95.3*
Commission expense	0	0	*64.4*
Losses on investments in subsidiaries, associates and interests in joint ventures	-3	-12	*-72.2*
Losses on other financial instruments and investment property	-61	-69	*-11.6*
Operating expenses	-392	-216	*81.7*
Other costs	-638	-283	*125.5*
Total costs and expenses	-1,094	-579	*88.8*
Pre-tax profit (loss) for the year	-382	-215	*77.7*

The pre-tax result at 31 December 2013 was a loss of €382m (-€215m at 31/12/2012).
The items Other income, Other costs and Operating expenses include revenues and costs for services provided to Group companies belonging to other sectors, eliminated during the consolidation process.

The item Other costs also includes €200m in credit indemnity provisions set aside by the parent Unipol relating to the credit indemnity agreement stipulated in 2011 with the subsidiary Unipol Banca (€50m at 31/12/2012).

At 31 December 2013 investments and cash and cash equivalents of the Holding/Services and Other Activities Sector (including properties for own use totalling €187m) amounted to €970m (€1,543m at 31/12/2012). The decrease is attributable in particular to the share capital increase payment by Unipol Assicurazioni of €600m as part of the merger by incorporation into Fondiaria-SAI.

Financial liabilities amounted to €1,514m (€1,534m at 31/12/2012) and are mainly composed:
- for €782m, of a senior bond issued by Unipol with a nominal value of €750m (€781m at 31/12/2012);
- for €269m, of loans payable in place with the subsidiary Unipol Assicurazioni (€270m at 31/12/2012);
- €13m in Ambra Property payables due to Unipol Banca (€13m at 31/12/2012);
- €449m attributable to the Premafin Group (€465m at 31/12/2012).

Investment management

Investments and cash and cash equivalents

Transactions carried out in 2013

In 2013, the investment policies in the finance area adhered, in terms of medium/long-term investments, to the general criteria of prudence and of preserving asset quality consistent with the Guidelines defined in the Group's Investment Policy. The objectives were achieved through:

– activities carried out in compliance with the instructions defined during the meetings of the Group's Finance Committee and the Companies' Investment Committees, by availing themselves of the analyses conducted by the competent departments;
– transactions geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term.

The guideline for the development of investment activities in 2013 was maintaining a high standard of portfolio quality through a process for the selection of issuers based on the criteria of issuer diversification and strength, placing particular attention on the liquidity profile.

The main object of the transactions was the bond segment, with a preference for Italian government bonds in line with a medium/long-term investment approach. The increase in the exposure to government-issued securities during the year stood at €3,735m. The most significant decreases were recorded on German (-€226m) and Spanish (-€100m) government bonds. Purchases of government securities mainly concerned fixed-rate bonds or inflation-indexed bonds.
The Life segment saw a continuation, throughout the whole year, of actions to reduce floating-rate bonds, predominantly of non-government issuers, in favour of purchases of fixed-rate government bonds. The recomposition of the portfolio in favour of fixed-rate bonds was also achieved by using zero coupon type government bonds, the so-called BTP (Long-Term Treasury Bond) strips, which allow the protection of minimum guaranteed returns and of the coupon reinvestment risk in a low interest rate context. These decisions made it possible to structure the investment policies in line with the contractual commitments and objectives of the Business Plan.
The average duration of portfolios was also lengthened, to optimise the alignment of the asset portfolio with the liability structure.
In the Non-Life segment, the exposure to European inflation-indexed BTPs was increased, spreading purchases over different maturities, benefiting from the high real returns offered by this segment.
The non-government component of bond securities saw an overall reduction of €1,699m. The reduction was concentrated in the financial segment, which recorded a decrease of €1,651m, compared to a reduction of the exposure to non-financial securities of €48m.

Taken as a whole, the exposure to subordinated securities, due to sale or reimbursement, fell by around €245m and the cash generated was reinvested primarily in domestic government bonds. Against a reduction of roughly €363m in subordinated Tier 2 bonds, an increase of around €135m was registered in subordinated Tier 1 bonds, prevalently hybrid industrial securities concentrated in the Non-Life segment.

Asset portfolio simplification activities continued during the year. A general decrease of €1,150m was registered in the amount of structured bonds held in the portfolio. In particular, a decrease of €851m was recorded in structured level 2 and level 3 bonds: bonds with coupons indexed to the volatility of long-term interest rates were predominantly sold. The sales generated a capital gain of €34m in the year.

The sale of the Sicav (Open-ended Investment Company) Lyxor Quantic Optimizer should also be noted, for a value of €75m, whose coupon flow was linked to the performance of dividends of the Japanese stock market index (Nikkei). This sale was made with a view to optimising the liquidity profile of the portfolio and generated a capital gain of approximately €1.5m.
The table below shows the Group's exposure in structured bonds based on the composition by financial characteristics:

	31/12/2013			31/12/2012		
Amounts in €m	Carrying Amount	Market value	Implicit gain/loss	Carrying Amount	Market value	Implicit gain/loss
Simple structured bonds [1]	2,107	1,908	-199	2,548	2,206	-342
Complex structured bonds [2]	617	585	-33	1,042	976	-66
Other bonds with plain vanilla pay-off (SPV, CLN and CMS)	3,732	3,775	43	4,016	3,900	-116
Total structured bonds	6,456	6,268	-188	7,606	7,082	-524

(1) Bonds with returns linked to floating rates (predominantly Libor rates or constant maturity swap rates) with cap or floor options are considered simple structured financial instruments. These securities generally have an adequate degree of liquidity for being sold in the short-term.
(2) Bonds with returns linked predominantly either to the volatility of market interest rates and the gradient and level of the interest rate curve or credit risk are considered complex structured financial instruments. These securities generally do not have an adequate degree of liquidity for being sold in the short-term.

Share exposure decreased in 2013 by around €400m; the portfolio contains bonds with a good scope for future profits and a high profit flow. Almost all equity instruments belong to the main European share indexes. The sale of 12,229,394 shares of the stake in Pirelli should also be noted, which took place on the block market following the redefinition of the reference shareholders of the holding Camfin which determined a reduction in the shares of the Fondiaria-SAI Group contributed to the Pirelli Shareholder Agreement. Subsequently, the residual share of the stake in Pirelli was liquidated through the physical delivery of the securities on maturity of the hedges carried out during the year. In the final quarter of 2013, the stake in Mediobanca was also liquidated with the transfer of 33,019,886 shares for a total consideration of €178m.

The exposure to alternative funds, a category in which the Private Equity Fund and Hedge Fund belong, amounted to €241m, down in the year due to disposals of around €200m of the Sicav Saint George Capital Management.

Currency exchange transactions were targeted exclusively at the hedging of the currency risk of existing share and bond positions.

The overall Group duration stood at 4.36 years, up compared to 3.74 years at the end of 2012. The non-Life duration in the Group insurance portfolio was 3.16; in Life it was 4.99 years. The duration of the Holding/Other Activities segment was 0.69 years.

The fixed rate and floating rate components of the bond portfolio remained stood at 77.1% and 22.9% respectively.

The government component accounted for approximately 81.4% of the bond portfolio whilst the corporate component accounted for the remaining 18.6%, split into 14% financial and 4.6% industrial credit. Italian government bonds accounted for 76.1% of the total bond portfolio.

A total of 94.8% of the bond portfolio is invested in securities with a rating above "BBB-". A total of 3.6% of securities were between "AAA" and "AA-", whilst 5.9% was rated "A". The exposure in securities with a "BBB" rating was 85.3%.

The liquidity component in the portfolio stood at €2.3bn, predominantly deposited with Group banks.

At 31 December 2013, Group **Investments and cash and cash equivalents** totalled €74,109m (€72,943m at 31/12/2012), with the following breakdown according to type of business:

Investments and cash and cash equivalents according to type of sector

Amounts in €m	31/12/2013	*% comp.*	31/12/2012	*% comp.*	*% var.*
Insurance	61,236	*82.6*	58,825	*80.6*	*4.1*
Banking	12,866	*17.4*	13,279	*18.2*	*-3.1*
Holding and Services	970	*1.3*	1,543	*2.1*	*-37.1*
Real Estate	1,911	*2.6*	1,945	*2.7*	*-1.7*
Intersegment eliminations	-2,875	*-3.9*	-2,649	*-3.6*	*8.5*
Total investments and cash and cash equivalents (*)	74,109	*100.0*	72,943	*100.0*	*1.6*

(*)Including owner-occupied properties. At 31 December 2012, properties held for sale (IFRS 5) were also included, amounting to €3m.

The subdivision by category of investment is as follows:

Amounts in €m	31/12/2013	31/12/2012	*% var.*	Reclass . IFRS 5	Pre-reclass. IFRS 5	*% var. before IFRS 5*
Property (*)	4,129	4,278	*-3.0*	21	4,150	*-2.5*
Investments in subsidiaries, associates and interests in joint ventures	189	174	*8.2*	0	189	*8.2*
Investments held to maturity	2,933	3,051	*-3.9*	0	2,933	*-3.9*
Loans and receivables	16,300	17,489	*-6.8*	1	16,301	*-6.8*
Debt securities	5,295	5,764	*-8.1*	0	5,295	*-8.1*
Loans and receivables from bank customers	9,752	10,495	*-7.1*	0	9,752	*-7.1*
Interbank loans and receivables	353	397	*-11.0*	0	353	*-11.0*
Deposits with ceding companies	35	38	*-6.1*	0	35	*-6.1*
Other loans and receivables	864	795	*8.7*	1	865	*8.8*
Available-for-sale financial assets	39,934	36,648	*9.0*	0	39,934	*9.0*
Financial assets at fair value through profit or loss	9,787	10,595	*-7.6*	0	9,787	*-7.6*
held for trading	570	579	*-1.6*	0	570	*-1.6*
at fair value through profit or loss	9,217	10,016	*-8.0*	0	9,217	*-8.0*
Cash and cash equivalents	837	708	*18.2*	23	861	*21.5*
Total investments and cash and cash equivalents	74,109	72,943	*1.6*	46	74,154	*1.7*

(*) Including owner-occupied properties. At 31 December 2012, properties held for sale (IFRS 5) were also included, amounting to €3m.

Decree Law no. 133 of 30 November 2013, converted to Law no. 5 of 29 January 2014, authorised the Bank of Italy to increase its share capital, through the use of statutory reserves, to €7.5bn, and established that, following the increase, share capital is represented by registered newly issued shares with a nominal value of €25,000 each, which replaced the shares previously issued with a nominal value of €0.52 each.

The changes made to the Bank of Italy's Articles of Association and the regulation of equity rights related to the newly issued shares led distinguished jurists to believe that the nature and characteristics of the interests in the Bank of Italy's share capital had changed radically. In fact, the newly issued shares were allocated different equity and administrative rights from those attributed to the shares cancelled and, in addition, the system for the transfer of these shares had also changed.

Based on the above, the Unipol Group considered that the issue of the new shares to replace those issued previously qualifies as an exchange of non-similar assets and therefore has an 'actual basis' nature, consequently involving the derecognition of the cancelled already recorded in the financial statements.

Therefore, the 6,000 shares already held by the Unipol Group, through the subsidiaries Fondiaria-SAI and Milano Assicurazioni, and recorded in Unipol's consolidated financial statements, as part of the recognition of the business combination, under available-for-sale financial assets at a value of €120m (corresponding to €20,000 per share), were cancelled due to the replacement at fair value of the shares received, recognising a capital gain of €30m in the consolidated income statement.
The new shares were booked under the available-for-sale financial assets category for €150m, equal to their nominal value, deemed to be representative of the associated fair value.

The Unipol Group companies holding a share, also following specific indications provided by IVASS on 10 March 2014, realised in their respective company financial statements, drafted in accordance with international accounting standards, a total capital gain of roughly €150m, corresponding to the difference between the nominal value of the newly issued shares and the cost value of the shares issued previously, equal to the associated nominal value.
Also taking into account the guidelines set out by the Tax Authorities in Circular no. 4/E of 24 February 2014, substitute tax of 12% is due on said higher value, equal to a total amount of €18m.
As a result, in the Unipol Group's consolidated financial statements, the income statement benefitted from the replacement of the Bank of Italy shares, net of the above taxes, for an amount of €12m.

Given in-depth investigations are currently being conducted by the competent national and international authorities on the nature of the transaction and on the interpretation of the applicable international accounting standards, a different interpretation could emerge in relation to the approach adopted, which could involve the transfer of the benefit of €12m to the section Other comprehensive income/(expense), meaning said benefit would be booked to equity and not to the income statement.

Net gains on investments

Details of net gains on investments and net financial income are set out in the following table:

Net gains					
Amounts in €m	31/12/2013	*comp. %*	31/12/2012	*comp. %*	*% var.*
Investment property	-79	*-4.0*	-25	*-1.4*	
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	5	*0.2*	-14	*-0.8*	
Net gains on investments held to maturity	108	*5.4*	100	*5.8*	
Net gains on loans and receivables	76	*3.9*	491	*28.4*	
Net gains on available-for-sale financial assets	1,827	*92.1*	1,158	*67.1*	
Net losses on financial assets held for trading	37	*1.9*	12	*0.7*	
Balance of cash and cash equivalents	10	*0.5*	5	*0.3*	
Total net gains on financial assets, cash and cash equivalents	1,984	*100.0*	1,727	*100.0*	*14.9*
Net losses on financial liabilities held for trading	17		2		
Net losses on other financial liabilities	-340		-310		
Total net losses on financial liabilities	-323		-308		*5.0*
Total net gains (excluding instruments at fair value)	1,661		1,419		*17.1*
Net losses on financial assets at fair value	353		586		
Net gains on financial liabilities at fair value	-61		-149		
Total net gains on financial instruments at fair value	293		437		
Total net gains on investments and net financial income	1,954		1,856		*5.3*

At 31 December 2013, the following write-downs were booked to the income statement: write-downs of loans and receivables, attributable to banking activities for €514m (€127m at 31/12/2012), write-downs due to impairment on financial instruments classified in the available-for-sale asset category for €73m (€39m at 31/12/2012) and write-downs on investment property for €61m (€16m at 31/12/2012).

Net losses on Other financial liabilities amounting to €340m relate in particular to interest expenses accrued on bonds issued by Group companies (subordinated and non-subordinated), €204m of which relating to the banking sector.

Equity

Equity, excluding non-controlling interests, is composed as follows:

Amounts in €m	31/12/2013	31/12/2012	*variation in amount*
Share capital	3,365	3,365	*0*
Other equity instruments	0	0	*0*
Equity-related reserves	1,725	1,725	*0*
Income-related and other reserves	327	146	*181*
(Treasury shares)	-23	0	*-23*
Translation reserve	2	2	*0*
Gains/losses on available-for-sale financial assets	121	-164	*286*
Other gains and losses recognised directly in equity	-25	-51	*26*
Profit (loss) for the year	-79	285	*-364*
Total equity attributable to the owners of the parent	5,414	5,308	*106*

The main changes in the year were as follows:

- decrease due to dividend distribution for €113m;
- decrease due to purchase of treasury shares for €23m;
- increase of €7m relating to the recording, pursuant to IFRS 2, of the benefits recognised to the Chief Executive Officer and Group management on payment plans based on financial instruments (performance share type);
- an increase of €286m owing to the increase in the provision for gains and losses on available-for-sale financial assets, from -€164m at 31 December 2012 to +€121m at 31 December 2013;
- an increase of €26m owing to the increase in the provision for Other gains or losses recognised directly in equity;
- a decrease of €79m owing to the Group loss at 31 December 2013.

Equity attributable to non-controlling interests amounted to €2,067m (€1,956m at 31/12/2012).

Treasury shares

At 31 December 2013, Unipol held a total of 6,955,000 ordinary treasury shares, of which 6,740,000 directly and 215,000 indirectly through the subsidiaries Unipol Assicurazioni (175,000), Fondiaria-SAI (24,000) and Milano Assicurazioni (16,000).

The ordinary Unipol shares held by Unipol and the subsidiary Unipol Assicurazioni were acquired in 2013 in service of payment plans based on financial instruments (performance share type).

Reconciliation schedule for the Group result for the year and equity showing the corresponding figures for the Parent

In accordance with CONSOB Communication 6064293 of 28 July 2006 the schedule reconciling the Group result for the year and equity, including the corresponding figures for the Parent, is shown below:

Amounts in €m	Share capital and reserves	Profit/(loss) for the year	Equity at 31/12/2013
Parent - Italian GAAP	5,519	146	5,666
IAS/IFRS adjustments to the Parent's financial statements	-41	-154	-194
Differences between net carrying amount and equity and profit (loss) for the year of consolidated investments, of which:	-1,664	175	-1,489
- Translation reserve	*2*		*2*
- Gains or losses on available-for-sale financial assets	*122*		*122*
- Other gains or losses recognised directly in equity	*-45*		*-45*
Consolidation difference	1,244		1,244
Difference posted to other asset items (buildings, etc.)	53	-16	37
Companies measured using the equity method	5	2	6
Elimination of infra-group dividends	256	-256	0
Other adjustments (reversals of impairment losses, gains adjustments etc.)	120	24	144
Consolidated balances - portion attributable to owners of the Parent	5,493	-79	5,414
Non-controlling interests	1,800	267	2,067
Consolidated total	7,293	188	7,481

Technical provisions and financial liabilities

At 31 December 2013 technical provisions amounted to €56,875m (€56,456m at 31/12/2012) and financial liabilities totalled €16,041m (€16,234m at 31/12/2012). Technical Non-Life provisions of €19m were reclassified to the item Liabilities held for disposal, pursuant to IFRS 5.

Amounts in €m	31/12/2013	31/12/2012	*% var.*	Reclass. IFRS 5	Pre-reclass. IFRS 5	*% var. before IFRS 5*
Non-Life technical provisions	18,583	19,816	*-6.2*	19	18,602	*-6.1*
Life technical provisions	38,292	36,640	*4.5*		38,292	*4.5*
Total technical provisions	56,875	56,456	*0.7*	19	56,894	*0.8*
Financial liabilities at fair value	2,057	2,169	*-5.2*	0	2,057	*-5.2*
Investment contracts - insurance companies	1,582	1,545	*2.4*		1,582	*2.4*
Other	475	624	*-23.9*		475	*-23.9*
Other financial liabilities	13,985	14,065	*-0.6*	0	13,985	*-0.6*
Investment contracts - insurance companies	26	27	*-2.4*		26	*-2.4*
Subordinated liabilities	2,575	2,563	*0.5*		2,575	*0.5*
Payables to bank customers	6,096	6,253	*-2.5*		6,096	*-2.5*
Interbank payables	1,258	1,509	*-16.7*		1,258	*-16.7*
Other	4,030	3,712	*8.5*		4,030	*8.5*
Total financial liabilities	16,041	16,234	*-1.2*	0	16,041	*-1.2*
Total	72,917	72,690	*0.3*	19	72,935	*0.3*

Group debt (excluding net interbank business)

Amounts in €m	31/12/2013	31/12/2012	*variation in amount*
Subordinated liabilities issued by Unipol Assicurazioni	956	964	*-8*
Subordinated liabilities issued by Unipol Banca	591	589	*2*
Subordinated liabilities issued by the Premafin Group	1,029	1,011	*18*
Debt securities issued by Unipol Banca	2,136	1,859	*277*
Debt securities issued by Unipol	776	771	*5*
Other loans of Unipol Assicurazioni	104	0	*104*
Payables to banks and other loans obtained by the Premafin Group	736	780	*-44*
Total debt at 31/12/2013	6,327	5,973	*353*

At 31 December 2013 the debt securities issued by Unipol Banca, net of intragroup subscriptions of €39m, amounted to €2,136m, compared to €1,859m at 31 December 2012 (intragroup subscriptions of €199m). In 2013, bonds matured totalling €600m, €163m of which relating to securities subscribed by Group companies and not renewed.

Debt securities issued by Unipol, net of intragroup subscriptions, for €776m (€771m at 31/12/2012) relate to a senior unsecured bond 2009-2016, fixed rate 5%, listed on the Luxembourg Stock Exchange, with a nominal value of €750m.

Other Unipol Assicurazioni loans, amounting to €104m, refer to loan repurchase agreements, with a nominal value of €100, with a term from 18 December 2013 to 2 January 2014, with Mediobanca as counterparty (not present at 31/12/2012).

Payables due to banks and other lenders of the Premafin Group amounted to €736m at 31 December 2013 (€780m at 31/12/2012), €379m of which relating to the Amended Pre-Integration Loan Agreement of the subsidiary Premafin, object of the Debt Restructuring Agreement stipulated on 13 June 2012 as part of the redevelopment plan pursuant to art. 67 of Bankruptcy Law.
The reduction in debt is mainly due to BancaSai's reimbursement of bonds for a total accounting value of around €63m, set against Finitalia's stipulation of a short-term loan (expiring on 10/02/2014) of €10m with Banca Nazionale del Lavoro.

Other information

Human Resources

The total number of employees in the Group at 31 December 2013 was 15,230 (+18 compared with 2012).

Personnel	31/12/2013	31/12/2012	*change*
Total number of Unipol Group employees	15,230	15,212	*18*
of which on a fixed-term contract	*398*	*382*	*16*
Full Time Equivalent - FTE	14,516	14,520	*-4*

This includes 72 seasonal staff of Atahotels at 31 December 2013 (79 at 31/12/2012), and foreign company employees (1,522) include 607 agents.

The management of human resources based on corporate social responsibility focuses on individuals, paying particular attention not only to them as employees but also to the various requirements of their entire professional lives, by developing, inter alia, supplementary welfare benefits able to adequately meet the new requirements both for products and services.

Group company employees, holding managerial and non-managerial functions, can become members of both a Pension Fund and a Welfare Fund. Various funds and assistance schemes are offered simultaneously, based on the sector and company of origin. At December 2013, 12,416 employees were subscribed to a Pension Fund and 12,738 employees were members of a Welfare Fund.

Social and environmental responsibility

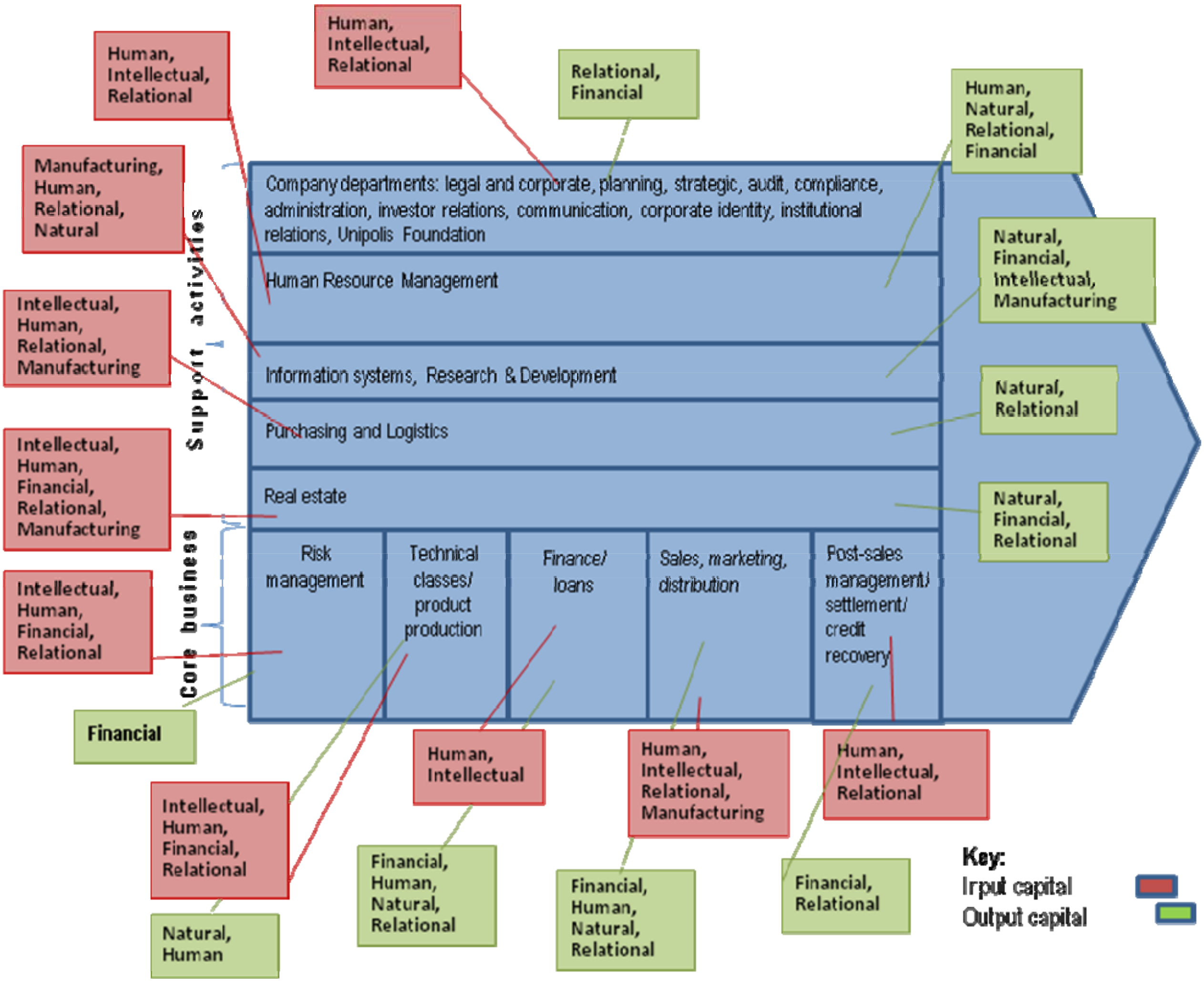
Sustainability governance

In order to ensure integration between the business strategy and sustainability values of the Group, Unipol hat its disposal an ethical and social responsibility governance structure, with the relevant department as a direct staff unit of the Chairman, who has a guiding and supervisory role on behalf of the Board of Directors. Its role is to develop and manage the sustainability strategy and coordinate reporting and communication on projects and on the company's Social responsibility initiatives.
Within the Board of Directors, the committees set up as part of the Corporate Governance Code include the Sustainability Committee, which simultaneously performs the functions of the Ethics Committee. This Committee carries out investigations, makes suggestions and provides advice on preparations for meeting all the Group's Sustainability targets.
The person responsible for promoting the Code of Ethics and applying it properly is the Head of Ethics, whose task is, together with the corporate structures, to raise awareness of the values and principles of conduct defined by the Code, and to collect and report information about alleged infringements of the Code. The Ethics Report, which summarises the activities carried out, is published annually as part of the Sustainability Report.
The Chief Executive Officer, supported by the Group Management Committee has the job of approving the strategic objectives, actions and subsequent budget commitments.

Unipol's business model

The decision has been taken to represent Unipol's business model using the value chain, based on the model developed by Michael Porter, as it is a tool that clearly highlights the most important functions that characterise the insurance business. The challenge for Unipol is developing these functions in order to create sustainable value over time and for the benefit of all its stakeholders.
The diagram shows which forms of capital[4] Unipol values by developing its corporate business and which benefits it generates for shareholders, customers, the community, the environment and all key references.

Forms of capital input and output in the Unipol Group's value production processes



[4] As per the model defined by IIRC (International Integrated Reporting Council) http://www.theiirc.org/international-ir-framework/

Company functions	Capital input	Capital output
Company structures: Legal and corporate, Planning, Audit, Compliance, Administration, Investor relations, Communication, Corporate identity, Institutional Relations, Unipolis Foundation	Human and Intellectual: strengthening and dissemination of the Group's values and their encoding into governance and control processes, employee skills and knowledge Relational: relations with ratings companies and investors, supervisory authorities, economic contributions to the local communities	Relational: transparency and correctness of stakeholder relations, support for a widespread quality of life and social equity, promotion of culture and legality Financial: increasing capital strength, capitalisation support
Human Resource management	Human: sharing and dissemination of the Group's values, professional and managerial training, employee skills and knowledge Intellectual: skills and potential evaluation tools Relational: relations with all levels of the organisational structure, trade union agreements, institutional, social and industry representation, relations with the Universities	Human: growth in skills and people Natural: reduction in resource consumption, fossil fuels and emissions Relational: corporate social responsibility and company welfare Financial: greater operational efficiency
Information Systems, Research & Development	Manufacturing: Date Processing Centre, technologies and infrastructures for telecommuting Human: employee skills and knowledge, IT Lab experimentation centre, propensity to innovation Relational: innovation and university networks Natural: energy	Natural: dematerialisation of internal management processes, reduction in resource consumption and emissions produced Financial: greater operational efficiency Intellectual: product innovation, FEA (advanced digital signature) Manufacturing: CED (data processing centre) with certification of efficiency and reliability (Tier 4)
Purchasing & Logistics	Intellectual: Travel policy for transfers, purchasing policy, waste management process Human: employee skills and knowledge Relational: Sustainability partner Manufacturing: car pooling system, electric cars for internal services	Natural: forest protection, reduction of resource consumption and pollution Relational: better knowledge and closer, longer-lasting relations with suppliers
Real Estate	Intellectual: LEED certification for building environmental compatibility, internal management systems and consumption monitoring Human: employee skills and knowledge Financial: capital Relational: SGR (asset management companies) and other strategic partnerships Manufacturing: portfolio properties	Natural: reduction of water and energy consumption and emissions, obtainment of white certificates Financial: greater resource profitability Relational: qualification of urban space, well-being of working environments
Risk management	Intellectual: pre-application for internal model, Risk Appetite Framework and platform for solvency ratio calculation Human: employee skills and knowledge, model research & development centre Financial: loans, reserves, capital Relational: relations with universities and research bodies, relations with ratings agencies	Financial: capital strength, capital allocation Relational: monitoring of intangible aspects related to the reputation with various stakeholders Human: spreading of a risk culture Intellectual: model and process innovation
Technical classes, product production	Intellectual: product construction procedures, databases Human: employee skills and knowledge Financial: portfolio value and features, capital funding value and features Relational: relations with Universities and Research bodies	Human: welfare support, protection of purchasing power, recognition of common law couples Natural: reduction of emissions and consumption, promotion of renewable energies
Finance (insurance)/Loans(banking sector)	Human: employee skills and knowledge Intellectual: investment policy, credit policy	Financial: financial strength, balance between medium- and long-term risk and return Human and natural: investment rating based on ESG criteria, ethical pension funds, microcredit Relational: support for regional development (banking sector)

Sales, marketing, distribution	Human: employee skills and knowledge Intellectual: agency network training, agency technical support personnel Relational: Agency network, Corporate Agencies, Social Organisations and Regional Unipol Boards, Conventions Manufacturing: FEA (advanced digital signature), digital tools, Home Insurance, Home banking and on-line banking	Financial: profitability Human: agent qualification Natural: reduction in resource consumption Relational: improvement in the service to agents and customers
Post-sales management, settlement/credit recovery	Human: employee skills and knowledge Intellectual: claims platform for settlement, multi-channel access for customers Relational: network of trustees and process of channelling of claims to the contracted body shops	Financial: profitability Relational: customer satisfaction

Sustainability activities

The year 2013 was an intense one, characterised by alignment work and integration between the Unipol Group and the acquired companies belonging to the Fondiaria-SAI Group, to reach the ambitious targets set in the three-year Business Plan.
As regards integration, a significant decision was made to maintain the Ethical and Social Responsibility function in the parent company holding and as a staff unit of the Chairman, for the purpose of exercising the role of "management and coordination" in this area too. This area will continue to have the role of promoting and supporting the sustainability policies for all Group companies.
The reorganisation made provision for the identification of the new sustainability contacts, also with the inclusion of managers from the acquired companies.
Another key activity in 2013, owing to the implications of the alignment and integration in terms of the sharing of a strategic vision oriented toward sustainability, was the start of preparation of the new three-year Sustainability Plan with extended scope. The definition of this document started with meetings with all corporate functions to share the strategic axes, gather actions and inputs and agree monitoring indicators.
A significant contribution was also made to the alignment by the extension of accountability instruments, in particular SAP Sustainability, to the entire new perimeter. The software, which collects all data for the drafting of the Sustainability Report, allows the accountability process to be managed in an integrated manner with all IT systems already present in the company, aligning the Group's economic, social and environmental performances in a structured fashion and using a single tool. Thanks to this work, the 2013 report also includes the entire Fondiaria-SAI Group.

Further reporting innovation was achieved through the work performed to obtain an audit of the Sustainability Report from PricewaterhouseCoopers, the independent auditors appointed by the Group.

The most significant sustainability projects implemented in 2013 concerned:
- the application of a materiality approach for the selection of subjects to be included in the Sustainability Report for the companies in the Fondiaria-SAI Group. This relates to an internationally recognised methodology which makes it possible to identify the subjects on which to construct reports to stakeholders on the basis of the level of interest and their significance;
- the creation of a new website dedicated exclusively to sustainability projects and performances. The website, now updated quarterly, promises to become the Group's main information and exchange channel regarding these subjects;
- the pursuit of an evaluation by CDP (Carbon Disclosure Project), the rating of the company's performances with respect to climate change issues.

The sustainability department also performed a support role for company departments in the development of specific projects with a high social or environmental value, in particular:
– the company welfare programme, NoiUnipol, became fully operational, which led to the activation of "free time" and family support services for employees, to help them best manage their work-life balance;
– two voluntary company initiatives were organised, also extended to Fondiaria-SAI offices: the collection of food and the day dedicated to the packaging of food rations, which will be distributed directly by the Stop Hunger Now association in schools in 76 countries throughout the world through education programmes. Both these initiatives saw a healthy level of employee participation.

The process of certification of the sustainability of Unipol's Life insurance products, *Investi plus* and *Investi Coupon*, was completed, which were presented to agents and will now be offered to the Group's customers.

Lastly, the sustainability rating of securities was extended to the entire Fondiaria-SAI portfolio.

The year 2013 was also a significant one in that it laid the foundations for the start of three highly important projects which will map out the Group's future to a significant degree:
– the Unipol Climate project, whose objective is to help the Italian population and companies to become more resilient to climate change, by offering the necessary insurance coverage, and also assistance services and incentives for good conduct;
– the creation of a Unipol "incubator", a platform for promoting entrepreneurship and innovation in young people and all those with ideas and projects for contributing to the country's sustainable growth; an open innovation tool for the Group. The project was created on the back of the success of the Culturability experience (promotion of cultural start-ups for people under the age of 35 by the Unipolis Foundation), and the desire to continue to dedicate itself to new generations;
– the creation of a monitoring unit for Unipol's emerging and reputational risks. This work will have a significant impact on the next financial statements.

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

Group sales network

In order to support the activities of the Group's sales network, training courses were held in 2013 for the entire sales network, aimed at both meeting training obligations, and, in particular, at enhancing the skills of its intermediaries.
In line with the objective of devising increasingly exhaustive educational tools and more in keeping with the actual needs of users, all training courses were developed using methods differentiated by level of technical depth and type of sales approach. The methods adopted were distance-learning courses and traditional classroom-based training. The first method permits a prompt authorisation of the intermediation of products already on sale and of newly marketed ones, as well as updating in accordance with industry legislation.
In 2013, a total of 18,132 man-days were provided for agencies, which involved 28,773 participants. In 2013, a total of 63,230 man-days were provided for the sub-agency network, which involved 108,071 participants. A total of 3,326 man-days were provided for Corporate Agencies, which involved 5,103 participants.
As regards the contents, in addition to legislative and product updating, the managerial training was again offered, and was enriched with technical training on the use of digital tools.

Unipol Assicurazioni: 1,412 agencies were operational at 31 December 2013 compared with 1,507 in 2012, in which 2,325 agents work (2,418 agents at 31/12/2012).

Unipol Assicurazioni also placed Life products through the branches of Unipol Banca and the Simgest and Credit Suisse Italy networks of financial advisers.

Arca Group: the Group had 16 agencies (28 in 2012) at 31 December 2013, relating exclusively to ISI Insurance's sales network. Deregulated agencies are no longer present (15 in 2012). The number of bank branches rose from 2,387 in 2012 to 2,448 at 31 December 2013.

Linear: operates in MV business by telephone (call centre) and via the internet.

Unisalute: operates in health and assistance mainly by means of group policies with businesses that require specific areas of expertise. The company has a specialist department for this type of work, which operates directly or in collaboration with brokers and agencies. In the case of individual policies Unisalute operates through a network of 157 agencies, all with a Unipol Assicurazioni mandate, and a small telemarketing call centre, especially for cross-selling to customers already acquired through the internet.

Unipol Banca: the network was made up of 292 bank branches at 31 December 2013 (298 in 2012), 157 of them combined with insurance agencies (168 in 2012), 27 finance shops (the same as in 2012) and 229 financial advisers (237 in 2012). A total of 1,567 Group insurance agencies were also authorised to sell banking products.

Premafin Group: in 2013, premiums were produced predominantly by 3,037 agencies (3,097 in 2012), operating through 2,328 sales points and representing the traditional sale channel.
In particular, the sales structure includes 1,150 sole-agent and multi-agent agencies employed by Fondiaria-SAI (1,195 at 31/12/2012), in addition to 1,887 agencies that collaborate with other companies in the Fondiaria-SAI Group (1,902 in 2012).
A total of 4,511 agencies signed the sales mandate with Finitalia at the end of 2013, compared to 2,682 in 2012.
The BancaSai network counted 132 financial advisors (151 in 2012), following the restructuring the sales network, started in June 2008.

Customers

The Unipol Group believes customer service is fundamental and key element of company business. For this reason, it interacts with its customers in a structured manner, using its range of products and services to meet a growing number of requirements, both insurance and banking, and dedicating itself to experimenting with innovative sales channels.
The two most critical aspects that emerge in relations with the customer in terms of insurance, banking and financial services are the completeness of information and distribution of costs. As regards the first matter, the Unipol Group has been working for many years to reduce the information imbalance that characterises the relationship between companies and policyholders, by offering a more personalised customer offer, improving information booklets and developing supplementary channels. On the other hand, the Group continued to work on portfolio selection and rationalisation, by assessing it with great care, leaving the most costly market segments and investing in the development of the claims settlement structure to ensure claims are settled sufficiently quickly.
The most innovative products offered to customers by way of support in this difficult economic climate include the interest-free division of car policy payments into instalments, the possibility of adding '*salva premio*' (save premium) and '*salva benessere*' *(save well-being)* guarantees to traditional car and home insurance policies. To tackle disaster risks from a fresh perspective, the '*terremoto*' (earthquake) guarantee and to respond to new forms of relationship, '*polizza su due teste*' (joint-Life policy).

In 2013, the customers of the Unipol Group's companies recorded a slight decrease due to the continuous erosion of individuals' purchasing power, with a direct impact on mobility, greater competition on the market and to the significant size of the newly formed company UnipolSai.
At 31 December 2013, insurance customers totalled 16m, of which 5m of the Unipol Group companies, 6.8m of the Premafin Group, net of overlapping where customers hold policies with the two amounting approximately to 1m, in addition to more than 4.8m Unisalute policyholders.

Main environmental impacts

The environmental impacts connected with the Group's activities are classified, according to internationally adopted methods, into direct and indirect impacts. The former concern the activities carried out directly or controlled by Group companies, while the latter derive from activities related to and functional in the Group's core business, but which do not depend on company control.
As regards direct impacts, activities targeted at reducing the environmental impact are concentrated, in particular, on cutting energy consumption, and, subsequently, greenhouse gas emissions, water consumption, waste production, and on reducing the consumption of paper and its effects on the ecosystem. For each area of intervention, the different Group companies have defined their own policies, targeted as much at monitoring the impacts in a structured manner, as reducing them. At the end of this process, management identified the concrete actions to be taken in order to intervene in the areas identified and implement the policies selected.

Waste generated by Group activities refers mainly to office material. In recent years, a significant initiative has been undertaken to reduce the production of waste and for differentiation in the collection and disposal process. Waste is now collected with differentiated methods: toner and materials for printers, office paper, cans and plastic (mainly from vending machines located in the different office refreshment areas) and sanitary waste from infirmaries located in the Group's facilities.
In order to reduce the use of materials, the Group implemented a process of dematerialisation both for internal processes and on the customer side. In this regard, the Group trialled the Digital Electronic Signature with a panel of agencies, which will be extended in 2014, whilst Unipol Banca continued to transmit communications solely on-line for client companies in the corporate segment and MyUnipolBanca was launched, which provides exclusively digital services. Since paper consumption continues to be important for Group activities, better environmental criteria were defined with respect to the requirements indicated previously, which reduce the global impacts of paper used.

On the real estate front, in particular, the monitoring of the energy consumption of buildings owned by the Fondiaria-SAI Group was extended in 2013, by commencing some improvements, such as the replacement of diesel fuel powered boilers and the planning of energy requalification measures, and the trialling of energy 'due diligence' for the building in Porta Europa, Bologna. The key projects include the construction of the Group's new unique Data Processing Centre, characterised by a significant reduction in energy consumption, which will be guaranteed by the ISO50001 certification, and high performance, which will be guaranteed by the Tier 4 certification.
Emissions were affected by increased travel during the merger preparation, with the elements defined in the integration agreement. It is believed this impact will diminish over the next two years.

As regards indirect impacts, activities are continuing aimed at raising supplier awareness and providing with them information through the Sustainability Partner community, as well as the introduction to the register of suppliers of requirements regarding their environmental and social impact and the management process adopted to reduce and/or mitigate it.

IT services

Insurance business

The IT activities performed by the Unipol Group's IT department are in line with the provisions of the 2013-2015 Business Plan and with the process for the strategic renewal of the Group's IT Services started in the 2010-2012 three-year period.

The new ICT (Information & Communication Technology) Plan contains a series of initiatives aimed at implementing standard, centralised services and solutions which allow spending to be kept under control, thanks to a reduction in operating costs, better use of the IT skills possessed by the Group and the rationalisation of infrastructures and applications.
The synergy and rationalisation objectives set out in the Plan in terms of integration between the Unipol and Premafin/Fondiaria-SAI Groups must be obtained by adapting the needs relating to the activities to be carried on the other three fronts too: Ordinary operations, Extraordinary operations in support of business and activities dependent on the Transfer of insurance assets (requested by the Antitrust Authority, AGCM).
The Plan was devised by arranging the activities into seven separate areas of intervention:

- ordinary and extraordinary activities in support of business relating to existing systems in the Unipol Group (prior to the acquisition of control of the Premafin/Fondiaria-SAI Group) and in the Premafin/Fondiaria-SAI Group;
- technological innovation projects to complete the process of strategic innovation of the Group's IT Services, focused, in particular, in 2013 and in the first half of 2014, on;
- application convergence projects prior to the Merger and to the completion of the integration process;
- infrastructural unification projects to be implemented gradually over the term of the ICT Plan to rationalise the technological infrastructures used by the Group;
- project for the preparation and management of the IT services needed to render the transfer of insurance assets required by the Antitrust Authority operational;
- organisational integration to rationalise the structure, the use of human resources and the operating processes of the IT Services Department;
- investments and renegotiations of the main contracts, to allow the cost synergies set forth in the Business Plan to be obtained.

Some of the main IT work carried out during 2013 to support the initiatives laid down in the Plan for the various Business lines is described below:

- in the Life and Non-Life business areas, activities were mainly focused on new product development and on the introduction, to the Unipol Group's systems, of new policy payment methods such as the division into monthly payments of non-MV class premiums and the *Finitalia* loan for the payment of MV premiums;
- in the claims area, in addition to the phases of completion of the Group's New Claims System being prepared for launch in the first half of 2014, IT activities were carried out geared towards reducing costs and streamlining processes, such as the channelling of claims onto Auto Presto & Bene, the new IT system for the management of the new "Myglass" network and the setup of the new Unipol Services Centre (Claims hub) in Bologna;
- in terms of Agency Network management procedures, October 2013 saw the standardisation of the product lists and of the operating rules for the former divisions of the Unipol Group.

These extraordinary operations were augmented by ordinary work on various systems within the Group targeted at maintenance and legislative adjustments.

As part of the process of innovation in progress in the Unipol Group's IT Services, a series of initiatives were launched in 2013 aimed at researching and experimenting with the application of new ICT technologies to support the development of information systems and business strategies: the introduction of the new *Advanced Digital Signature* system for agencies and subsequent dematerialisation of policy contractual documents (piloted in October 2013); the creation of a new business and customer and agent relationship model based on an integrated multi-channel approach, through tools like the web-based 'self-service' Full Quote system (released in October 2013), the unified Agent Portal known as UEBA (piloted at the start of December), the Large-Scale Retail Trade (GDO) Portal for the marketing of Unipol insurance products at GDO stores (release expected at the start of 2014) and the Customer Portal which, not only allows customers to check their policies on-line, as required by IVASS regulations, but will provide new functionalities for the direct and "advanced" interaction with customers and prospective customers.

A project is also underway to make the Group companies compliant with international FATCA (Foreign Account Tax Compliance Act) legislation.

The application convergence projects in progress in 2013 were focused on amalgamating the management and administrative-financial systems, prior to the corporate integration between Unipol Assicurazioni, Fondiaria-SAI, Milano Assicurazioni and Premafin (Accounts, Budget, Management Control, Anti-money Laundering, Complaints, Risk Management) and on rebranding linked to the start of the new company UnipolSai (contractual and institutional communications, forms, web communication). The second phase will focus on the unification of the business operating systems (Non-Life, Life, Claims etc.) with a direct impact on the agency networks, which will gradually be migrated starting in the second half of 2014, and the rationalisation of the applications of Group companies (post-integration) towards a reduced group of target systems, identified from those already in existence, functionally more complete and technologically more advanced, in order to standardise underwriting and settlement policies, reduce operating costs, optimise maintenance work and rationalise the use of resources, gradually reducing the use of external support and, at the same time, containing operational risks.

In 2013, all the envisaged preliminary activities were also carried out to unify the telecommunications infrastructures and data processing centres, and the computerisation of the agency networks of the Fondiaria-SAI Group according to the Unipol Group's standards. The data processing centre unification project makes provision, in particular, for the construction of a new Group Data Centre and the internationalisation of Fondiaria-SAI's data centre with the relocation of systems to Bologna.

Banking sector

The following main projects were developed during 2013:

- the SEPA (Single Euro Payments Area) project: promoted by the European Central Bank and the European Commission, it is a project for the integration of the different national payment systems, and aims to promote efficiency and competition in the offer of said services within Europe. The final deadline for the necessary adjustments has been set for 1 February 2014. Therefore, in 2013, Unipol Banca developed the "SEPA End Date" project to define and adopt the organisational, technical and commercial measures required by said migration process;
- the new credit and substandard loan monitoring procedure, based on greater automation of the process, was extended to the entire Unipol Banca network in February 2013. The procedure makes it possible to manage, in a single environment, positions ranging from "Performing with anomalies" to "Substandard", introduces the concept of the "Class" to which specific processes are associated, with the subsequent actions to be taken by the Relationship managers, ensures that the position in question is promptly

reported or assigned to the roles/functions concerned (thanks to the introduction of the notification and escalation system) and provides networks, matrices and lists for monitoring the effectiveness of the solutions implemented, and the evaluation of performances in terms of efficiency; in the second half of 2013, other initiatives were implemented and, once they get up to speed in 2014, will allow credit management to be improved;

– a project was launched which makes it possible to move from a "product-based" approach to financial service consultancy to a "portfolio-based" one, in line with the indications contained in the future Mifid II regulations and the decisions already made by the main competitors. The project envisages the adoption of a new software programme which satisfies the fundamental principles of the target portfolio consultancy model (including the evaluation of market risk through the portfolio VaR and correlations between financial instruments); the project is expected to go live at the start of 2015;

– to support a commercial methodology shaped by Customer knowledge, quality of the relationship and the service and customer loyalty, an electronic tool called FEU (Single Front End) was developed. The FEU, designed by the outsourcer Cedacri in collaboration with a pool of banks including Unipol Banca, was released in the second half to the entire network structure. The platform offers many innovative elements and advantages; in particular, from a commercial angle, the CRM (Customer Relationship Management) indicators are shown in an even clearer, more user-friendly and effective way. The new approaches applied by FEU make it possible, for example, to monitor the commercial performance of your customer portfolio, by scheduling meetings and keeping a track of the outcomes of each contact. Processing of overdraft applications, cash transactions, the sale of new products, can be affected by using the specific functions directly available in the "Customer tab", where all active commercial companies are always shown.

Transactions with related parties

The “Procedure for the performance of transactions with related parties” (the “Procedure”), prepared in accordance with art. 4 of Consob Regulation no. 17221 of 12 March 2010 (the “Regulation”) and subsequent amendments, was approved by Unipol’s Board of Directors of 11 November 2010 and then amended on 22 December 2011, based on the prior favourable judgment of the Committee of Independent Directors. The procedure is published on Unipol’s website (www.unipol.it), in the section Corporate Governance/Related party transactions.
The objective of the Procedure is to define, in compliance with the Regulation and also taking into account the indications and guidelines outlined by Consob in communication dated 24 September 2010, a procedural system to ensure greater transparency and correctness in the preliminary phase of negotiations and approval of related party transactions carried out by Unipol, directly or via subsidiaries.
The Procedure entered into force on 1 January 2011, with the exception of the provisions governing transaction transparency which, pursuant to the Regulation, are effective from 1 December 2010.

As amply detailed in the first part of the Management Report, the Merger transaction was completed in 2013, whose deed was stipulated on 31 December 2013 and filed at the competent Registers of Companies on 2 January 2014.

No additional transactions ‘of major relevance’ with related parties took place in 2013 and neither did any transactions that, according to art. 2427, parag. 2 of the Italian Civil Code, had any significant effect on Unipol’s financial position and results of operations.

The information required by IAS 24 and Consob Communication DEM/6064293/2006 is contained in paragraph 5.6 of the Notes to the financial statements – Transactions with related parties.

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

The information required by art. 123-bis of Legislative Decree 58 of 24 February 1998 and amended by art. 5 of Legislative Decree 173 of 3 November 2008, is contained in the annual report on corporate governance, approved by the Board of Directors and published, together with the management report, in accordance with art. 89-bis of the Regulation adopted by Consob in its Resolution no. 11971 of 14 May 1999 and with Section IA.2.6. Guidelines on the Regulation Governing Markets Organised and Managed by Borsa Italiana SpA.

The annual corporate governance report is available in the “Corporate Governance” Section on the Company’s website (www.unipol.it),

Significant events after the reporting period

Merger transaction

As outlined in detail in the first part of this Management Report, the merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI took effect on 6 January 2014, with the subsequent assumption, by the merging company, of the company name UnipolSai Assicurazioni SpA ("UnipolSai"). As of said date, all shares of the merged companies were cancelled and exchanged for shares of the merging company, including therein the shares of Premafin for which the right of withdrawal deriving from the Merger was exercised.

On 14 January 2014, the offer under option and pre-emption period (the "Offer under Option") was concluded for holders of Premafin shares, except for the 13,975,294 Premafin ordinary shares in relation to which the right of withdrawal associated with the merger was legitimately exercised which, in application of the exchange ratios, became 698,764 UnipolSai ordinary shares (the latter referred to as "Shares subject to withdrawal").

After the Offer under Option, 5,144 Shares subject to withdrawal pursuant to art. 2437-quater, parag. 3 of the Civil Code were purchased for €3.494 for each Share subject to withdrawal, therefore for a total of €17,973.13.
The remaining 693,620 Shares subject to withdrawal not purchased during the Offer under Option (the "Unsold Shares") were offered on the Mercato Telematico Azionario (screen-based share market) organised and managed by Borsa Italiana SpA pursuant to Art. 2437-quater, paragraph 4 of the Civil Code.
The stock market offer period concluded on 31 January 2014 with all 693,620 UnipolSai ordinary shares subject to the offer remaining unsold.
Pursuant to art. 2437-quater, parag. 5 of the Civil Code, the Unsold Shares were refunded by the company via the purchase of treasury shares using the available reserves.
On 26 February 2014, UnipolSai therefore acquired and made the simultaneous payment of the Unsold Shares, for €3.494 for each share subject to withdrawal, therefore for a total of €2,423,508.28.

Issue of a convertible loan by UnipolSai

On 15 January 2014, the Board of Directors of UnipolSai Assicurazioni SpA ("UnipolSai" or the "Company"), resolved, inter alia, to exercise the power conferred to it by the Shareholders' Meeting of the Company on 25 October 2013, pursuant to articles 2420-ter and 2443 of the Civil Code, for the issuing of a €201.8m loan convertible into ordinary UnipolSai shares. with the subsequent increase in share capital in service of the conversion for a total maximum value of €201.8m, including share premium, to be carried out through the issuing of ordinary Company shares with no nominal value, with regular dividend rights, with the same characteristics as those outstanding at the issue date (the "Convertible Loan").

The issue of the Convertible Loan is incorporated within the wider integration plan for the merger of Premafin, Unipol Assicurazioni and Milano Assicurazioni into Fondiaria-SAI, targeted, from the outset, at safeguarding the current and prospective solvency of Premafin and Fondiaria-SAI and, at the same time, creating a leading national operator in the insurance sector.
On this basis, on 13 June 2012, Premafin and its lending banks approved a debt restructuring agreement for Premafin, which required, inter alia, *(a)* at the date the merger took effect for statutory purposes, a tranche of Premafin's restructured debt of €201.8m to be transformed to the Convertible Loan, and *(b)* the Convertible Loan, to be subscribed for €134.3m by the lending banks of Premafin, excluding GE Capital Interbanca SpA (the "Lending Banks"), and for €67.5m by the parent Unipol.

In light of the above, on 15 January 2014, UnipolSai's Board of Directors, for the reasons already amply detailed in the merger information document, available on the company's website at www.unipolsai.com (the "Information Document"), decided to offer the Convertible Loan for subscription to the Lending Banks and to Unipol Gruppo Finanziario, according to the proportions agreed in the debt restructuring agreement, in order to reduce the Company's debt exposure and, therefore, excluding the Shareholders' option right.
The adequacy judgment, attached to the Information Document, can also be viewed. It was issued on 1 October 2013 by the independent auditors Ernst & Young SpA, on the criteria for determining the issue price of the shares to be issued in service of the Convertible Loan, and drafted pursuant to and in accordance with art. 158, parag. 1, of Legislative Decree no. 58 of 24 February 1998, and art. 2441, paragraphs 5 and 6, of the Civil Code.

The Board of Directors subsequently resolved to:

- approve the associated regulation of the Convertible Loan, conferring a mandate to the Chief Executive Officer for defining the final text of the regulations with the elements currently missing;
- approve the increase in share capital, against payment and in indivisible form, in one or more tranches and by the final deadline of 31 December 2015 - in service of the Convertible Loan, with the exclusion of the option right pursuant to art. 2441, parag. 5 of the Italian Civil Code, for a maximum of €201.8m, including share premium, to be carried out through the issuing of ordinary UnipolSai shares, with no nominal value, with regular dividend entitlement, with the same characteristics as those outstanding at the issue date, reserved irrevocably and unconditionally for the conversion of the bonds, with the exclusion of the option right;
- subsequently amend art. 6 of the Articles of Association, in order to reflect the exercising of the aforementioned power.

Certain elements of the Convertible Loan will be available at a later date, following the determination of the issue price of the shares for the conversion, and, inter alia *(i)* the bond interest rate and payment dates, *(ii)* the issue price of the newly issued ordinary UnipolSai shares for the Convertible Loan and the initial conversion price, as well as *(iii)* the number of shares to be issued for the Convertible Loan and associated conversion ratio.
The Convertible Loan will comprise 2,018 bonds, with a unit nominal value of €100,000, for a total value of €201.8m, which will be issued by UnipolSai on the third stock market day after the end of the period of three calendar months effective from the 11th Stock market day (included) in which the ordinary UnipolSai shares are traded on the MTA (screen-based share market), as extended, if necessary, in accordance with the Regulation of the Convertible Loan; these bonds will be converted automatically, as per mandatory requirements, on 31 December 2015, to newly issued ordinary UnipolSai shares, without prejudice to a scenario of early automatic conversion and exercising of the right of early conversion by bondholders.
The bonds, which will be bearer bonds, non-fractionable and freely transferable, constitute direct, unsecured and subordinated debentures of the Company. In the event of voluntary liquidation or administrative compulsory liquidation of the Company or if the latter is subject to other insolvency proceedings set forth by Italian law, the bonds will be considered, at any time, to be ranked equally with respect to one another and with ordinary UnipolSai shares.

The Bonds will accrue gross annual interest (non-capitalisable) which will be calculated on the unit nominal value (€100,000), with deferred half-yearly payments. The interest rate will be determined close to the issue date of the Convertible Loan in such a way that ensures that the theoretical value of the bonds at the issue date is 100% of the unit nominal value.

The conversion ratio will be the ratio of *(i)* the unit nominal value of the bonds and *(ii)* the initial conversion price, which will be determined close to the issue date of the bonds. The bonds will not be listed on any regulated market or multilateral trading system.

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

On 18 February 2014, Unipol Gruppo Finanziario announced the launch of a partial exchange offer for up to a maximum of €500,000,000 in principal ("Exchange Offer"), proposing that holders of the securities representing the bond loan known as "€750,000,000 5.00 per cent. Notes due 11 January 2017 ("Existing Securities"), issued by Unipol Gruppo Finanziario in December 2009 and listed on the market regulated by the Luxembourg Stock Exchange (ISIN Code XS0472940617), exchange the Existing Notes with newly issued notes to be issued by the Company for a maximum amount of principal of €500,000,000, due in March 2021, to be listed on the market regulated by the Luxembourg Stock Exchange (the "New Bonds"), according to the terms and conditions pursuant to the Exchange Offer Memorandum dated 18 February 2014.
The offer period started on 18 February 2014 and ended on 26 February 2014. The settlement date for the Exchange Offer was set for 5 March 2014.

The Exchange Offer was promoted in compliance with the offer restrictions set forth in the Exchange Offer Memorandum and, in Italy, pursuant to Art. 35-bis, paragraph 4 of the Regulation adopted by Consob in its Resolution no. 11971 of 14 May 1999 as amended (the "Issuers' Regulation") and therefore is exempt from the provisions of Part IV, Title II, Chapter II, Section I of Legislative Decree 58 of 24 February 1998 and those of Part II, Title II of the Issuers' Regulation.
Where the total amount of principal of Existing Notes tendered to the Exchange Offer is less than €500,000,000, the Company reserves the right, nonetheless, to issue New Notes for a maximum principal amount of €500,000,000, also in order to support the liquidity of said New Notes.

Unipol accepted offers of Existing Notes validly submitted pursuant to the Exchange Offer in the total nominal amount of €352,301,000. As set forth in the Exchange Offer Memorandum, on 27 February 2014, the exchange ratio, the issue price of the New Notes, the 7-year mid-swap interest rate, the coupon and the return of the New Securities were established, as well as the interest which accrued on the Existing Notes, as follows:

Exchange ratio	7-year mid-swap interest rate	Issue price of the New Notes	Coupon of the New Notes	Return of the New Notes	Interest accrued (€)
108.1826%	1.332%	99.369%	4.375%	4.482%	2,557,801.88

On 5 March 2014, the settlement date, Unipol issued New Notes for a total nominal amount of €500,000,000.
A portion of the New Notes, in the amount of €381,013,000, has been issued in connection with the Exchange Offer, while the residual portion, of €118,987,000 (the "Residual Portion"), has been placed exclusively with qualified Italian and foreign investors. With respect to the Residual Portion, the book of orders received was 4.3 times greater than the offer, with foreign investors accounting for 30% of the total.
The New Notes were issued as part of the Euro Medium Term Note programme of the Company and their ISIN code is XS1041042828.

The Exchange Offer and the placement of the New Notes were handled by J.P. Morgan Securities plc and UniCredit Bank AG acting as Dealer Managers. Lucid Issuer Services Limited acted as Exchange Agent in the Exchange Offer.

Agreement for the transfer of former Milano Assicurazioni insurance business to Allianz

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

The agreement reached with Allianz, in line with market conditions, protects UnipolSai's stakeholders and allows the Unipol Group to comply with the extremely strict measures put in place by the Antitrust Authority at the time of the rescue of the Fondiaria-SAI Group.

Business outlook

The macroeconomic context remained difficult in the period after the close of 2013, reflected by the constant rise in the unemployment rate and spending crisis. The country was not short of fresh political tension, which led to the installation of a new Government. Nevertheless, financial market confidence in our country was not broken, as shown by a Btp-Bund spread which is now permanently below 200 points.

The reference context and the accentuated competitive trend affect the different premium classes to varying degrees.

In the Non-Life segment, the Group is ramping up sales initiatives targeted at reinvigorating its product lines, such as the development of new customer relationship models to support the agency network and the launch of the advertising campaign "Ancora più vicini" ('Even closer') which ushers in the introduction of UnipolSai and enhances its sales network, the main one in Italy in terms of the number of regional agencies.
A positive technical performance was recorded, in the wake of the performances in 2013, even though in February the loss ratio seemed to pick up as a result of weather events which had barely touched 2013.

By contrast, the favourable spell for the Life segment was confirmed, facilitated by the fall in market interest rates which increases the appeal of offering traditional insurance products with returns linked to separately managed accounts. In February, the premiums of agency networks recorded considerable growth, while premiums in the bancassurance segment sat at the previous year's levels, reflecting the comparison with premiums of more than €600m from unit-linked policies, a non-recurring event pertaining to the Popolare Vita network in the first two months of 2013.

The Banking segment saw a confirmation of the decision to direct business at retail customers in order to consolidate sources of funding, by increasing insurance agency customer penetration, in respect of which the relationship model is undergoing a review.
Credit management policies and processes were also updated, also partially outsourcing credit recovery activities on minor non-performing positions. The figures for the first two months of 2014 show that the flow of non-performing loans has been contained.
Thanks to significant strengthening of the coverage of non-performing loans and the commercial actions undertaken, it is believed economic equilibrium can be gradually recovered.

With the merger completed from a legal-corporate perspective, Group business in 2014 will be focused on integrating the company UnipolSai from an organisational and logistical point of view, and in terms of the adjustment of company policies and business management IT systems, as outlined in the Business Plan.
Activities are underway for the release of the new computerised claims management system (NSS-ClaimCenter) which will gradually be extended to the claims portfolio of former Unipol Assicurazioni and, in 2015, to former Fondiaria-SAI's claims portfolio.
During the year, the sharing of the agency underwriting systems between the various agency networks will also take place, an important step for the rationalisation and simplification of the Group in order to take full advantage of the synergies identified in the Business Plan.

The merger led to the creation of a leading insurance company in Italy, focused on insurance business and equipped with a strong capital structure. UnipolSai is therefore able to adequately tackle the challenges of the insurance market, also through a process of rationalisation of activities and the application of the best practices present in this new setup which will make it possible, inter alia, to create important synergies.

An advertising campaign has already kicked off in January 2014, designed to introduce the new company UnipolSai Assicurazioni to the public, which will develop its activities by drawing strength from the experience and closeness to Italy of brands that have been an integral part of the history of the national insurance industry, now integrated within the Unipol Group.

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

Bologna, 20 March 2014

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

	Amounts in €m	31/12/2013	31/12/2012
1	INTANGIBLE ASSETS	2,237.0	2,621.1
1.1	Goodwill	1,583.2	1,743.6
1.2	Other intangible assets	653.8	877.5
2	PROPERTY, PLANT AND EQUIPMENT	1,383.3	1,411.3
2.1	Property	1,259.0	1,284.7
2.2	Other tangible assets	124.3	126.6
3	TECHNICAL PROVISIONS – REINSURERS' SHARE	1,045.5	1,207.3
4	INVESTMENTS	72,012.3	70,947.1
4.1	Investment property	2,869.8	2,989.5
4.2	Investments in subsidiaries, associates and interests in joint ventures	188.8	174.5
4.3	Investments held to maturity	2,932.9	3,050.8
4.4	Loans and receivables	16,299.7	17,489.2
4.5	Available-for-sale financial assets	39,933.9	36,648.2
4.6	Financial assets at fair value through profit or loss	9,787.1	10,594.9
5	SUNDRY RECEIVABLES	3,415.5	3,663.5
5.1	Receivables relating to direct insurance business	1,851.5	2,090.4
5.2	Receivables relating to reinsurance business	135.4	110.8
5.3	Other receivables	1,428.6	1,462.3
6	OTHER ASSETS	3,373.3	3,067.0
6.1	Non-current assets held for sale or disposal groups	174.5	7.7
6.2	Deferred acquisition costs	77.4	67.1
6.3	Deferred tax assets	2,338.2	2,186.2
6.4	Current tax assets	273.3	324.6
6.5	Other assets	509.9	481.4
7	CASH AND CASH EQUIVALENTS	837.3	708.2
	TOTAL ASSETS	84,304.3	83,625.5

Consolidated Statement of Financial Position - Equity and Liabilities

	Amounts in €m	31/12/2013	31/12/2012
1	EQUITY	7,481.0	7,264.5
1.1	attributable to the owners of the Parent	5,414.1	5,308.3
1.1.1	Share capital	3,365.3	3,365.3
1.1.2	Other equity instruments	0.0	0.0
1.1.3	Equity-related reserves	1,724.6	1,724.5
1.1.4	Income-related and other reserves	327.1	145.8
1.1.5	(Treasury shares)	-23.3	-0.1
1.1.6	Translation reserve	2.1	2.5
1.1.7	Gains or losses on available-for-sale financial assets	121.4	-164.1
1.1.8	Other gains or losses recognised directly in equity	-24.6	-50.7
1.1.9	Profit (loss) for the year attributable to the owners of the Parent	-78.6	285.3
1.2	attributable to non-controlling interests	2,066.9	1,956.2
1.2.1	Share capital and reserves attributable to non-controlling interests	1,390.6	1,356.5
1.2.2	Gains or losses recognised directly in equity	409.8	458.8
1.2.3	Profit (loss) for the year attributable to non-controlling interests	266.5	140.9
2	PROVISIONS	534.2	431.5
3	TECHNICAL PROVISIONS	56,875.3	56,456.0
4	FINANCIAL LIABILITIES	16,041.4	16,233.6
4.1	Financial liabilities at fair value through profit or loss	2,056.8	2,168.9
4.2	Other financial liabilities	13,984.6	14,064.8
5	PAYABLES	1,182.6	1,276.5
5.1	Payables arising from direct insurance business	177.5	164.3
5.2	Payables arising from reinsurance business	85.3	85.1
5.3	Other payables	919.9	1,027.2
6	OTHER LIABILITIES	2,189.8	1,963.3
6.1	Liabilities associated with disposal groups	74.2	1.6
6.2	Deferred tax liabilities	1,014.5	814.3
6.3	Current tax liabilities	141.7	178.5
6.4	Other liabilities	959.5	968.9
	TOTAL EQUITY AND LIABILITIES	84,304.3	83,625.5

Consolidated Income Statement

	Amounts in €m	31/12/2013	31/12/2012
1.1	Net premiums	16,581.3	11,623.6
1.1.1	*Gross premiums earned*	*17,025.0*	*11,925.3*
1.1.2	*Ceded reinsurance premiums*	*-443.7*	*-301.7*
1.2	Commission income	128.3	133.8
1.3	Gains and losses on remeasurement of financial instruments at fair value through profit or loss	347.3	451.4
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	11.3	7.8
1.5	Gains on other financial instruments and investment property	2,977.0	2,129.0
1.5.1	*Interest income*	*2,120.1*	*1,631.1*
1.5.2	*Other income*	*169.1*	*134.3*
1.5.3	*Realised gains*	*687.4*	*333.8*
1.5.4	*Unrealised gains*	*0.5*	*29.8*
1.6	Other income	555.8	313.3
1	TOTAL REVENUE AND INCOME	20,601.0	14,658.9
2.1	Net charges relating to claims	-14,308.5	-10,368.9
2.1.1	*Amounts paid and changes in technical provisions*	*-14,488.9*	*-10,640.3*
2.1.2	*Reinsurers' share*	*180.5*	*271.4*
2.2	Commission expense	-39.1	-33.8
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	-6.4	-22.2
2.4	Losses on other financial instruments and investment property	-1,375.4	-709.9
2.4.1	*Interest expense*	*-346.1*	*-344.4*
2.4.2	*Other costs*	*-78.1*	*-51.9*
2.4.3	*Realised losses*	*-177.4*	*-100.7*
2.4.4	*Unrealised losses*	*-773.8*	*-212.9*
2.5	Operating expenses	-3,083.2	-2,219.3
2.5.1	*Commissions and other acquisition costs*	*-2,072.7*	*-1,468.0*
2.5.2	*Investment management expenses*	*-47.2*	*-30.1*
2.5.3	*Other administrative expenses*	*-963.3*	*-721.1*
2.6	Other costs	-1,268.1	-639.8
2	TOTAL COSTS AND EXPENSES	-20,080.7	-13,994.0
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	520.3	664.9
3	Income tax	-331.2	-234.4
	PROFIT (LOSS) FOR THE YEAR AFTER TAXES	189.1	430.5
4	PROFIT (LOSS) OF DISCONTINUED OPERATIONS	-1.1	-4.4
	CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	187.9	426.2
	attributable to the owners of the Parent	*-78.6*	*285.3*
	attributable to non-controlling interests	*266.5*	*140.9*

Comprehensive income (expense)

Amounts in €m	31/12/2013	31/12/2012
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	187.9	426.2
Other profit components net of taxes without reclassification to the Income Statement	5.4	-14.8
Variation in equity of investees	6.1	0.0
Variation in the revaluation reserve for intangible assets	0.0	0.0
Variation in the revaluation reserve for property, plant and equipment	0.0	0.0
Gains or losses on non-current assets held for sale or disposal groups	0.0	0.0
Actuarial gains and losses and adjustments relating to defined benefit plans	-0.9	-15.6
Other items	0.2	0.9
Other profit components net of taxes with reclassification to the Income Statement	256.8	1,420.8
Variation in translation reserve	2.1	5.7
Gains or losses on available-for-sale financial assets	221.4	1,440.8
Gains or losses on cash flow hedges	33.3	-25.7
Gains or losses on hedges of a net investment in foreign operations	0.0	0.0
Variation in equity of investees	0.0	0.0
Gains or losses on non-current assets held for sale or disposal groups	0.0	0.0
Other items	0.0	0.0
TOTAL OTHER COMPREHENSIVE INCOME/(EXPENSE)	262.3	1,406.1
TOTAL CONSOLIDATED COMPREHENSIVE INCOME/(EXPENSE)	450.2	1,832.2
attributable to the owners of the Parent	*232.7*	*1,204.8*
attributable to non-controlling interests	*217.5*	*627.5*

Consolidated Statement of Changes in Equity

	Amounts in €m	Balance at 31/12/2011	Changes to closing balances	Amounts allocated	Reclass. to the Income Statement	Transfers	Balance at 31/12/2012
Equity attributable to the owners of the Parent	Share capital	2,699.1		666.2			3,365.3
	Other equity instruments						
	Equity-related reserves	1,506.3		218.2			1,724.5
	Income-related and other reserves	91.0		54.8		0.0	145.8
	(Treasury shares)	-0.2					-0.1
	Profit (loss) for the year	-135.2		420.5		0.0	285.3
	Other comprehensive income/(expense)	-1,131.9		661.6	258.0	-0.1	-212.4
	Total attributable to the owners of the Parent	3,029.1	0.0	2,021.3	258.0	-0.1	5,308.3
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	140.0		1,216.5			1,356.5
	Profit (loss) for the year	13.9		127.0		0.0	140.9
	Other comprehensive income/(expense)	-27.7		479.0	7.4	0.1	458.8
	Total attributable to non-controlling interests	126.2	0.0	1,822.5	7.4	0.1	1,956.2
Total		3,155.3	0.0	3,843.8	265.4	0.0	7,264.5

		Balance at 31/12/2012	Changes to closing balances	Amounts allocated	Reclass. to the Income Statement	Transfers	Balance at 31/12/2013
Equity attributable to the owners of the Parent	Share capital	3,365.3		0.0			3,365.3
	Other equity instruments						
	Equity-related reserves	1,724.5		0.1			1,724.6
	Income-related and other reserves	145.8		181.4			327.1
	(Treasury shares)	-0.1		-23.1			-23.3
	Profit (loss) for the year	285.3		-250.7		-113.1	-78.6
	Other comprehensive income/(expense)	-212.4		318.5	-7.3	0.0	98.9
	Total attributable to the owners of the Parent	5,308.3	0.0	226.1	-7.3	-113.1	5,414.1
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	1,356.5		34.1			1,390.6
	Profit (loss) for the year	140.9		210.6		-85.0	266.5
	Other comprehensive income/(expense)	458.8		73.9	-122.9	0.0	409.8
	Total attributable to non-controlling interests	1,956.2	0.0	318.6	-122.9	-85.0	2,066.9
Total		7,264.5	0.0	544.7	-130.2	-198.1	7,481.0

STATEMENT OF CASH FLOWS (indirect method)

Amounts in €m	31/12/2013	31/12/2012
Pre-tax profit (loss) for the year (*)	520.3	664.9
Change in non-monetary items	787.8	-1,015.3
Change in non-life premium provision	-347.2	-218.1
Change in claims provision and other non-life technical provisions	-726.2	-440.4
Change in mathematical provisions and other life technical provisions	1,673.2	653.4
Change in deferred acquisition costs	-10.8	-17.1
Change in provisions	117.8	-39.8
Non-monetary gains and losses on financial instruments, investment property and investments	397.4	-178.1
Other changes (*)	-316.3	-775.1
Change in receivables and payables generated by operating activities	132.8	255.0
Change in receivables and payables relating to direct insurance and reinsurance	201.9	21.4
Change in other receivables and payables	-69.1	233.6
Paid taxes	-348.9	-15.7
Net cash flows generated by/used for monetary items from investing and financing activities	745.2	1,524.3
Liabilities from financial contracts issued by insurance companies	12.4	-279.5
Payables to bank and interbank customers	-408.9	786.1
Loans and receivables from banks and interbank customers	272.8	78.0
Other financial instruments at fair value through profit or loss	868.9	939.7
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	1,837.1	1,413.3

Net cash flow generated by/used for investment property	-14.8	0.9
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures	-10.1	1,496.4
Net cash flow generated by/used for loans and receivables	442.4	-113.1
Net cash flow generated by/used for held-to-maturity investments	105.3	-563.6
Net cash flow generated by/used for available-for-sale financial assets	-2,203.9	-2,450.8
Net cash flow generated by/used for property, plant and equipment and intangible assets	-82.7	-93.0
Other net cash flows generated by/used for investing activities	4.9	1.9
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	-1,758.9	-1,721.2

Net cash flow generated by/used for equity instruments attributable to the owners of the Parent	0.0	1,052.7
Net cash flow generated by/used for treasury shares	-23.1	0.0
Dividends distributed attributable to the owners of the Parent	-113.1	
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	-106.8	-4.3
Net cash flow generated by/used for subordinated liabilities and equity instruments		6.6
Net cash flow generated by/used for other financial liabilities	317.3	-278.6
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	74.3	776.5

Effect of exchange rate gains/losses on cash and cash equivalents	0.0	0.0

CASH AND CASH EQUIVALENTS AT 1 JANUARY	708.2	239.7
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	152.5	468.5
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (**)	860.7	708.2

(*) adjusted on 31/12/2012 as a result of the definitive recognition of the business combination relating to the acquisition of the Premafin/Fondiaria-SAI Group.

(**) Cash and cash equivalents at the end of the year include the cash and cash equivalents of non-current assets held for sale or disposal groups (€23.4m).

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Unipol Group, consisting of the Parent Unipol Gruppo Finanziario ("Unipol") and its subsidiaries, operates in all Non-Life and Life insurance and reinsurance and capitalisation business; it may issue investment contracts and may set up and manage open-ended pension funds, in compliance with the provisions of art. 9 of Legislative Decree no. 124 of 21 April 1993 and subsequent amendments.
It also carries out real estate, banking, and to a lesser extent, hotel, agricultural and healthcare activities.

The Parent 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 58/1998 (TUF) and of ISVAP Ruling 7 of 13 July 2007, as amended. They conform to the IFRS issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of EC Regulation 1606/2002 in force on the date the financial statements closed.

The consolidated financial statements are made up of:

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

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

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 are drawn up on the assumption that the company will continue as a going concern, in application of the principles of accrual accounting, relevance and reliability of accounting information, in order to provide a true and fair view of the equity-financial position and economic result, in compliance with the principle of the prevalence of the economic substance of transactions of their legal form.
The going concern assumption is considered to be confirmed with reasonable certainty given that companies belonging to the Unipol Group have sufficient resources to ensure that they will continue to operate for the foreseeable future. In addition, the liquidity risk is deemed to be very remote.

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

The presentation currency is the euro and all the amounts shown in the financial statements and these notes are in €m, except when specifically indicated, rounded to one decimal place; therefore the sum of the individual amounts is not always identical to the total.

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

Consolidation scope

The Group's consolidated financial statements at 31 December 2013 have been drawn up by combining the figures of the Parent Unipol and those for the 105 direct and indirect subsidiaries (IAS 27). At 31 December 2012, 112 companies were consolidated on a line-by-line basis. Subsidiaries deemed to be too small to be of relevance are excluded from the consolidated financial statements.

There are no jointly-controlled interests.

Associates, in which the investment percentage ranges between 20% and 50%, and subsidiaries considered immaterial (42 companies), are measured using the equity method (IAS 28) or maintained at the carrying amount. At 31 December 2012, a total of 47 associates and subsidiaries were considered immaterial.

Investments consolidated on a line-by-line basis and those measured using the equity method are listed in the tables showing the Consolidation scope and Details of unconsolidated investments, respectively, which are appended to these Notes.

Changes in the consolidation scope compared with 31 December 2012 and other transactions

Changes in the consolidation scope:

- on 13 December 2013, the company Unipol Fondi Ltd, with registered office in Ireland, 100%-owned by Unipol Banca SpA, was transferred;
- cessation of business of the subsidiaries Investimenti Mobiliari Srl in liquidation, Partecipazioni Mobiliari Srl in liquidation, Partecipazioni e Investimenti Srl in liquidation and Ata Benessere Srl in liquidation; in addition the investment in the company Progetto Alfiere SpA is no longer considered to be a significant equity interest.

Transactions carried out between Group companies that did not involve changes to the figures in the Consolidated Financial Statements:

- the mergers by incorporation of Unipol Leasing SpA and Unipol Merchant SpA in the holding company Unipol Banca SpA took effect for statutory purposes on 21 April 2013 and 8 July 2013 respectively. Both merger transactions are effective from 1 January 2013 for tax and accounting purposes;
- on 25 November 2013, the single-member company Unipol Finance Srl was incorporated, 100%-owned by Unipol, with share capital of €0.5m. On 27 November 2013, the shareholders' meeting resolved a share capital increase to be paid by the contribution in kind of 240,609,096 class "B" savings shares of the company Fondiaria-SAI SpA (equal to 74.8% of the class "B" savings share capital) and 27,201,199 savings shares of the company Milano Assicurazioni SpA (equal to 26.5% of the savings share capital) held by Unipol SpA. The increase in share capital in service of the contribution, performed on 28 November 2013, amounted to €432.3m, €4.5m charged to share capital and €427.8m charged to the share premium reserve. The valuation of the shares involved in the contribution, included in the appraisal pursuant to art. 2465 of the Civil Code, conducted on the basis of the associated market price, stood at

€407.8m for class "B" savings shares of Fondiaria-SAI SpA and €24.5m for savings shares of Milano Assicurazioni SpA;

- on 17 December 2013, the deed of merger by incorporation of the property companies Carpaccio Srl, Meridiano Primo Srl, Masaccio Srl, Pontormo Srl and Nuova Impresa Edificatrice Moderna Srl into Immobiliare Fondiaria-SAI Srl was lodged with the Register of Companies.

Transactions carried out on capital that did not modify the consolidation scope:

- on 9 August 2013, Unipol purchased 27,201,199 Milano Assicurazioni SpA savings shares, equal to 26.5% of this category of share capital (i.e. solely savings share capital), and 1.4% of entire share capital. The consideration for the purchase of the aforementioned shares amounted to €0.8425 per savings share, for a total outlay of €22.9m. On 28 November 2013, the aforementioned shares were transferred to the subsidiary Unipol Finance Srl;
- increase in share capital of €29m by Unipol Assicurazioni SpA in favour of Unifimm Srl;
- increase in share capital of €1m by Unisalute SpA in favour of Centri Medici Unisalute SpA;
- payments to future share capital increase account of €11.6m by Unipol SpA in favour of Ambra Property Srl;
- share capital increase of €600m in favour of Unipol Assicurazioni SpA paid by Unipol SpA on 31 December 2013; the new share capital amounts to €859.1m.

Definitive situation following the initial recognition of the business combination relating to the acquisition of the Premafin/Fondiaria-SAI Group.

In conjunction with the drafting of the consolidated Half-yearly financial report at 30 June 2013, the process of accounting for the business combination relating to the acquisition of the Premafin/Fondiaria-SAI Group in July 2012 was completed, within the 12-month term set out in IFRS 3. In particular, with respect to 31 December 2012, the fair values of the intangible assets relating to the Life and Non-Life business acquired were defined:

- as regards Non-Life business, the intangible asset relating to the customers of the former Premafin Group acquired on 1 July 2012 (customer relationship) was valued. In line with the IFRS 3 guidelines, the customers used as a reference for the valuation of the customer relationship (valuation of the probability of renewal of existing policies) concern solely the relationships established before the acquisition date. The fair value at the acquisition date was €502.2m. The associated amortisation plan determined per individual class and per single company on the basis of the premium run-off curve obtained with the probabilities of renewal hypothesised for the projections, considering a maximum time period of 10 years:
- with reference to the Life business, the value relating to the portfolio of existing policies at the acquisition date was defined (present value of future profits generated by contracts in force at the time of valuation). The fair value at the acquisition date was €296.7m. The associated amortisation plan was determined on the basis of future profits projected for a duration of 15 years. In particular, each annual portion of amortisation was set at the value of the expected profit in the year, with respect to the value of the sum of expected profits for the entire simulation period.

In addition, in consideration of additional information acquired following in-depth examinations and checks, additions and/or adjustments were made with respect to the values determined by the initial provisional recognition in the 2012 Consolidated Financial Statements, with reference to the items Properties, Investment property, Investments, Available-for-sale financial assets and Provisions for risks and the associated tax effects.

The table below provides details of the definitive values allocated, with reference to the acquisition date, to the identifiable assets acquired and liabilities assumed, compared with the values stated in the condensed consolidated half-yearly financial statements of the Premafin Group at 30 June 2012, and with the initial values stated in the provisional recognition of the business combination presented in the Unipol Group's Consolidated Financial Statements at 31 December 2012.

Amounts in €m	figures from Premafin half-yearly report at 30/6/2012 (*)	initial provisional recognition at 31/12/2012	initial definitive recognition at 30/6/2013	difference compared with the Premafin half-yearly report at 30/6/2012	difference between the definitive recognition at 30/6/2013 and the provisional recognition
Intangible assets	1,481.2	70.1	868.9	-612.3	798.9
Goodwill	*1,400.4*	*0.0*	*0.0*	*-1,400.4*	
Other intangible assets	*80.8*	*70.1*	*868.9*	*788.1*	*798.9*
Property, plant and equipment	397.9	578.1	576.4	178.5	-1.7
Property	*316.3*	*496.8*	*495.1*	*178.8*	*-1.7*
Other tangible assets	*81.6*	*81.3*	*81.3*	*-0.3*	
Technical provisions – Reinsurers' share	759.5	759.5	759.5	0.0	0.0
Investments	32,428.0	32,564.1	32,553.4	125.5	-10.7
Investment property	*2,536.1*	*2,734.9*	*2,723.7*	*187.6*	*-11.2*
Investments in subsidiaries, associates and interests in joint ventures	*109.0*	*107.4*	*106.2*	*-2.7*	*-1.1*
Investments held to maturity	*725.8*	*770.9*	*770.9*	*45.2*	
Loans and receivables	*3,875.9*	*3,016.2*	*3,016.2*	*-859.8*	
Available-for-sale financial assets	*18,039.8*	*18,775.6*	*18,777.3*	*737.5*	*1.7*
Financial assets at fair value through profit or loss	*7,141.4*	*7,159.1*	*7,159.1*	*17.7*	
Sundry receivables and Other assets	3,712.1	4,444.1	4,429.1	717.0	-15.0
of which deferred tax assets	*889.8*	*1,631.1*	*1,616.1*	*726.3*	*-15.0*
Cash and cash equivalents	994.9	2,032.2	2,032.2	1,037.4	0.0
Provisions	-320.5	-331.3	-359.4	-38.9	-28.1
Technical provisions	-33,535.3	-34,370.0	-34,370.0	-834.6	0.0
Financial liabilities	-2,935.0	-2,898.8	-2,898.8	36.1	0.0
Financial liabilities at fair value through profit or loss	*-760.6*	*-723.9*	*-723.9*	*36.7*	
Other financial liabilities	*-2,174.3*	*-2,174.9*	*-2,174.9*	*-0.6*	
Payables and Other liabilities	-1,442.3	-1,829.9	-2,102.7	-660.3	-272.8
of which deferred tax liabilities	*-126.3*	*-501.3*	*-774.1*	*-647.8*	*-272.8*
Total Net identifiable assets	1,540.3	1,018.0	1,488.7	-51.6	470.7

(*) with respect to the published half-yearly figures, assets and liabilities held for disposal were restated by line, consistent with the Premafin Group's approach to drafting the 2012 Consolidated Financial Statements.

Determination of Goodwill:

Amounts in €m		provisional recognition at 31/12/2012	definitive recognition at 30/06/2013	differences
Amount transferred at the acquisition date	a	509.7	509.7	0.0
Value of the minority interests in the Premafin Group	b	895.1	1,200.5	305.3
Net value of identifiable assets and liabilities	c	1,018.0	1,488.7	470.7
Value of goodwill (d=a+b-c)	d	386.8	221.5	-165.3

The main changes in value with respect to the figures stated in the above condensed Consolidated half-yearly financial statements of the Premafin Group at 30 June 2012 are summarised below:

- goodwill recorded in Premafin's condensed consolidated half-yearly financial statements of €1,400.4m was completely eliminated given it does not constitute an identifiable asset which can be recognised in accordance with IFRS 3.11;
- the value of the Life and Non-Life insurance businesses amounted to €798.9m, €502.2m of which for Non-Life business and €296.7m for Life business (this value had still not been determined at 31/12/2012);
- the value of properties, held for corporate business or investment purposes, was adjusted to the value observable from the appraisals issued by the duly appointed experts. The change amounted to €366.4m (€379.3m at 31/12/2012);
- the changes in the technical provisions, amounting to €834.6m, are attributable to Non-Life business (€710.1m) and Life business (€124.5m), values confirmed with respect to 31 December 2012;
- the provisions reflect the most up-to-date valuation of contingent liabilities deriving from pre-existing events and circumstances at the acquisition date, and concern, in particular, the risks connected with tax assessments, the dispute of former OPA SAI and the bankruptcy of the Imco-Sinergia Group; provisions were also allocated for risks on investment property given included in the fair value measurement of properties. Provisions totalled €359.4m (€331.3m at 31/12/2012);
- financial assets, all booked at fair value on the acquisition date, were classified in line with the practice applied by the Unipol Group, mostly impacting the categories Loans and receivables and Available-for-sale assets;
- deferred tax assets and liabilities changed as a result of the different values attributed to other identified assets and liabilities;
- cash and cash equivalents changed by €1,037.4m (amount confirmed with respect to 31/12/2012), having recognised the effects of the share capital increases (net of the relative costs) in Premafin and Fondiaria-SAI at the acquisition date, given they concern transactions strictly related to the acquisition.

Modification of the comparative data of the previous year

As required by IFRS 3, parag. 49, following the initial definitive recognition of the values of the business combination, the comparative equity and economic figures relating to 31 December 2012 were re-determined. The effects of these adjustments are detailed in the following tables of comparison with the values originally approved.

Consolidated Statement of Financial Position - Assets

	Amounts in €m	31/12/2012	adjustments	31/12/2012
		originally approved	recognition of business combination	adjusted
1	Intangible assets	2,077.1	544.0	2,621.1
1.1	*Goodwill*	*1,908.9*	*-165.3*	*1,743.6*
1.2	*Other intangible assets*	*168.2*	*709.3*	*877.5*
2	Property, plant and equipment	1,413.0	-1.7	1,411.3
3	Technical provisions – Reinsurers' share	1,207.3		1,207.3
4	Investments	70,957.6	-10.5	70,947.1
5	Sundry receivables	3,663.5		3,663.5
6	Other assets	3,082.0	-15.0	3,067.0
7	Cash and cash equivalents	708.2		708.2
	TOTAL ASSETS	83,108.8	516.8	83,625.5

Consolidated Statement of Financial Position - Equity and Liabilities

	Amounts in €m	31/12/2012	adjustments	31/12/2012
		originally approved	recognition of business combination	adjusted
1	Equity	7,002.3	262.2	7,264.5
1.1	attributable to the owners of the Parent	5,321.7	-13.4	5,308.3
1.2	attributable to non-controlling interests	1,680.6	275.6	1,956.2
2	Provisions	403.4	28.1	431.5
3	Technical provisions	56,456.0		56,456.0
4	Financial liabilities	16,233.6		16,233.6
5	Payables	1,276.5		1,276.5
6	Other liabilities	1,736.8	226.5	1,963.3
	TOTAL EQUITY AND LIABILITIES	83,108.8	516.8	83,625.5

Consolidated Income Statement				
	Amounts in €m	31/12/2012	adjustments	31/12/2012
		originally approved	recognition of business combination	adjusted
1.1	Net premiums	11,623.6		11,623.6
1.2	Commission income	133.8		133.8
1.3	Gains and losses on remeasurement of financial instruments at fair value through profit or loss	451.4		451.4
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	5.9		5.9
1.5	Gains on other financial instruments and investment property	2,129.0		2,129.0
1.6	Other income	313.3		313.3
1	TOTAL REVENUE AND INCOME	14,657.0		14,657.0
2.1	Net charges relating to claims	-10,368.9		-10,368.9
2.2	Commission expense	-33.8		-33.8
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	-20.3		-20.3
2.4	Losses on other financial instruments and investment property	-710.1	0.1	-709.9
2.5	Operating expenses	-2,219.3		-2,219.3
2.6	Other costs	-550.3	-89.6	-639.8
2	TOTAL COSTS AND EXPENSES	-13,902.6	-89.5	-13,992.0
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	754.4	-89.4	664.9
3	Income tax	-280.7	46.3	-234.4
	PROFIT (LOSS) FOR THE YEAR AFTER TAXES	473.7	-43.1	430.5
4	PROFIT (LOSS) OF DISCONTINUED OPERATIONS	-4.4		-4.4
	CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	469.3	-43.1	426.2
	attributable to the owners of the Parent	*298.6*	*-13.4*	*285.3*
	attributable to non-controlling interests	*170.7*	*-29.7*	*140.9*

Item 2.6 ‘Other costs’ was adjusted, in particular, in the Consolidated Income Statement at 31 December 2012, for €89.6m, concerning the amortisation of intangible assets relating to Non-Life business (€61.3m) and Life business (€28.3m), with the relative tax effect totalling €30.4m. The adjustments made to the item ‘Taxes’ totalled €15.9m. The consolidated result, net of taxes, at 31 December 2012, fell from €469.3m to €426.2m.

Reporting date

The reporting date of the consolidated financial statements is 31 December 2013, the date the separate financial statements of the Parent Unipol closed. All the consolidated companies closed their financial statements at 31 December with the exception of the associate Pegaso Finanziaria SpA, which closed its latest financial statements at 30 June and for which interim financial statements up to the date of the consolidated financial statements have been used.
With the exception of the companies in the banking sector subject to supervision by the Bank of Italy, the consolidated financial statements were drawn up using restatements of the individual financial statements of the consolidated companies adjusted to comply with the IAS/IFRS, as applied by the Parent Unipol and approved by the Boards of Directors of the companies concerned. The companies in the Unipol Banca Group draw up separate financial statements by applying the IAS/ IFRS.

Basis of consolidation

Companies consolidated on a line-by-line basis

This method provides for the consolidation on a line-by-line basis of the assets, liabilities, income and charges of the consolidated companies as from the date they were acquired, with the carrying amount of the investment eliminated being offset against the 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 under equity as 'Equity attributable to non-controlling interests', whilst the relevant amount of the consolidated profit or loss is shown under '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 that are so small that the equity method is used. Five special-purpose companies are also consolidated on a line-by-line basis. These are the vehicles used by Unipol Banca for securitisations which, whilst not being subsidiaries, are consolidated as laid down in SIC 12.

Goodwill

If the cost of acquiring investments in subsidiaries and associates exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the excess amount is recognised as goodwill under 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.
In the years following the year of acquisition, goodwill is measured at cost, net of any impairment losses accumulated.
The ancillary costs of acquisition operations have been recognised in profit or loss during the year in which they are incurred or the services provided.

Under the new IAS 27 (paragraphs 30-31) variations in an investment in a subsidiary that do not lead to loss of control are recognised as equity transactions. Any difference between the proportion of equity acquired in the subsidiary and the fair value of the price 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 at 31 December 2013.

Companies measured using the equity method

When this method is used the carrying amounts of the investment is adjusted according to the relevant portion of equity, including the profit/loss for the year and all the adjustments made when consolidation is on a line-by-line basis. Any difference between the portion of equity acquired and the fair value of the price paid (goodwill) is recognised in the carrying amount of the investment.

Elimination of intercompany transactions

When the consolidated financial statements are drawn up the amounts receivable and payable between companies included in the consolidation scope, the income and charges relating to transactions carried out between these companies and the profits and losses resulting from transactions carried out between these companies and not yet realised with parties external to the Group are eliminated.

Segment reporting

The scope of segment reporting is based on the major types of business in which the Group operates:

- Non-Life business
- Life business
- Banking business
- Real Estate business
- Holding and Services business and Other activities.

Segment reporting is carried out through the separate consolidation of the accounting figures relating to the individual subsidiaries and associates belonging to each of the sectors identified, by eliminating the intragroup balances between companies in the same sector and cancelling, where applicable, the carrying amount of the investments in respect of the corresponding portion of equity.
In the column "Intersegment eliminations", the intragroup balances between companies in different sectors are eliminated.

The following are an exception of the above rule:

– investment relations between companies in different sectors given that the elimination of the investment takes place directly in the sector of the company that holds the investment, while any consolidation difference is attributed to the sector of the investee;
– dividends collected, eliminated in the sector of the company that collects the dividend;
– profits and expenses realised given that the elimination takes place directly in the sector of the company that realises the capital gain or loss.

No segment reporting based on geographical areas has been produced since the Group operates mainly on a national level and there appears to be no significant difference in the risks and benefits, according to the type of business activity carried out, that can be correlated with the economic situation in the individual regions.

The layout of segment reporting conforms to the provisions of ISVAP Regulation no. 7/2007.

2. MAIN ACCOUNTING POLICIES

New accounting policies

IFRS 13 – Fair value measurement

On 12 May 2011, the IASB published IFRS 13 "Fair Value measurement". IFRS 13 defines:
- the 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 principal market (or more advantageous) at the measurement date, under market conditions (i.e. an exit price), regardless of the fact that price is observable directly or is estimated using another measurement technique.
Assets and liabilities measured at fair value are classified for accounting purposes according to a fair value hierarchy composed of 3 levels:
1 – prices quoted in active markets for identical financial instruments;
2 – input data other than the listed prices included in Level 1 that are observable for each asset or liability, either directly (as in the case of the prices quoted for similar instruments in active markets) or indirectly (i.e. derived from the prices);
3 – input data relating to the asset or liability that are not based on observable market data.
The new standard was approved by the European Union with Regulation (EU) no. 1255 of 11 December 2012 and is applicable from years starting on 1 January 2013.

IAS 1 – Presentation of the financial statements

The IASB amended IAS 1 "Presentation of the financial statements" on 16 June 2011.
The objective of the amendments to IAS 1 is to clarify the disclosure of the growing number of items of other comprehensive income to help users of financial statements to distinguish between the items of other comprehensive income that may or may not be subsequently reclassified to profit (loss) for the year, making provision for the grouping into a single section of all items included in other comprehensive income which will be reclassified to the income statement (profits and losses deriving from the translation of financial statements to foreign currency, effective part of cash flow hedges).
The new standard, approved by the European Union with Regulation (EU) no. 475 of 5 June 2012, is applicable from years starting on 1 January 2013.

IFRS 7 – Financial instruments: disclosures - Offsetting financial assets and liabilities

Regulation 1256/2012 of the European Commission of 13 December 2012, published in the Official Journal of the European Union no. 360 of 29 December 2012, made amendments to IFRS 7, requiring more accurate information on netting rights and the related arrangements (e.g. guarantees). The information concerns, in particular, the effect of offsetting agreements on an entity's financial position. The new disclosure is required for financial instruments subject to netting according to IAS 32 "Financial instruments: disclosure", and also for financial instruments that are subject to master netting arrangements or similar agreements, regardless of whether they are offset according to IAS 32.

New accounting policies which have still not entered into force

Pursuant to IAS 8, parag. 30, the accounting documents published by the International Accounting Standard Board are also outlined, which could be significant for the Group, but which are still not applicable.

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

On 12 May 2011, the IASB published the standards:
- IFRS 10 “Consolidated Financial Statements” which replaced IAS 27 and the interpretation SIC12;
- IFRS 11 “Joint arrangements” which replaced IAS 31;
- IFRS 12 “Disclosure on interests in other entities” which contains accounting disclosure requirements for IFRS 10 and 11;
- IAS 27 “Separate financial statements”;
- IAS 28 “Investments in associates and joint ventures”.

According to IFRS 10, an investor has control over another company when it jointly has:
- decision-making power to manage “significant activities” (which influence economic returns);
- exposure or rights to variable returns deriving from the relationship with the investee;
- the ability to use its power over the investee to affect the amount of the investor's return.

IFRS 11 defines a joint arrangement as an arrangement of which two or more parties have joint control.
It distinguishes between a joint operation and a joint venture:
- 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. For accounting purposes, assets and liabilities forming part of the arrangement are reflected in the financial statements using the reference accounting standard;
- 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. For accounting purposes, joint ventures are consolidated using the equity method

The objective of IFRS 12 is to require entities 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 the new IAS 27 “Separate financial statements” is to require entities 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 new IAS 28 “Investments in associates and joint ventures” defines the accounting of interests in associates and the requirements for the application of the equity method for accounting for investments in associates and joint ventures.

IFRS 10, 11, 12, IAS 28 and IAS 27 were approved by means of Regulation (EU) no. 1254 of 11 December 2012 and entered into force on 1 January 2014.

IAS 32 Financial instruments: disclosure

Regulation 1256/2012 of the European Commission of 13 December 2012, published in the Official Journal of the European Union no. 360 of 29 December 2012, made amendments to IAS 32, with reference to the necessary requirements for offsetting financial assets and liabilities. The amendments shall be applicable from 1 January 2014.

The accounting policies and the most significant criteria used in drawing up the consolidated financial statements are set out below.

The paragraph numbers are the same as those of the corresponding items in the Statement of Financial Position and Income Statement, which are laid out in accordance with ISVAP Ruling 7/2007.

Statement of financial position

Assets

1 Intangible assets – IAS 38

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

The following assets are recognised as intangible assets with a finite 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 existing policies. The Group amortises this value throughout the expected average 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 personalisation of the relative software, amortised over five or ten years according to their estimated useful life.

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

Goodwill paid when companies are acquired or merged is also included among intangible assets, as already mentioned in paragraph 1.2 (also provisionally, determined on the basis of IFRS 3). 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; impairment losses 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.

For recognising and measuring this category of assets the Group has adopted the cost model, which systematically depreciates the asset's depreciable amount over its useful life.
Depreciation, which is carried out each year on a straight-line basis, begins when the asset is available and ready for use and ends when the asset has come to the end of its useful life (which in the case of buildings is estimated at 33.4 years).
In the case of wholly-owned property (land and buildings) depreciation is carried out only on the building.

Consolidated real estate companies include in the carrying amount the borrowing costs incurred for loans specifically 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 the carrying amount of the assets.

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

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

3 Technical provisions – Reinsurers' share – 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.
Investment property is recognised by applying the cost method, as allowed by IAS 40 (an alternative to the fair value method).
If the final recoverable amount of 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). This generally relates to instrumental properties by nature, such as hotels, shopping centres, office buildings.
If the recoverable amount of the property is estimated to exceed the carrying amount no depreciation is applied. In the case of the Group this applies to residential property.
In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

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

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

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

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

This item includes investments in associates as defined in IAS 28 and investments in subsidiaries that because of their size are considered immaterial, which are measured using the equity method or at cost.

Financial assets – IAS 32 and 39 – IFRS 7 – IFRS 13

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 investments
- 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 Held-to-maturity investments

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

This category includes bonds that the Group intends and is in a financial position to hold to maturity, for example most of the fixed-yield bonds acquired to match special Life tariffs.

If a substantial number of securities in this category are sold early (or reclassified), all the remaining securities must be reclassified as Available-for-sale financial assets and may not be used for the next two financial years.

4.4 Loans and receivables

Receivables in this category consist of contracts for which the Group holds a right to the cash flows arising from the loan agreement. They are characterised by fixed or determinable payments and are not listed on an active market.
This item consists mainly of loans to customers and banks of the Banking Group.
This category also includes mortgages and loans provided to the insurance companies, reinsurers' deposits, loan repurchase agreements, term deposits exceeding 15 days, receivables for agents' reimbursements, unlisted debt securities not held for sale which the Group intends to hold for the foreseeable future, including bonds reclassified following application of IAS 39 paragraphs 50D and 50E.

In accordance with the provisions of IAS 39, loans and receivables must be initially recognised at their fair value, which corresponds to the amount granted including the transaction costs and the commissions and fees chargeable directly. Following the initial recognition receivables are measured at the amortised cost, which is represented by the initial carrying amount net of repayments, plus or minus any difference between the initial amount and the amount on maturity because of depreciation calculated in accordance with the criterion of effective interest method and less any impairment loss or reduction due to non-recoverability.
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 discounts all the future cash flows of the loan and establishes a present value corresponding to the amount granted including all the transaction costs and income pertaining to it. When the cash flows and the contractual term of the loan are being estimated, all the contractual terms that can affect the amounts and the maturity dates (for instance, early repayments and the various options that may be exercised) are taken into account but not the losses expected on the loan. Following initial recognition, for the whole life of the loan the amortised cost is determined by continuing to apply the effective interest rate fixed at the start of the transaction (original interest rate). This original interest rate does not vary over time and is also used in the case of any contractual amendments to the interest rate or events which have made the loan 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 in the case of shorter contracts applying this method does not involve significant changes to the financial effect. 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.

On the reporting date for each set of financial statements or interim financial statements the loans are checked in order to identify those for which there is objective evidence of impairment owing to events that have occurred after they 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 more than 90 days overdue, in accordance with current 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 assisting the loan. The negative difference between the present value of the loan and its carrying amount (amortised cost) at the time it is measured constitutes an adjustment, and that 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 an amount not exceeding the carrying amount that it would have had if the amortised cost had been applied without 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 overdue by no more than 90 days) are measured collectively according to standardised category of credit risk based on type of customer and type of product. The value of the intrinsic loss according to standardised category is calculated by applying percentage loss indices ascertained by analysing the performance of each category over previous periods of at least three years.
The adjustments made in accordance with the collective method are recognised in the income statement. In subsequent periods any additional adjustments or reversals of impairment losses are determined using the differential method by reference to the entire loan portfolio measured as a whole.
Receivables assigned are eliminated only if the assignment involves the substantial transfer of the risks and rewards pertaining to them. If this is not the case receivables continue to be recognised even though ownership of them has been legally transferred.
The presumption is that all the risks and rewards are substantially transferred if the assignment involves transferring at least 90% of them. On the other hand, the presumption is that all the risks and rewards are substantially retained if the assignment involves transferring no more than 10% of them.
If the assignment does not involve either transferring or retaining a substantial percentage of the risks and rewards (in the event that the Group retains more than 10% but less than 90% of the risks/rewards) the receivables are eliminated provided the Group retains no control over them at all. Otherwise, the fact that some control over the receivables assigned is retained means that they are maintained in the financial statements in proportion to the level of residual involvement.

4.5 Available-for-sale financial assets

Investments classified as available-for-sale financial assets are measured at fair value. The differences compared with the carrying amount must be recognised in equity in a specific reserve for unrealised gains/losses (net of tax). In the event of sale 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 provided in the section “Fair value measurement criteria – IFRS 13”.

The amortised cost of the debt securities in this category calculated according to 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 securities, equity securities and OEIC units, investments deemed to be of strategic importance (less than 20% of the share capital, of commercial or company strategic importance).

Impairment policy for financial assets adopted by the Unipol Group

IAS 39, parag. 58, provides that on each reporting date companies must check whether there is any objective evidence that a financial asset or a group of financial assets is impaired.
In order to determine whether a financial asset or a group of financial assets shows signs of impairment it must be periodically tested for impairment.
Indicators of a possible impairment are, for instance, the issuer's significant financial difficulties, failure to pay the full amount of interest or principal, the possibility of the beneficiary becoming bankrupt or entering into another insolvency proceeding and the disappearance of an active market for the asset.
Pursuant to parag. 61 of IAS 39, a 'significant or prolonged' decline in the fair value of 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 complies with paragraph 61 of IAS 39.

The Group defined as significant a reduction in the market value of equity instruments classified as available-for-sale (AFS) financial assets of 50% compared with the initial recognition and deemed as prolonged a market value remaining below the initially recognised amount for more than 36 months.

Therefore, in the case of equity instruments the impairment test is carried out by selecting 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 impairment loss on the reporting date is more than 50% of the initial recognition amount.

The impairment of these instruments is deemed to be confirmed and the total variation in fair value is recognised in profit or loss, with elimination of gains or losses on the underlying available-for-sale financial assets.

In the case of debt securities, whenever payment of a coupon or repayment of principal is late or missed and this is confirmed by the custodian bank, the Group Finance Department immediately notifies the relevant Risk Management Department 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 through profit or loss.
Information on how the fair value is determined is provided in the section “Fair value measurement criteria – IFRS 13”.

There are two further subitems:

- Financial assets held for trading, which includes debt and equity instruments, mainly listed, asset items in derivative agreements and structured financial instruments where the embedded derivative would have to be separated if they were classified in a different category;
- Financial assets to be recognised 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 the fair value and subsequently measured at fair value. Information on how the fair value is determined is provided in the section “Fair value measurement criteria – IFRS 13”.

Derivatives may be acquired for 'trading' or 'hedging' purposes. In the case of hedging transactions IAS 39 provides for cumbersome and complex rules for drawing up appropriate documentation to be used to check the effectiveness of the hedge from the time it is activated and throughout its entire term (hedge accounting).

Transactions on both fair value hedges and cash flow hedges were in existence at 31 December 2013.

All financial instruments are classified in the category ‘Financial assets at fair value through profit or loss’.

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 has been recognised directly in equity is recognised through profit or loss throughout the remaining useful life of the investment held to maturity 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 unusual (para. 50B), or
- the asset to be reclassified would have come under '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 (para. 50D).

A financial asset classified as available for sale that would have come under 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 (para. 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 (para. 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 useful life 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 is some of the information that must be provided (IFRS 7):
- the amount reclassified from and to each category;
- for each year until it is derecognised, the carrying amount and the fair value of all financial assets reclassified during the current and preceding year;
- whether a financial asset was reclassified in accordance with paragraph 50B, however unusual the situation, and the facts and the circumstances of the unusual situation;
- for the financial year in which the financial asset was reclassified, the fair value gain or loss on the financial asset;
- for each year following reclassification (including the year in which the financial asset was reclassified) until the financial asset is derecognised, the fair value gain or loss that would have been recognised if the financial asset had not been reclassified.

Accounting of structured bonds issued by special purpose vehicles (SPVs)

The Group invests in notes issued by SPVs with rather similar purposes and management methods as those that characterise investments in structured and unstructured bonds, made as part of the ordinary financial management of resources derived from normal business. This financial management, in relation to the Group's business sector, is especially complex which makes it necessary, in certain circumstances, for the subscription of financial assets with specific characteristics (e.g. in terms of maturity, creditworthiness and payoff), which are not always easy to find on financial markets. The investment opportunities offered via SPVs also make it possible, owing to their specific nature, to expand the range of financial investments available.

The Unipol Group classifies and accounts for bonds issued by SPVs on the basis of the provisions of IAS 39, deeming the fact they have been issued by a SPV to be irrelevant(1), in consideration of the fact that the SPV is, in fact, considered merely a technical instrument through which to structure complex financial instruments whose risk/return profile is essentially evaluated by jointly taking into consideration the contracts that govern the notes issued by the SPV, the associated derivative contracts (generally swap agreements) and any other contractual clauses such as financial guarantee or similar clauses, or yet other "ancillary" clauses which may, in theory, make provision, when given conditions are satisfied, for the liquidation of the securities. The SPVs whose bonds are held by the Unipol Group in fact, consistently replicate, with the arranger, the positions they assume with noteholders, as the risks or returns of the transaction cannot be retained within it.

As regards the above, investments in notes issued by SPVs are accounted for on the basis of IAS 39, with the same criteria applied for the investments in structured and unstructured bonds, with particular regard to the presence of embedded derivatives and valuations regarding any segregation.
In fact, pursuant to SIC 12, an entity must only consolidate an SPV in the event the entity exercises control over it pursuant to IAS 27, parag. 13, or the entity obtains the majority of the benefits and incurs the majority of the risks related to the activities performed by the SPV.

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[1] Issues from SPVs made as part of securitisation transactions originated by the subsidiary Unipol Banca are an exception, in relation to which Unipol Banca subscribed, wholly or partially, the notes issued by the SPVs of the securitisations originated by them ("securitisation SPV"), which were all consolidated in the Unipol Group's consolidated financial statements, with the full recognition of assets, liabilities, costs and revenues of the securitisation SPVs. The notes issued and subscribed by Unipol Banca were not recorded under assets in the financial statements given they were not eliminated with the corresponding notes issued by the securitisation SPVs.

The Unipol Group, in relation to bonds issued by SPVs in the portfolio at 31 December 2013, does not exercise any form of control over the SPVs, in the sense that it is not able to govern the management process of the SPVs (which, in fact, is defined by the arrangers of the investment transaction in which the Group participates by subscribing the notes and other relevant contracts) and does not obtain any benefits from the SPVs other than those strictly dependent on the formally subscribed financial instrument. The Group holds the notes issued by the SPV and can only dispose of them autonomously, given it has no power to dispose of the financial instruments held by the vehicle. It is reasonable to deduce, from these considerations, that the Group holds no form of control of the SPVs in accordance with IAS 27, parag. 13.
The portfolio of bonds issued by SPVs at 31 December 2013 contains just one case of an SPV in which the Group has subscribed, at the current state of play, notes to such an extent to generate for the Group itself the majority of risks/benefits related to the SPV's activities. In fact, in all other cases, the Group does not enjoy the majority of risks/benefits related to the SPV's activities and, subsequently, the control requirements set out in SIC 12 are not met.

In cases where, through the SPV internal segments, which segregate the risks and benefits of issues, the majority of said risks and benefits are transferred to the Unipol Group, in essence, the consolidation of the segments would lead to the need to replace the debt securities issued by the SPV and subscribed by the Group with a financial asset which, in terms of the associated risks and returns, exactly replicates the financial profile of the notes cancelled due to the consolidation.
In fact, the segments consistently replicate, with the arranger, the positions the latter assume with noteholders, as the risks or benefits of the transaction cannot be retained within it. The result is that the financial asset to be recognised due to the consolidation of the segments would have, substantively speaking and therefore for the purposes of classification and measurement pursuant to IAS 39, identical characteristics to those of the notes cancelled due to the consolidation of said segment; the result being that, in the case of consolidation of segments in which the risks/benefits of the asset pertain fully to the Unipol Group, there would be no substantive effects on the accounting representation of the transaction, essentially confirming the fact that, in effect, the SPVs are technical instruments for realising an investment in financial assets with characteristics which are, for all intents and purposes, equivalent to those of the notes issued by the SPV itself and segregated in the segment.

5 Sundry receivables

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

The item Sundry receivables includes receivables due within twelve months, in particular Receivables relating to direct insurance business, Receivables relating to reinsurance business and Other receivables, such as trade receivables and tax receivables.

6 Other assets

6.1 Non-current assets held for sale or disposal groups – 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 carrying amount or fair value, whichever is the lower, 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 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 amounts for tax purposes 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 also recognised provided there is a probability that taxable income for which they can be used will be available in future.
Deferred taxes are based on the tax rates ruling at the end of the year or on the rates that are expected to be applied in future based on information available at the end of the financial year.

If assets are revalued solely for tax purposes and relate neither to a revaluation of the carrying amount for 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 with no discretionary participation feature, since they are additional costs incurred to acquire the contract and 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

The item includes the share capital of the ultimate parent.

1.1.3 Equity-related 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 Income-related 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 standards 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 Treasury 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 was negative. 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 pertaining 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 they are deemed necessary to meet an obligation arising from a past event and when it is likely that the amount of resources required can be reliably estimated.

3 Technical provisions – IFRS 4

Classification of insurance contracts

According to IFRS 4 insurance contracts are contracts that transfer significant insurance risks. 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 the insured event will cause a significant change in the current value of the insurer's net cash flows.
Investment contracts are contracts that transfer financial risks but involve no significant insurance risks.
Some insurance and investment contracts may include discretionary participation features.

All the policies in the Non-Life portfolio at 31 December 2013 were classified as insurance contracts.

As regards the Life segment, the principal criteria used for classifying Life products as insurance policies were:

- the presence of a significant insurance risk, i.e. the reasonable possibility that the occurrence of the insured event would give rise to the payment of significant 'additional benefits' compared with those that would have been payable if the insured event had not taken place. The criteria for identifying the presence of significant insurance risk are structured as follows:
  - above 10% the contract is insurance
  - under 5% the contract is financial
  - between 5% and 10% specific product analyses are carried out
- the presence of options or guarantees, such as the coefficient of conversion into a guaranteed rate annuity.

Some contracts provide for discretionary participation features (DPF) i.e. the policyholder's right to receive a benefit in addition to the guaranteed minimum. The benefit must fulfil specific contractual terms and represent a significant part of the total payments. In particular, contracts subject to revaluation and linked to segregated accounts were classified as investment products with DPF and were therefore measured and recognised as insurance contracts.

A contract classified as an insurance contract remains an insurance contract 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 with no DPFs. For this reason, according to paragraph 3 of IFRS 4, contracts of this type do not produce premiums but are measured and recognised in accordance with IAS 39:

- index-linked, where the sum insured in the event of death corresponds to the value of the asset plus a small percentage;
- unit-linked, where the sum insured in the event of death corresponds to the NAV plus a small percentage;
- mixed, where funding is specific and the technical rate is zero;
- capital redemption, where funding is specific and the technical rate is zero;
- pension funds with guaranteed benefit when the policy matures or when certain events occur.

In the case of unit-linked products the loading and the acquisition commissions for the asset management service are recognised and amortised separately over the life of the contract. In the case of index-linked policies, which are not managed over time but only administered, these deferments are not necessary.

Non-Life business technical provisions

Provision for premiums

The direct insurance premium provision is established analytically for each policy using the pro rata temporis method, on the basis of the gross premiums accounted for less acquisition commissions and the other acquisition costs that are chargeable directly. In the case of long-term contracts the amount of amortisation for the year is deducted.
Under certain conditions the provision for premiums also includes the provision for premiums 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 expected loss ratio for the year, adjusted on a prospective basis.
In the case of Credit insurance the flat-rate procedure provided for by the Ministerial Decree of 23 May 1981 was applied to premiums received before 1992, whilst the pro rata temporis method has been applied to contracts issued from 1992 onwards.
In the case of Bond insurance the provision for premiums has been calculated using the pro rata temporis method combined with the criteria laid down by ISVAP Ruling 16.
The total amount allocated to this provision is sufficient to meet costs arising from the portion of risk pertaining to subsequent years.
The reinsurers' share of the provisions for premiums is calculated by applying to the premiums ceded the same criteria as those used for calculating the premiums for direct insurance business provision.

Ageing provision

The ageing provision is calculated at a flat rate of 10% on Health policies in the portfolio that have the features provided for by Article 46 of ISVAP Regulation no. 16 (multiyear health policies when the premium is not based on increasing age).

Claims provision

The claims provision is ascertained analytically by estimating the presumed cost of all the claims outstanding at the end of the year and on the basis of prudent technical valuations carried out with reference to objective elements, in order to ensure that the total amount set aside is enough to meet the claims to be settled and the relative direct expenses and settlement expenses.
The figures ascertained in this way are analysed and checked by Head Office. Subsequently, in order to take account of all reasonably foreseeable future charges, actuarial-statistical methods are used to determine the final level of the claims provision.
The claims provision also includes the amounts set aside for claims incurred but not reported, based on past experience of IBNR for previous years.
The reinsurers' share of the claims provision reflects the sums recovered from them to meet the reserves, the amounts being laid down in the individual policies or in the contracts.

Provision arising from the adequacy test for Non-Life technical provisions

The Non-Life technical provisions have been subjected to the test provided for by IFRS 4 (Liability Adequacy Test – LAT).

In order to monitor the adequacy of the provision for premiums the supplementary provision for Unexpired Risks is calculated for each individual company and class of business using the simplified method provided for in ISVAP Regulation no. 16, Article 11. As claims for the year are measured at final cost and not discounted, future payment flows can be deemed to have implicitly taken place (LAT on the claims provision).

Life business technical provisions

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

Mathematical provisions

The mathematical provision for direct assurance is calculated analytically for each contract on the basis of pure premiums, with no deductions for policy acquisition costs, and by reference to the actuarial assumptions (technical interest rates, demographic models of death or disability) used to calculate the premiums on existing contracts.
The mathematical provision includes the portion of pure premiums in relation to the premiums accrued during the year. It also includes all the revaluations made under the terms of the policy and is never less than the surrender value.
In accordance with the provisions of Article 38 of Legislative Decree 173/1997, technical provisions, which are set up to cover liabilities deriving from insurance policies where the yield is based on investments or indices for which the policyholder bears the risk, and provisions arising from pension fund management, are calculated by reference to commitments made under these 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 provisions are calculated on the basis of the price of the underlying securities, whilst in the case of unit-linked policies the mathematical provisions are calculated by multiplying the number of units by the price of the funds concerned on the date they are calculated.
In the case of Pension Funds, and particularly, policies that offer a guaranteed minimum return on payments when the policy matures or on retirement, death or disability, the mathematical provision may be increased by a further provision required to cover the risk of including the value of the underlying assets. This supplement is calculated by taking into account any differences between the guaranteed minimum values and the values of the underlying assets during the guarantee period estimated stochastically and by discounting the result on the date the provisions are calculated.
The mathematical provisions are calculated analytically for each individual contract taking into account the policies outstanding at the reporting date, their respective start dates and all the liabilities assumed under the policies.
As laid down in Article 36, para. 3, of Legislative Decree 209 of 7 September 2005, the provision for sums payable includes the total amount needed to cover payment of benefits that have fallen due but not so far been paid, surrendered policies and claims not yet paid.
The provision for profit participation and reversal was set up to cover the Group's commitment to allocate to certain contracts on a temporary group tariff in the event of death and/or disability sums accrued during the year as technical profits arising from the yield on individual contracts.
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 provisions are supplemented by the following additional provisions:

Supplementary provisions based on demographics (Article 50 of ISVAP Regulation no. 21)
An additional provision has been set up to supplement the provision held as a hedge against liabilities to policyholders whose benefit is in the form of a life annuity or in the form of a lump sum with guaranteed coefficients of conversion into an annuity.
This supplementary provision is calculated by the companies in the Group comparing the demographics used in the tariff with the latest demographic tables such as the RG48, which shows details of both sexes separately, the IPS55 for men and the SIMPS71. Coefficients that reflect each individual company's propensity to choose the annuity offered are applied to the levels of provision obtained in this way.

Additional provisions
Under Article 38, para. 3, of Legislative Decree 173/1997, the mathematical provision includes provisions set up to hedge the risk of mortality in insurance contracts in Class III (as laid down in Article 2, para. 1, of Legislative Decree 209 of 7/9/2005), which provide a benefit should the insured party die during the term of the contract. In the case of insurance contracts in Class III and Class VI the mathematical provision also includes the provisions set up to fund guaranteed benefits on maturity or when certain events occur (as laid down in Article 2, para. 1, of Legislative Decree 209 of 7/9/2005).

Provision for expenses
In the case of policies with a premium payment period shorter than the term of the insurance (single premium, low annual premium, reduced) a provision is set aside for expenses calculated on the basis of the operating loadings held as a hedge against future operating expenses.
In the case of index-linked tariffs the provision for operating expenses has been set up using the difference between the value of the net premium 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 period of each individual contract.

Additional provisions for temporary mismatching (Article 37 of ISVAP Regulation no. 21)
These provisions are used as a hedge against the financial effects of fluctuations in the returns on separately managed accounts and take account of the part of the return to be retroceded to the policies that because of the temporary mismatch is not covered by the return on the investments and that is expected to be obtained during the same period.
This provision is important in the case of separately managed accounts that provide for only one annual rate of return, retroceded/paid to policyholders for each subsequent period of twelve months.

Additional provision for financial risks (Articles 47 and 48 of ISVAP Ruling 21)
The mathematical provisions are combined with an item held as a hedge against a possible discrepancy between the expected rates of return on the assets held as a hedge against the technical provisions linked to separately managed accounts and commitments by way of levels of financial guarantees and adjustments made to the benefits provided under the policies.

The liability adequacy test was also carried out in accordance with IFRS 4, to verify that the technical provisions were adequate to cover the present value of future cash flows relating to insurance contracts.
The test was performed by projecting the cash flows and taking into account the following elements:

– services guaranteed broken down by guarantee line, projected on the basis of contractual conditions;
– trend in the existing portfolio relating to recurring payment aspects, expiry of contracts, policyholder mortality and propensity to redemption;

- costs and revenues associated with portfolio management and liquidation.

Provision for shadow accounting

The shadow accounting technique set out in IFRS 4 enables the unrealised losses and/or gains on the underlying assets to be recognised as technical provisions for insurance or investment contracts that offer discretionary participation features as if they had been realised. This adjustment is recognised in equity or in the income statement depending on whether the losses or gains in question are recognised in equity or in the income statement.
Net losses are recognised in the provision for deferred financial liabilities to policyholders only after the guaranteed minimum has been reached, otherwise the company continues to bear them in full. Losses are quantified using a financial prospective method in line with Chapter I of ISVAP Regulation no. 21 dated 28 March 2008.
Applying shadow accounting enables the value mismatch between technical provisions and related assets to be mitigated and is therefore deemed to be more representative of the economic substance of the transactions in question.

4 Financial liabilities – IAS 39

This item includes the financial liabilities at fair value through profit or loss and the 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 subitems:
- financial liabilities held for trading, which include negative items on derivatives;
- financial liabilities to be measured at fair value through profit or loss, which include the 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 Financial liabilities at amortised cost

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 not significant and there is no discretionary participation feature (some types of product matched by specific funding).

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' leaving entitlement, payables for miscellaneous tax charges and payables to welfare and pension schemes.

Payables are recognised at their nominal amount.

Employee benefits – IAS 19

The post-employment benefits accrued by 31 December 2006 that have not been transferred to external bodies in accordance with the provisions of Legislative Decree 252/05 relating to supplementary pension schemes comes under the category of employee benefits 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 length of employment).
The same method is used to determine the effects of other defined benefits for employees post-employment.

It should be noted that the Unipol Group already adopted the amendments to IAS 19, Regulation EU no. 475/2012 at 31 December 2012. From 31 December 2012, actuarial gains and losses relating to obligations deriving from defined benefit plans are recorded under Other comprehensive income/(expense).
Future cash flows are discounted on the basis of the market return curve, recorded at the end of the year, of corporate bonds issued by issuers of high credit standing.

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

Net interest is calculated by applying to the net value of liabilities for defined benefits existing at the start of the year the one-year interest rate taken from the return curve used to discount the liability at the end of the previous year.

6 Other liabilities

6.1 Liabilities associated with disposal groups – 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 must be measured using the tax rates that are expected to apply during the year in which the tax liability will be paid off, based on the ruling tax rates (and tax legislation) or those in force at the reporting date.
If tax rates change, despite being prior year items, the deferred taxes recalculated in accordance with the new rates are recognised under Taxes in the income statement or under equity reserves to which the temporary variations in question apply.

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 pending premiums 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, 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 premiums relating to insurance contracts and financial instruments that include discretionary participation features, net of ceded premiums.
Premiums are recognised at the time they are due. The total for the year is obtained by adding the provision for premiums.

1.2 Commission income

This item includes commission income for financial services provided. It includes commission income arising from banking business and loadings pertaining to the year, relating to Life assurance contracts classified as financial liabilities. In the case of unit-linked policies, in particular, the acquisition loadings relating to the asset management service provided have been recognised and deferred throughout the term of the contract.

1.3 Net 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 changes in value of financial assets and liabilities at fair value through profit or loss.

1.4 Gains on investments in subsidiaries, associates and interests in joint ventures

This item includes investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

1.5 Gains on financial instruments and other investments

This item includes gains on investments that do not come under the previous two categories. Mainly included are interest income on 'Loans and receivables' and on securities classified as available-for-sale financial assets and held to maturity, other investment income, including 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 as per IAS 21, realised gains and reversals of impairment losses on property, plant and equipment and other assets.

2 Expenses and charges

2.1 Net charges relating to 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 Commission expense

This item includes commission expenses for financial services received. It includes commission expense arising from banking business 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 meet deferred acquisition loadings.

2.3 Losses on investments in subsidiaries, associates and interests in joint ventures

This item includes losses on investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

2.4 Losses on other financial instruments and investment property

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

2.5 Operating 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 expenses or investment management expenses).

2.6 Other costs

This item mainly includes other net technical charges relating to insurance contracts, additional amounts set aside during the year, exchange rate differences to be 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, not allocated to other cost items.

3 Income tax

For the 2013 tax period, Unipol and the other direct subsidiaries that fulfil the requirements, pursuant to art. 117 et seq. of Presidential Decree 917/86 and Ministerial Decree 9 June 2004, have opted for the Group consolidated taxation system (for the purposes of IRES) in their capacity as consolidated companies, whilst the direct holding Finsoe acts as ultimate holding company for tax purposes.
A similar Group consolidated taxation system exists which makes provision for Fondiaria-SAI (now UnipolSai) as

ultimate parent and its direct subsidiaries as consolidated companies, when the legislative requirements are met.

The parent companies of the two tax consolidated entities signed an agreement with the respective consolidated companies regulating the financial and procedural aspects governing the option in question.

Charges/income linked to the transfer to the ultimate parent of the IRES tax result/tax loss are calculated in accordance with legislation, taking into account the relevant exemptions and the tax credits due, and the terms of the respective agreements with the ultimate parent and are recognised under taxation in the income statement. IRAP for the year is also recognised under taxation.

The item also includes deferred tax income and expense, based on the temporary differences (that have arisen or been deducted during the year) between the profit (loss) for the year and the taxable income and on the consolidation adjustments. In respect of tax losses prior to the applicable period of tax consolidation, deferred tax assets are recognised to the extent in which said losses can be reasonably used against future IRES income.

Foreign currency transactions – IAS 21

Items expressed in foreign currencies are dealt with in accordance with the principles of multicurrency accounting.
Monetary elements in foreign currency (units of currency owned and assets or liabilities that must be received or paid in a fixed or ascertainable number of units of currency) are translated using the exchange rate applicable at the end of the year.
Non-monetary elements measured at original cost in foreign currency are translated using the exchange rate applicable on the date of the transaction.
Non-monetary elements measured at fair value in a foreign currency are translated using the exchange rates applicable on the date on which the fair value is determined.
Exchange rate differences arising from the settlement of monetary elements are recognised in the income statement. Exchange rate differences arising when non-monetary elements are measured are allocated to the profit (or loss) for the year or to other elements of comprehensive income depending on whether the profit (or loss) to which they relate is recognised in the profit (loss) for the year or in other elements of 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 charge must be recognised through profit or loss, with a balancing recognised directly in equity (Reserve arising from equity-settled share-based payment), on the basis of the fair value of the instruments allocated on the grant date, the charge being spread over the period provided for in the scheme.

Earnings per share – IAS 33

Basic earnings per share are calculated by dividing the profit allocated to holders who of ordinary shares in the Parent Unipol by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in the Parent Unipol by the weighted average number of any additional ordinary shares that would be outstanding if all the potential ordinary shares with dilutive effect were converted.
If the result is negative, the loss (basic and diluted) per share is calculated.

Use of estimates

The application of certain accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.
As regards the 2013 financial statements, it is believed that the assumptions made are appropriate and, subsequently, that the financial statements have been drafted with clarity and give a true and fair view of the equity-financial position and economic result.

In order to formulate reliable estimates and assumptions, reference has been made to past experience, and to other factors considered reasonable for the case in question, based on all information available. However, we cannot exclude the fact that changes in these estimates and assumptions may have significant effects on the equity and economic position and on the assets and liabilities reported in the financial statements for disclosure purposes, if different judgment elements emerge with respect to those expressed in due course.

The estimates mainly concern:
- technical Life and Non-Life provisions;
- the assets and liabilities designated at fair value (particularly for level 2 and 3 financial instruments);
- the analyses targeted at identifying any impairment of intangible assets (e.g. goodwill) booked to the financial statements (impairment test);
- the quantification of provisions for risks and charges and provisions for employee benefits.

For information on the methods used to determine the items in question and the main risk factors, please refer to the sections containing a description of the measurement criteria.

IFRS 13 – Fair value measurement criteria

IFRS 13 provides a guide on how to measure the fair value of financial instruments and non-financial assets and liabilities already required or permitted by other accounting standards (IFRS) This standard:
a) defines the fair value;
b) groups into a single accounting standard the rules for measuring fair value;
c) enriches financial statement information.

The standard defines fair value as the sale price of an asset based on an ordinary transaction or the transfer price of a liability between market participants at the measurement date and under market conditions (exit price).
The fair value is a market measurement and not an entity-specific measurement; as such, the valuations must be made on the basis of the assumptions and models mainly used by market participants, including assumptions about the risk of the asset or liability being measured. When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 defines a fair value hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure fair value.

IFRS 13 governs the fair value measurement and the associated disclosure also for assets and liabilities not measured at fair value on a recurring basis in the statement of financial position. For these assets and liabilities, fair value is calculated for financial statement disclosure purposes. It should also be noted that since said assets and liabilities are not generally exchanged, the determination of their fair value is based primarily on the use of internal parameters not directly observable on the market, with the sole exception of listed securities classified in the category 'Investments held to maturity'.

Fair value measurement criteria

The table below shows the possible methods for determining the fair value for the different categories of assets and liabilities.

	Mark to Market	Mark to Model and other
Bonds	Bloomberg "CBBT" contributor RM Scoring Model contributor	Mark to Model Counterparty valuation
Shares	Listed	Unlisted
Investments	Listed	Unlisted
Derivatives	Listed	OTC
OEIC		Net Asset Value
Receivables		Mark to Model (bank customer receivables)
Property		Appraisal value

In compliance with IFRS 13, in order to determine the fair value of financial instruments, in the presence of instruments handled in liquid and active markets, the market price is used (Mark to Market).

"Liquid and active market" means:
a) the regulated market in which the instrument subject to measurement is traded and regularly listed;
b) the multilateral trading system (MTF) in which the instrument subject to measurement is traded and regularly listed;
c) quotations and transactions performed on a regular basis by an authorised intermediary (hereinafter "contributor").

Mark to Market valuations

With reference to shares, listed investments, OEIC units and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the market.
In relation to bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:
a) the primary source is represented by the CBBT price provided by data provider Bloomberg;
b) where the price referred to point a) is unavailable, an internal scoring model validated by Risk Management is used, which makes it possible to select liquid and active contributors on the basis of certain defined parameters. The parameters used are represented by:
   - number of prices available in the last 10 business trading days;
   - price volatility;
   - bid/ask spread;
   - standard deviation of prices with respect to the average of the other contributors available.

Mark to Model valuations

The Group uses valuation methods (Mark to Model) in line with the methods generally used by the market.
With reference to bonds in cases in which, also on the basis of the results of the Scoring Model, it is not possible to measure an instrument using the Mark to Market method, the fair value is attributed on the basis of Mark to Model type valuations.
The valuation of OTC type derivative contracts makes provision for the use of models consistent with the risk factor underlying said contract. The fair value of interest rate derivatives and inflation-linked contracts is determined on the basis of Mark to Model type valuations, acknowledging the rules set forth in IFRS 13.
For derivatives on which a collateralisation agreement is provided (Credit Support Annex) between the companies of the Unipol Group and the authorised market counterparties, provision is made for use of the EONIA discount curve (*Euro OverNight Index Average*).
In the event of uncollateralised derivatives, provision is made for the use of CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments. It should be noted that, at 31 December 2013, almost all derivative positions related to collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

The objective of the models for calculating the fair value is to obtain a value for the financial instrument consistent with the assumptions that market participants would use to formulate a price, assumptions that also concern the risk inherent in a particular valuation technique and/or in the inputs used. For the proper Mark to Model valuation of each category of instrument, adequate and consistent pricing models must be defined beforehand as well as the market parameters.

The list of the main models used within the Unipol Group for Mark to Model pricing is shown below:

Securities and interest rate derivatives
- Discounted cash flows;
- Black ;
- Black-Derman-Toy;
- Hull & White 1,2 factors;
- Libor Market Model;
- Longstaff & Schwartz;
- Kirk.

Securities and inflation derivatives
- Discounted cash flows;
- Jarrow-Yildirim.

Securities and share, index and exchange rate derivatives
- Discounted cash flows;
- Black - Sholes.

Securities and credit derivatives
- Discounted cash flows;
- Hazard rate models.

The main observable market parameters used to perform the Mark to Model valuations are as follows:
- interest rate curves for reference currency;
- interest rate volatility surface for reference currency;
- CDS spread or Asset Swap spread curves of the issuer;

- inflation curves for reference currency;
- reference exchange rates;
- exchange rate volatility surface;
- share or index volatility surface;
- share reference prices;
- reference inflation curves.

The main observable market parameters used to perform the Mark to Model valuations are as follows:
- correlation matrices between change of risk factors;
- historical volatility;
- benchmark spread curves constructed to value the bond instruments of issuers for which the prices of bonds issued or CDS curves are not available;
- credit risk parameters such as the recovery rate;
- delinquency or default rates and prepayment curves for ABS type financial instruments.

With reference to unlisted shares and investments for which a market price or appraisal drafted by an independent expert is not available, the valuations are performed primarily on the basis of (i) equity type methods, (ii) methods which consider the discounting of future profit or cash flows, i.e. Discounted Cash Flow (DCF) or Dividend Discount Model (DDM), (the so-called "excess capital" version) (iii) applicable methods based on market multiples.

In relation to unlisted OEIC units, Private Equity Funds and Hedge Funds, the fair value is expressed as the Net Asset Value at the financial statement date provided directly by the fund administrators.

With reference to the portfolio of loans to bank customers, the fair value is attributed on the basis of Mark to Model valuations, by using a Discounted Cash Flow method with the proper discount rate for counterparty or transaction risk. The book value is used for other loans.

With reference to properties, the fair value is measured on the basis of the appraisal value determined by independent experts consistent with the provisions of the applicable legislation.

Counterparty valuations

Financial assets and liabilities which do not fall within the scope of instruments valued on a Mark to Market basis and for which there are no consistent and validated valuation models available for the purposes of measuring fair value, are valued on the basis of the prices provided by the counterparty.

Unique characteristics of the fair value measurement for structured bonds and structured SPV type bonds

Bond issues that incorporate a derivative contract which modifies the cash flows generated by the host contract are considered structured bonds. The measurement of structured bonds requires the representation and separate valuation of the host contract and of embedded derivative contracts.
The measurement of structured bonds makes provision for the use of models consistent with the breakdown into elementary components (host contract and embedded derivatives) and the risk factor underlying said contract.

For structured bonds the valuation of elementary components adheres to the criteria defined previously for the determination of the fair value, which makes provision for use of the Mark to Market valuation if available, or

the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.
Bonds issued by a Special Purpose Vehicle secured by collateral and whose flows paid are generated by an interest rate swap contract in place between the vehicle and the swap counterparty (usually the transaction arranger) are considered structured SPV type bonds. The measurement of structured SPV type bonds requires the representation and separate valuation of the following elements:

- collateral issue of the vehicle;
- interest rate swap agreement between the vehicle and arranger;
- any other optional components or CDS agreements included in the vehicle.

For SPV type structured bonds the valuation of collateral adheres to the criteria defined previously for the determination of the fair value, which makes provision for use of the Mark to Market approach if available, or the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.
The valuation of the interest rate swap agreement provides for the discounting of future cash flows on the basis of the different discount curves, based on the existence or not of a collateralisation agreement (Credit Support Annex) between the vehicle and swap counterparty. In particular, if the derivative contract is collateralised using available securities included in the SPV's assets, the future cash flows of the interest rate swap agreement are discounted using the EONIA discount curve; while in the event there is no collateralisation agreement, a discount curve will be used, adjusted for the credit rating of the swap counterparty.

Criteria for determining the fair value hierarchies

Assets and liabilities valued at fair value are classified on the basis of the hierarchy defined by IFRS 13. This classification aims to establish a fair value hierarchy based on the degree of discretionary power used, giving priority to the use of observable market parameters given capable of reproducing the assumptions that market participants would use in the pricing of assets and liabilities.

Assets and liabilities are classified on the basis of the criterion used to determine fair value (Mark to Market, Mark to Model, Counterparty) and on the basis of the observability of the parameters used, in the case of the Mark to Model valuation.

- Level 1: this category includes assets and liabilities valued on a Mark to Market basis, with CBBT price source and with contributor prices that meet the minimum requirements able to ensure that these prices can be applied to active markets;
- Level 2: this category includes assets and liabilities valued on a Mark to Market basis, but which cannot be classified in the previous category and assets whose fair value is determined by a consistent pricing model with observable market parameter inputs;
- Level 3: this category includes assets and liabilities for which the variability of the estimate of the pricing model may be significant due to the complexity of the pay-off or, in the event a consistent and validated model is available, the parameters needed for the valuation are not observable. This category also includes bond securities which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible. Lastly, this category also includes loans and investment property.

Fair value valuations on a recurring basis

Process for fair value valuation on a recurring basis

The valuation of financial instruments is a preliminary activity for risk monitoring, integrated asset and liability management and the drafting of the financial statements for the year.
The fair value measurement of financial instruments on a recurring basis is structured into different phases and is carried out, in compliance with the principles of separateness, independence and responsibility of the departments, at the same time, and independently, by the Finance Department and Risk Management Department of Unipol Gruppo Finanziario, based on the measurement criteria defined in the previous paragraph.
When the independent valuations of financial assets and liabilities have been carried out by the two Departments involved in the pricing process, a check is performed for significant deviations, which refer to deviations of more than 3% in terms of absolute value. In the event of deviations of more than 3% the reasons for the differences identified are analysed and, when the outcomes of the comparison are known, the price to be used for financial statement valuation purposes is determined.

Fair value valuations on a recurring basis through non-observable parameters (Level 3)

The classification of financial assets and liabilities at Level 3 adheres to a prudential approach; this category mainly includes the following types of financial instruments:

- unlisted equity instruments or investments for which a market price or an appraisal drafted by an independent expert is not available; valuations are performed on the basis of the methods indicated previously;
- shares in private equity funds, hedge funds and unlisted OEIC units for which information on the financial instruments held in the relative portfolios is not available and which could, as such, include financial instruments valued on a Mark to Model basis using non-observable parameters;
- bond securities valued on a Mark to Model basis using non-observable parameters (correlations, benchmark spread curves, recovery rate);
- bond securities valued with a counterparty price on a Mark to Model basis using non-observable parameters;
- ABS type bond securities for which a Mark to Market valuation is not available;
- derivative instruments valued on a Mark to Model basis using non-observable parameters (correlations, volatility, dividend estimates);
- bond securities which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible.

Fair value measurements on a non-recurring basis

Consistent with the provisions of IFRS 13, fair value is measured in order to provide an adequate disclosure also for assets and liabilities not measured at fair value on a recurring basis in the statement of financial position. Since said assets and liabilities are not generally exchanged, the determination of their fair value is based primarily on the use of internal parameters not directly observable on the market. This category mainly includes the following types of financial instruments:

- bond issues valued on a Mark to Market basis (level 1);
- bond issues and loans valued on a Mark to Model basis using non-observable parameters (benchmark spread curves) (level 3);
- short-term payables with a duration of less than 18 months and Certificates of Deposit at amortised cost (level 3);

- loans to bank customers valued according to the following principles (level 3):
  - loans with a duration of more than 18 months (medium/long-term loans) valued on a Mark to Model basis with a cash flow discounting method for the principal component and interest. For medium/long-term loans, the discount rate used is based on the risk-free rate plus a risk premium determined on the transaction through the Probability of Default (PD) and Loss Given Default (LGD) parameters. These parameters were taken from the Cedacri Credit Rating System (CRS) application and were estimated on a consortium basis. The Cumulative Probability of Default is calculated through the application of a Markov process to the one-year transition matrixes, while the LGD is considered constant for the entire time period;
  - non-performing loans valued at amortised cost net of analytical valuations;
  - short-term loans with a duration of less than 18 months valued at amortised cost;
- other receivables valued at carrying amount (level 3);
- investment property valued on the basis of the appraisal value determined by independent experts consistent with the provisions of the applicable legislation. The approach to assigning appraisal mandates makes provision for the non-exclusive assignment of assets and normally a three-year rotation in the assignment of experts.

3. NOTES TO THE STATEMENT OF FINANCIAL POSITION

Comments and further information on the items in the statement of financial position and the changes that took place compared to balances at 31/12 are given below (the numbering of the notes relates to the mandatory layout for the preparation of the statement of financial position).

In application of IFRS 5, assets and liabilities held for disposal are shown respectively under items 6.1 in Assets and 6.1 under Liabilities. As regards Non-current assets held for sale or disposal groups, please refer to Chapter 5 Other information, paragraph 5.5, for more information on their composition and measurement criteria.
For a better understanding of the changes that occurred with respect to the previous year, the table below also shows, in the appropriate columns, the values of assets and liabilities reclassified at 31 December 2013 in application of IFRS 5 and the changes in the items calculated with respect to the values prior to the reclassification.

As illustrated in Chapter 1 of these Notes to the Financial Statements/Modification of comparative data of the previous year, it should be noted that the statement of financial position at 31 December 2012, following the definitive recognition of the business combination values, was adjusted with respect to the data published in the 2012 Consolidated Financial Statements.

ASSETS

1. Intangible assets

Amounts in €m	31/12/2013	31/12/2012	*variation in amount*	Reclass. IFRS 5	Pre-reclass. IFRS 5	*change before IFRS 5*
Goodwill	1,583.2	1,743.6	*-160.4*	35.6	1,618.8	*-124.8*
resulting from business combinations	1,582.8	1,623.9	*-41.1*	35.6	1,618.5	*-5.5*
from acquisition of bank branches	0.0	119.3	*-119.3*		0.0	*-119.3*
other	0.3	0.3	*0.0*		0.3	*0.0*
Other intangible assets	653.8	877.5	*-223.7*	62.9	716.7	*-160.8*
portfolios acquired as a result of business combinations	514.5	755.2	*-240.7*	62.9	577.3	*-177.8*
software and user licences	92.3	69.1	*23.2*		92.3	*23.2*
other intangible assets	47.0	53.2	*-6.2*		47.0	*-6.2*
Total intangible assets	2,237.0	2,621.1	*-384.1*	98.5	2,335.5	*-285.6*

1.1 Goodwill

The change in the item Goodwill amounted to -€160.4m, due:
– down €119.3m, to the write-down, following the impairment test, of the value attributed to the bank branches by the subsidiary Unipol Banca;
– down €6.2m, to the write-down of goodwill, by the subsidiary Unipol Banca, following the impairment test, on consolidation differences recorded due to the acquisition of subsidiaries, subsequently incorporated into said Unipol Banca;
– up €0.8m, to the reclassification of goodwill relating to the company Unicard (subsidiary of Unipol Banca) which, in 2012, had been transferred to item 6.1 of Assets, in application of IFRS 5;

– down €35.6m, to the portion of goodwill recognised following the acquisition of the Premafin/Fondiaria-SAI Group reclassified to item 6.1 of Assets, in application of IFRS 5.

Details of the **goodwill** resulting from business combinations are as follows:

Goodwill resulting from business combinations

Amounts in €m	31/12/2013	31/12/2012	*change in amount*	Reclass. IFRS 5	Pre-reclass. IFRS 5	*change before IFRS 5*
Unisalute Spa	3.9	3.9	0.0		3.9	*0.0*
Compagnia Assicuratrice Linear Spa	17.1	17.1	0.0		17.1	*0.0*
Unipol Assicurazioni Spa	1,238.6	1,238.6	0.0		1,238.6	*0.0*
Arca Vita Spa	136.6	136.6	0.0		136.6	*0.0*
Premafin Spa	185.8	221.5	-35.6	35.6	221.5	*0.0*
Unipol Banca Spa	0.8	6.2	-5.5		0.8	*-5.5*
Total goodwill resulting from business combinations	1,582.8	1,623.9	-41.1	35.6	1,618.5	*-5.5*

As regards Unipol Assicurazioni, €1,026.4m relates to the Non-Life CGU and €212.2m to the Life CGU. In relation to Premafin/Fondiaria-SAI, €185.8m in goodwill was allocated; €150.5m to the Non-Life CGU and €35.4m to the Life CGU.

Goodwill with an indefinite useful life recorded in the financial statements was tested for impairment in accordance with the procedure specifically approved by parent Unipol SpA's Board of Directors and, excluding goodwill attributable to the subsidiary Unipol Banca, did not show any impairment. For information on the criteria used for the tests, please refer to paragraph 5.11 of chapter 5 of this document, Other information.

1.2 Other intangible assets

The item, totalling €653.8m (€877.5m in 2012), is composed primarily of the value of the Life and Non-Life portfolios acquired as part of the business combinations for €514.5m (€755.2m in 2012), and costs incurred for purchasing software, licences, consultancy and the customisation of software programs for €92.3m (€69.1m in 2012).

In relation to the item 'Portfolios acquired under business combinations', the decrease with respect to 31 December 2012, amounting to €240.7m, is due mainly (for €62.9m) to the share of the value of the Non-Life portfolio reclassified in accordance with IFRS 5, and, for €158.2m, to portions of amortisation of the values of the Non-Life (€108.2m) and Life (€50m) portfolios acquired. €61.3m and €28.3m respectively at 31 December 2012.

2. Property, plant and equipment

At 31 December 2013 property, plant and equipment, net of accumulated depreciation, amounted to €1,383.3m (€1,411.3m in 2012), €1,259m of which was owner-occupied property (€1,284.7m in 2012) and €124.3m was other property, plant and equipment (€126.6m in 2012).

Owner-occupied property			
Amounts in €m	*Gross carrying amount*	*Accumulated depreciation and*	*Net carrying amount*
Balance at 31/12/2012	1,401.7	-117.0	1,284.7
Increases	71.4		71.4
Decreases	-75.5		-75.5
Depreciation for the year		-24.3	-24.3
Other provision variations		2.7	2.7
Balance at 31/12/2013	1,397.6	-138.6	1,259.0

The decreases included €41.6m in write-downs effected on the basis of the updated appraisals drafted by independent experts.

Other tangible assets				
Amounts in €m	*Office furniture and machines*	*Movables entered in public registers*	*Plant and equipment*	Total
Balance at 31/12/2012	319.7	9.1	189.5	518.3
Increases	31.9	0.6	11.5	44.0
Decreases	-55.7	-3.7	-10.6	-70.0
Balance at 31/12/2013	296.0	5.9	190.3	492.2
Accumulated depreciation at 31/12/2012	243.5	5.6	142.5	391.6
Increases	15.4	0.2	12.9	28.4
Decreases	-44.4	-0.9	-6.9	-52.2
Accumulated depreciation at 31/12/2013	214.5	4.9	148.5	367.9
Net amount at 31/12/2012	76.2	3.5	46.9	126.6
Net amount at 31/12/2013	81.4	1.0	41.8	124.3

3. Technical provisions – Reinsurers' share

The balance of this item was €1,045.5m, an increase of €161.8m compared with 2012. Details are set out in the appropriate appendix.

4. Investments

At 31 December 2013, total investments (investment property, equity investments and financial assets) amounted to €72,012.3m (€70,947.1m in 2012).

Amounts in €m	31/12/2013	31/12/2012	*% var.*	Reclass. IFRS 5	Pre-reclass. IFRS 5	*% var. before IFRS 5*
Investment property	2,869.8	2,989.5	*-4.0*	21.4	2,891.2	*-3.3*
Investments in subsidiaries, associates and interests in joint ventures	188.8	174.5	*8.2*	0.0	188.8	*8.2*
Financial assets (excluding those at fair value through profit or loss)	59,736.4	57,767.0	*3.4*	1.0	59,737.4	*3.4*
Investments held to maturity	2,932.9	3,050.8	*-3.9*	0.0	2,932.9	*-3.9*
Loans and receivables	16,299.7	17,489.2	*-6.8*	0.9	16,300.7	*-6.8*
Available-for-sale financial assets	39,933.9	36,648.2	*9.0*	0.1	39,934.0	*9.0*
Financial assets held for trading	569.8	578.8	*-1.6*	0.0	569.8	*-1.6*
Financial assets at fair value through profit or loss	9,217.3	10,016.1	*-8.0*	0.0	9,217.3	*-8.0*
Total Investments	72,012.3	70,947.1	*1.5*	22.4	72,034.7	*1.5*

4.1 Investment property

Amounts in €m	*Gross carrying amount*	*Accumulated depreciation and impairment losses*	*Net carrying amount*
Balance at 31/12/2012	3,082.6	-93.1	2,989.5
Increases	36.1		36.1
Decreases	-103.8		-103.8
Depreciation for the year		-51.8	-51.8
Other provision variations		-0.2	-0.2
Balance at 31/12/2013	3,014.9	-145.1	2,869.8

The decreases included €60.5m in write-downs effected on the basis of the updated appraisals drafted by independent experts and €21.4m in transfers to item 6.1 'Non-current assets and disposal groups'.

The current value of investment property, €2,968.8m, was based on independent expert appraisals.

4.2 Investments in subsidiaries, associates and interests in joint ventures

At 31 December 2013, investments in subsidiaries, associates and interests in joint ventures amounted to €188.8m (€174.5m in 2012).

Financial assets - items 4.3, 4.4, 4.5 and 4.6 (excluding Financial assets at fair value through profit or loss).

Amounts in €m	31/12/2013	*% comp.*	*Fair value at 31/12/2013*	31/12/2012	*% comp.*	*% var.*
Investments held to maturity	2,932.9	*4.9*	*3,044.7*	3,050.8	*5.3*	*-3.9*
Listed debt securities	2,428.2			2,483.8		*-2.2*
Unlisted debt securities	504.7			567.0		*-11.0*
Loans and receivables	16,299.7	*27.3*	*16,752.7*	17,489.2	*30.3*	*-6.8*
Unlisted debt securities	5,294.8			5,764.0		*-8.1*
Loans and receivables from bank customers	9,752.3			10,495.4		*-7.1*
Interbank loans and receivables	353.5			397.3		*-11.0*
Deposits with ceding companies	35.4			37.7		*-6.1*
Other loans and receivables	834.6			768.5		*8.6*
Other financial investments	29.2			26.3		*11.2*
Available-for-sale financial assets	39,933.9	*66.9*	*39,933.9*	36,648.2	*63.4*	*9.0*
Equity instruments at cost	111.3			88.9		*25.2*
Listed equity instruments valued at fair value	1,034.8			1,396.2		*-25.9*
Unlisted equity instruments at fair value	300.0			484.0		*-38.0*
Listed debt securities	36,460.3			32,368.4		*12.6*
Unlisted debt securities	1,279.3			1,333.5		*-4.1*
OEIC units	748.1			977.2		*-23.4*
Financial assets held for trading	569.8	*1.0*	*569.8*	578.8	*1.0*	*-1.6*
Listed equity instruments valued at fair value	0.2			10.9		
Listed debt securities	239.9			213.8		*12.2*
Unlisted debt securities	173.8			196.8		*-11.7*
OEIC units	60.5			77.2		*-21.7*
Derivatives	81.8			80.1		*2.2*
Total financial assets	59,736.4	*100.0*	*60,301.2*	57,767.0	*100.0*	*3.4*

Bank of Italy shares

Decree Law no. 133 of 30 November 2013, converted to Law no. 5 of 29 January 2014, authorised the Bank of Italy to increase its share capital, through the use of statutory reserves, to €7.5bn, and established that, following the increase, share capital is represented by registered newly issued shares with a nominal value of €25,000 each, which replaced the shares previously issued with a nominal value of €0.52 each.

The changes made to the Bank of Italy's Articles of Association and the regulation of equity rights related to the newly issued shares led distinguished jurists to believe that the nature and characteristics of the interests in the Bank of Italy's share capital had changed radically. In fact, the newly issued shares were allocated different equity and administrative rights from those attributed to the shares cancelled and, in addition, the system for the transfer of these shares had also changed.

Based on the above, the Unipol Group considered that the issue of the new shares to replace those issued previously qualifies as an exchange of non-similar assets and therefore has an 'actual basis' nature, consequently involving the derecognition of the cancelled shares already recorded in the financial statements.

Therefore, the 6,000 shares already held by the Unipol Group, through the subsidiaries Fondiaria-SAI and Milano Assicurazioni, and recorded in Unipol's consolidated financial statements, as part of the recognition of the business combination, under available-for-sale financial assets at a value of €120m (corresponding to €20,000 per share), were cancelled due to the replacement at fair value of the shares received, recognising a capital gain of €30m in the consolidated income statement.

The new shares were booked under the Available-for-sale financial assets category for €150m, equal to their nominal value, deemed to be representative of the associated fair value.

The Unipol Group companies holding a share, also following specific indications provided by IVASS on 10 March 2014, realised in their respective company financial statements, drafted in accordance with international accounting standards, a total capital gain of roughly €150m, corresponding to the difference between the nominal value of the newly issued shares and the cost value of the shares issued previously, equal to the associated nominal value.

Also taking into account the guidelines set out by the Tax Authorities in Circular no. 4/E of 24 February 2014, substitute tax of 12% is due on said higher value, equal to a total amount of €18m.

As a result, in the Unipol Group's consolidated financial statements, the income statement benefitted from the replacement of the Bank of Italy shares, net of the above taxes, for an amount of €12m.

Given in-depth investigations are currently being conducted by the competent national and international authorities on the nature of the transaction and on the interpretation of the applicable international accounting standards, a different interpretation could emerge in relation to the approach adopted, which could involve the transfer of the benefit of €12m to the section Other comprehensive income/(expense), meaning said benefit would be booked to equity and not to the income statement.

Details of Financial assets at fair value through profit or loss by investment type:

Amounts in €m	31/12/2013	%	31/12/2012	%	% var.
Financial assets at fair value through profit or loss	9,217.3	*100.0*	10,016.1	*100.0*	*-8.0*
Listed equity instruments valued at fair value	108.6	*1.2*	104.8	*1.0*	*3.7*
Listed debt securities	3,315.3	*36.0*	3,299.1	*32.9*	*0.5*
Unlisted debt securities	2,858.6	*31.0*	4,349.3	*43.4*	*-34.3*
OEIC units	2,779.4	*30.2*	2,045.2	*20.4*	*35.9*
Derivatives	53.5	*0.6*	95.0	*0.9*	*-43.7*
Other financial assets	101.8	*1.1*	122.6	*1.2*	*-17.0*

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

5. Sundry receivables

Amounts in €m	31/12/2013	31/12/2012	var. %	Reclass. IFRS 5	Pre-reclass. IFRS 5	% var. before IFRS 5
Receivables relating to direct insurance business	1,851.5	2,090.4	-11.4	26.5	1,877.9	-10.2
Receivables relating to reinsurance business	135.4	110.8	22.2	0.0	135.4	22.2
Other receivables	1,428.6	1,462.3	-2.3	0.0	1,428.7	-2.3
Total Sundry receivables	3,415.5	3,663.5	-6.8	26.5	3,442.0	-6.0

The item 'Other receivables' includes €140.1m in receivables due from tax consolidating entity Finsoe (€336.9m at 31/12/2012), mainly made up of receivables on tax losses accrued during previous years, with the exception of receivables due from Unipol Banca amounting to €17.8m, stated under the item Loans and receivables from bank customers. Also considering payables and other liabilities booked under liabilities totalling €123.1m, net receivables due from consolidating entity Finsoe amounted to €34.9m, €17.3m of which relating to the valuation of tax losses of previous years, which will become payable when sufficient taxable income at tax consolidation level is actually accrued.

6. Other assets

Amounts in €m	31/12/2013	31/12/2012	var. %	Reclass. IFRS 5	Pre-reclass. IFRS 5	% var. before IFRS 5
Non-current assets held for sale or disposal groups	174.5	7.7		-174.5	0.0	
Deferred acquisition costs	77.4	67.1	15.4	0.5	77.9	16.1
Deferred tax assets	2,338.2	2,186.2	6.9	0.0	2,338.2	6.9
Current tax assets	273.3	324.6	-15.8	0.0	273.3	-15.8
Other assets	509.9	481.4	5.9	3.0	512.9	6.5
Total other assets	3,373.3	3,067.0	10.0	-171.0	3,202.3	4.4

The item 'Non-current assets held for sale or disposal groups' is composed, for €149.7m, of assets identified on the basis of the transfer perimeter forming part of the contract stipulated on 15 March 2014 between UnipolSai and Allianz, and for €24.8m by Other assets held for disposal, including €21.4m for properties. For details of these assets please refer to paragraph 5.5 of these notes to the financial statements.

The item 'Other assets' includes, inter alia, deferred commission expense, prepayments and accrued income and miscellaneous items to be settled relating to banking business.

7. Cash and cash equivalents

At 31 December 2013, Cash and cash equivalents amounted to €837.3m (€708.2 at 31/12/2012). An amount of €23.4m was reclassified in application of IFRS 5.

LIABILITIES

1. Equity

1.1 Equity attributable to the owners of the Parent

Equity, excluding non-controlling interests, is composed as follows:

Equity attributable to the owners of the Parent

Amounts in €m	31/12/2013	31/12/2012	*variation in amount*
Share capital	3,365.3	3,365.3	*0.0*
Equity-related reserves	1,724.6	1,724.5	*0.1*
Income-related and other reserves	327.1	145.8	*181.4*
(Treasury shares)	-23.3	-0.1	*-23.1*
Gains/losses on available-for-sale financial assets	121.4	-164.1	*285.5*
Other gains and losses recognised directly in equity	-24.6	-50.7	*26.1*
Profit (loss) for the year	-78.6	285.3	*-363.8*
Total equity attributable to the owners of the parent	5,414.1	5,308.3	*105.7*

At 31 December 2013 the Parent Unipol's share capital was €3,365.3m and was made up of 717,473,508 shares, 443,993,991 of which were ordinary shares and 273,479,517 preference shares.

On 16 December 2013, the period for exercising share warrants for 2010-2013 Unipol ordinary and preference shares expired. In the exercise period, from 1 July 2013 to 16 December 2013, 15,600 warrants were exercised for Unipol Preference shares for total share capital of €112.56.

Movements in equity recognised during the year with respect to 31 December 2012 are set out in the attached statement of changes in equity. The main changes in the year were as follows:

- decrease due to dividend distribution for €113.1m;
- decrease due to purchase of treasury shares for €23.1m;
- increase of €7.1m relating to the recording, pursuant to IFRS 2, of the benefits recognised to the Chief Executive Officer and Group management on payment plans based on financial instruments (performance share type);
- an increase of €285.5m owing to the increase in the provision for gains and losses on available-for-sale financial assets, from -€164.1m at 31 December 2012 to +€121.4m at 31 December 2013;
- an increase of €26.1m owing to the increase in the provision for Other gains or losses recognised directly in equity;
- a decrease of €78.6m owing to the Group loss at 31 December 2013.

Equity attributable to non-controlling interests amounted to €2,066.9m (€1,956.2m at 31/12/2012).

Treasury shares or quotas

Purchase of ordinary shares by Unipol in service of payment plans based on financial instruments

On 4 and 5 July, Unipol, as part of the shareholders' meeting authorisation resolved on 30 April 2013 (issued for a maximum term of 18 months and for a maximum spending limit of €100m) acquired 700,000 ordinary Unipol shares on the regulated market (equal to around 0.16% of ordinary share capital) at an average consideration of €2.5674 per share, for a total of €1.8m.
Through the transactions described, Unipol concluded the programme for the purchase of treasury shares in service of the payment plan based on financial instruments (performance share type), intended for Company Management, resolved by the Shareholders' Meeting on 30 April 2012.
From 12 August 2013 until 15 October 2013, Unipol, as part of the shareholders' meeting authorisation resolved on 30 April 2013, acquired 6,040,000 ordinary Unipol shares on the regulated market in several tranches (equal to around 1.36% of ordinary share capital) at an average consideration of €3.4437 per share, for a total of €20.8m. Through the transactions described, Unipol concluded the programme for the purchase of treasury shares in service of the payment plan based on financial instruments (performance share type), intended for the Chief Executive Officer and Company Management, approved by the Shareholders' Meeting on 30 April 2013.

Purchase of ordinary shares by Unipol Assicurazioni in service of payment plans based on financial instruments

On 12 September 2013, the subsidiary Unipol Assicurazioni (as part of the shareholders' meeting authorisation resolved on 8 August 2013, for the purchase of holding company shares, for a maximum term of 18 months, for a maximum quantity of 180,000 ordinary Unipol shares and a maximum spending limit of €5m), acquired 175,000 ordinary shares of the holding company Unipol on the regulated market (equal to around 0.04% of ordinary Unipol share capital) at an average consideration of €2.9479 per share, for a total of €516 thousand.
Thanks to the aforementioned transaction, Unipol Assicurazioni concluded the programme for the purchase of the shares of the holding company in service of the payment plan based on financial instruments (performance share type), intended for Company Management and approved by the Shareholders' Meeting on 26 April 2012.

At the end of the aforementioned purchase programmes, Unipol held a total of 6,955,000 ordinary treasury shares, of which 6,740,000 directly and 215,000 indirectly through the subsidiaries Unipol Assicurazioni (175,000), Fondiaria-SAI (24,000) and Milano Assicurazioni (16,000).

2. Provisions

The item 'Provisions' totalled €534.2m at 31 December 2013 (€431.5m at 31/12/2012) and mainly consisted of provisions for litigation, disputes with agencies and other charges relating to the sales network, provisions for salary policies and staff-leaving incentives. In particular, a total of €144.9m was allocated during the year in relation to the Solidarity Fund Access Plan for the insurance sector.

Ongoing disputes and contingent liabilities

Unipol Banca executing orders on financial transactions

In November 2007 and July 2009 several Unipol Banca SpA customers instituted civil and criminal proceedings relating to alleged irregularities and illicit activities carried out by Unipol Banca SpA while dealing in OTC financial derivatives. The claimants submitted compensation requests for a total of €67m. The preliminary investigations of the criminal proceedings concluded in April 2009 with the Public Prosecutor applying for the case to be dismissed, which the claimants opposed. Deeming the opponents to have no case, Unipol Banca also applied for the civil case to be dismissed and made a counterclaim for payment of the amounts due by the claimants to Unipol Banca. In November 2009, the counterparties made further

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compensation requests totalling €145m. In court Unipol Banca disputed the lateness and inadmissibility of the new claims, stating that they were totally unfounded. In July 2011, the judge at the preliminary hearing at the Bologna Court ordered that the criminal proceedings instigated as a result of the claim brought by these customers, be dismissed.
The judge in the civil court has arranged for official technical advice to be provided in order to ascertain, inter alia, the amounts and results of the transactions in derivatives over the years. In April 2012, official technical advice was filed relating to disputes involving a minor amount: in all cases the expert appointed by the judge confirmed that the amounts recognised and submitted as a pleading in the case by the bank correctly represented the result of the transactions performed, also with reference to the amount of revenues realised by the customers over the years. A similar conclusion was reached by the expert's document filed in September 2012 in relation to cases involving the largest amount: also in this case, the court-appointed expert witness quantified the amount of the earnings realised over by time by the customers for a huge amount and essentially equal to the amount submitted as a pleading in the case by the Bank. On the other hand, the results of the court-appointed expert witness did not substantially modify the legal proceedings risks known at the start of the dispute. However, deeming that the official technical advice needed to be supplemented with additional information and documentary results obtained after the conclusion of the expert's work, the bank asked the judge to call the court-appointed expert witness again for an appraisal supplement. By means of rulings dated 31 December 2013, the Court upheld the additional preliminary applications formulated by the Bank and therefore called the court-appointed expert witness for an appraisal supplement and admitted the oral testimony requested by the Bank.
The first half of 2013 saw the conclusion of the precautionary proceedings promoted in accordance with art. 700 of the code of civil procedure by the customer that had asked the Court to rule that the bank cancel the reports recorded in the Italian Central Credit Register relating to the exposures originating from derivative transactions, even if not in a non-performing position. The Court in which the customer took legal action therefore rejected the customer's precautionary request, and rejected the complaint subsequently proposed by said customer against the ruling rejecting the precautionary provision. There was no other progress recognised during 2013.

Relations with the Tax Authorities

Unipol Gruppo Finanziario
Litigation is in progress relating to the investigation carried out in 2010 by the Large Taxpayers Office of the Regional Tax Authority of Lombardy for the 2006 tax year on the former Aurora Assicurazioni, merged by incorporation into Unipol in 2007. While it was being carried out the investigation was extended to cover some cost items for 2005. The 2006 dispute was partially settled through a conciliation procedure in November 2012, and it was asked that the processes for 2005 and 2006 be reunified. The Regional Tax Commission of Milan, after reunifying the appeals, filed judgment no. 117/31/13 on 25 September 2013, upholding the appeal presented by the Office. Unipol will appeal the judgment of the Regional Tax Commission of Milan before the Court of Cassation.
Between December 2012 and January 2013, assessment notices for IRAP and IRES were served relating to 2007, containing irregularities of the same nature as those mentioned above regarding the 2005 and 2006 tax periods, which were contested on appeal in accordance with the law.
The Regional Tax Commission of Bologna issued a favourable judgment, filed in 2013, fully upholding Unipol's reasons.
An amount consistent with the dispute as a whole for the above-mentioned 2005-2007 periods was allocated to the provision for risks.
As regards the dispute relating to the property sales dating back to 2005, brought following an assessment notice communicated to Unipol in December 2010 with the payment request for around €14m including taxes and penalties, the dispute was settled out-of-court on 24 July 2013, which concluded with the payment of €1.1m including taxes, penalties and interest.

In relation to the dispute concerning VAT on active and passive co-insurance relations for the years 2003 to 2007, also taking account of the fact that most of the case law was favourable and of the favourable decisions the Company had already obtained, no provisions were necessary.
The dispute regarding registration taxes and mortgages is ongoing, relating to the purchase of the investment in Ambra Property, for which the competent Provincial Tax Commission issued a favourable judgment to the Company in November 2013.

Unipol Assicurazioni
On 24 December 2013, the Regional Tax Authorities of Emilia Romagna notified Unipol Assicurazioni of an IRES assessment notice for the 2008 tax period containing irregularities of the same nature as those relating to the 2005, 2006 and 2007 tax periods notified to Unipol; this was as a result of extraordinary transactions that concerned former Aurora Assicurazioni as part of the transfer of a business unit to Unipol Assicurazioni. Through consolidating entity Finsoe, on 15 January 2014 the Company presented an Ipec request for the deduction of previous tax losses available, with the complete elimination of the higher taxable income disputed by the Tax Authorities. The assessment notice was challenged before the Provincial Tax Commission of Bologna. A suitable amount was allocated to the provision for risks.
At the end of 2013, assessment notices were communicated regarding VAT on active and passive co-insurance contracts entered into with other companies in the insurance sector with reference to 2008, contested before the competent tax commissions. Also taking account of the fact that most of the case law was favourable and of the favourable decisions already obtained by the Parent Unipol, no provisions were made.

Arca Vita and Arca Assicurazioni
Arca Vita, subject to a tax inspection in 2010 relating to the 2008 tax period, settled the dispute with the Tax Authorities in December by using the provision set up at the end of 2010.
As regards Arca Assicurazioni, in June 2013, the Company was notified of a Report on findings issued by the Regional Department of Veneto following assessment activity performed in the first few months of 2013 and in relation to the years 2008-2010. In December 2013, assessment notices were received relating to IRES, IRAP and VAT for the 2008 tax period. The Company allocated a suitable amount in the financial statements and presented the Office with a tax settlement proposal for the 2008 tax period.

Fondiaria-SAI
In December 2012, the Regional Tax Office of Tuscany served notice of some assessment notices for the years 2003-2008, on the basis of which the fees paid to Salvatore Ligresti for consultancy services were re-admitted for taxation for IRES purposes.
Following the in-depth investigations carried out, also with the help of external experts, the Company made provision for the settlement of the assessments, by availing itself of the deflationary tools provided by tax law and, in particular, the compliance facility pursuant to art. 15 of Legislative Decree 218/97. The notices were settled with the payment of €8m in February 2013, while the associated expense had already been allocated in full in 2012.
Similar cases also concerned the 2009-2010 tax period for which the competent Regional Tax Authority of Piedmont requested information, without issuing specific formal notifications. Also in that case, the estimated expense was also allocated to the provision for risks in 2012.
On 30 July 2013, the Large Taxpayers' Office of the Regional Tax Authority of Tuscany of the Tax Authorities served notice of certain assessment notices in which it disputed the deductibility, due to lack of relevance, of part of the fees paid in the 2004-2008 period by Fondiaria-SAI to its directors and, in particular, to Jonella Ligresti, Maria Giulia Ligresti, Gioacchino Paolo Ligresti, Fausto Marchionni, Massimo Pini and Antonio Talarico, requesting the higher IRES tax, plus penalties and interest. The assessment notices also contested

the deductibility of the sponsorship costs of the company Laità Srl relating to the 2004-2008 period. The total amount demanded in higher taxes, interest and penalties (applied at a rate of 150%) came to €25.7m.
The disputes originated from the report of the acting Commissioner drafted for the purposes of the liability action on the appointment of IVASS, the reports of the Board of Statutory Auditors pursuant to art. 2408 of the Civil Code of 16 March 2013, of 18 April 2012 and 26 October 2012, from penalty provision no. 12096145 of 11 December 2012 of CONSOB and the activities carried out by the Public Prosecutor's Office at the Court of Florence (criminal proceedings no. 2199/09).
In respect of the elements presented by the company in the adversarial proceedings, the Tax Authority showed its willingness to remove the penalties and reduce the tax deductibility of the fees relating to the offices of Chairman and Chief Executive Officer. Having carefully evaluated the risk of being the losing party, also with the help of consultants, in relation to the difficulty of producing adequate evidence, in November 2013, the Company settled the dispute thanks to a tax settlement proposal, with a total charge of €10.5m.
Similar disputes also concerned the 2009-2011 tax period for which the competent Regional Tax Authority of Piedmont requested information, without issuing specific formal notifications. From an economic point of view, the estimated charge was allocated to the provision for risks.
In 2013, notice was served of an assessment regarding the application of VAT to the commission paid as part of co-insurance relations for the year 2008, as also occurred for previous years from 2003. Taking account of the fact that most of the case law was favourable and of the favourable decisions already obtained by the Company, as with previous years, no provisions were necessary.

Milano Assicurazioni
The assessment notices communicated in December 2012 by the Regional Tax Authority of Lombardy, in which the fees paid to Salvatore Ligresti for consultancy service were re-admitted for taxation, were settled through a compliance tool, with the payment in February 2013 of roughly €4m, and reduction of tax credits by €0.8m.
It should be noted that, in this regard, said expenses were already allocated in the 2012 financial statements and, therefore, had no impact on the income statement in the year under review.
In 2013, notice was served of an assessment regarding the application of VAT to the commission paid as part of co-insurance relations for the year 2008, as also occurred for previous years from 2003. Taking account of the fact that most of the case law was favourable and of the favourable decisions already obtained by the Company, as with previous years, no provisions were necessary.

Proceedings in progress with the Antitrust Authority

By means of Measure dated 14 November 2012, the Antitrust Authority started preliminary proceedings no. I/744 against Unipol Assicurazioni SpA and Fondiaria-SAI SpA (now UnipolSai), and Assicurazioni Generali SpA and INA Assitalia SpA, to ascertain the existence of alleged violations of art. 2 of Law 287/1990 and/or art. 101 of the Treaty on the Functioning of the European Union, in the assumption of coordination between said insurance companies aimed at limiting the competition between said parties in participation in tenders called by certain Local Public Transport Companies regarding MV TPL insurance coverage services for vehicles that are used to provide said transportation service. The term for the conclusion of said proceedings, initially set for 16 December 2013, was at first extended until 30 June 2014, then to 30 November 2014.

In addition, by means of Measure dated 5 June 2013, the Antitrust Authority launched preliminary proceedings no. I/702 against Unipol Gruppo Finanziario SpA and Fondiaria-SAI SpA (now UnipolSai), and the other leading insurance companies operating in Italy, to ascertain the existence of alleged violations of art. 101 of the Treaty on the Functioning of the European Union (prohibition of understandings restricting the freedom of competition), with particular reference to the prohibition of the exclusivity constraint in agency contracts for the distribution of insurance services relating to all Non-Life classes. These preliminary proceedings, focused on specific clauses contained in the aforementioned contracts, deemed suitable to discourage agents' assumption of several insurance distribution mandates (so-called "multi-mandate"), must be concluded by 30 June 2014.

Unipol, Unipol Assicurazioni e Fondiaria-SAI (now UnipolSai), deeming that they acted in full compliance with legality and correctness for both positions being carefully inspected by the Antitrust Authority, conferred a joint assignment to leading legal practices for the protection of their rights.
In addition, with reference to the second proceedings, the company presented a well-structured commitment proposal (the "Commitments") to the Antitrust Authority, filing the definitive version on 16 December 2013, pursuant to art 14-ter of Law 287/1990. The Antitrust Authority deemed these commitments to be adequate, publishing them on its website on 24 January 2014. The proceedings for the evaluation of the commitments, which includes the presentation of third party observations and subsequent replies of the companies, must be concluded by 24 April 2014 (except where more time is needed to acquire the mandatory judgments).

Writs of summons by shareholders of La Fondiaria Assicurazioni (Tender Offer legal case)

In 2003, some shareholders of La Fondiaria Assicurazioni SpA ("Fondiaria") saw fit to start a series of legal proceedings for the recognition, based on both different assumptions and legal grounds, of compensation for damages suffered, in their opinion, for the failure by SAI Società Assicuratrice Industriale SpA ("SAI") to launch a tender offer on Fondiaria shares in 2002. At 31 December 2013, eleven legal proceedings are pending, involving the defendants Fondiaria-SAI, Mediobanca Banca di credito Finanziario SpA ("Mediobanca") and, Premafin, involved in nine of them.

As regards the status of the litigation, the breakdown is shown below:
– for one set of proceedings, the terms are pending for an appeal before the Milan Court of Appeal;
– five proceedings are pending before the Milan Court of Appeal, three of which have been adjourned;
– five proceedings are pending before the Supreme Court.

As regards the content of the judgments, it should be noted that:
– all decisions issued in the court of first instance (with the exception of the one issued by the Court of Florence in favour of the defendant companies, and the one issued in August 2013 by the Court of Milan which ascertained that the legal provision was satisfied), with different grounds, upheld the plaintiffs' claims and sentenced the defendants to the payment of considerable amounts by way of compensation for damages; suspended execution was obtained in the Court of Appeal for all judgments of the plaintiffs (with the exception of two);
– all decisions issued by the Milan Court of Appeal upheld the appeals filed by Fondiaria-SAI, Mediobanca and Premafin;
– in the three judgments filed in August 2012, and in the one filed in September 2013, the Court of Cassation upheld the appeals, reversed the second instance ruling and adjourned the cases to the Milan Court of Appeal in order for it to re-examine the merits of them and also provide for the costs of the legitimacy judgment.

In relation to the most recent developments of the legal proceedings, it should be noted that:

– on 18 March 2013, the Court of Appeal of Florence, in the sole legal case instituted in the Florence court, confirmed the judgment of the Court of Florence which had rejected all compensation claims presented by the plaintiffs;
– on 12 April 2013, the Court of Appeal of Milan ruled favourably on the appeal presented by Premafin in relation to the dispute launched by certain former shareholders of Fondiaria-SAI, rejecting the opposing party's claims;
– on 18 July 2013, the Court of Cassation, by means of a judgment filed on 26 September 2013, partially upheld the appeal presented by some shareholders, reversing the judgment contested and adjourning the cases to the Court of Appeal of Milan;
– on 17 August 2013, the Court of Milan rejected the claims of certain former shareholders of Fondiaria-SAI, ascertaining that the legal provision was satisfied.

The four judgments of the Court of Cassation handed down in 2012 and 2013 signalled a different legal approach by the Supreme Court with respect to the arguments of the defendant companies, arguments up until this moment constantly shared by the case law of the Court of Appeal. In fact, the four judgments of the Court of Cassation confirmed the principle of law that in the event of a violation of the tender offer obligation from an entity who - following purchases - ends up holding a stake of more than 30% in share capital, the shareholders at whom the tender offer should have been targeted, obtain the right to obtain compensation for damages where they demonstrate lost earnings potential. However, as proof of the complexity of the matter in question, it should be noted that, in 2013, following the aforementioned judgments of the Supreme Court in 2012, the Court of Appeal of Florence rejected the appeals presented by certain Fondiaria-SAI shareholders against the first instance judgment in favour of the defendants and the Court of Appeal of Milan upheld the appeal launched by Premafin, rejecting the opposing party's claims.

Bankruptcy order of Im.Co. SpA in liquidation and Sinergia Holding di Partecipazioni SpA in liquidation

By means of judgment issued on 14 June 2012, the companies belonging to the Sinergia Holding di Partecipazioni SpA Group in liquidation ("Sinergia"), including the subsidiary Immobiliare Costruzioni Im.Co. SpA in liquidation ("Im.Co."), were declared bankrupt by the second civil section of the Court of Milan. Europrogetti Srl was also declared bankrupt on 14 December 2012.

It should be noted that the carrying amounts, at 31 December 2013, of the receivables of the Unipol Group due from Sinergia or Im.Co. or entities related to the latter were as follows:

- advances paid by Fondiaria-SAI and Milano Assicurazioni in favour of Im.Co. or Sinergia, or their subsidiaries, pursuant to the contracts for the purchase of future properties, equal to:
  – €101.7m due to Milano Assicurazioni from Avvenimenti e Sviluppo Alberghiero Srl ("ASA"), a wholly-owned subsidiary of Im.Co., relating to the purchase of a property complex in Rome, Via Fiorentini. The carrying amount of this receivable at 31 December 2013 came to €52.9m;
  – €77.4m due to Milano Assicurazioni from Im.Co., relating to the purchase of a property complex in Milan, Via De Castillia. The carrying amount of this receivable at 31 December 2013 came to €25.5m;
  – €23.3m due to Immobiliare Fondiaria-SAI from Im.Co., relating to the purchase of a property complex in Parma, Località San Pancrazio Parmense. The carrying amount of this receivable at 31 December 2013 came to €7.8m;
- advances on design works for €7.2m, due to Nuove Iniziative Toscane from Europrogetti Srl. The receivable was written down in full;
- receivables due to BancaSai from the Im.Co. – Sinergia Group amounting to €21.4m, €10.7m of which represented by unsecured credit positions. This receivable was written down in full.

Lastly, worthy of note is an additional exposure of €5.3m, net of the reinsurance effect, to surety policies to guarantee the commitments assumed by companies in the Im.Co. – Sinergia Group.

On 14 June 2012, in informing the market of the credit exposure to Sinergia and Im.Co. following the bankruptcy of the latter, Fondiaria-SAI and Milano Assicurazioni declared that (i) they acknowledged the bankruptcy judgment issued to Im.Co. and Sinergia and that requests would have been presented for proof of the debt of bankruptcy assets, and (ii) reserved the right to take the additional legal action, including liability action, necessary or appropriate also with reference to the in-depth investigations required by the Board of Statutory Auditors of Fondiaria-SAI following the notification pursuant to art. 2408 of the Civil Code presented by shareholder Amber Capital Investment Management.

In relation to the above receivables (with the exception of the receivable of €101.7m due from ASA, given that company is, at 31 December 2013, in a performing position), applications were presented for the proof of debts of the Im.Co. and Sinergia bankruptcies for a total of €151m, €111.4m of which was recognised as debts, in the form of unsecured loans, at 31 December 2013. In relation to the liability actions subsequently launched by the acting Commissioner of Fondiaria-SAI, late applications were filed for proof of debts of the Im.Co. and Sinergia bankruptcies totalling €392.7m. These applications were rejected by the Bankruptcy Court and, at 31 December 2013, the companies concerned already launched an objection against the associated dismissals.

In addition, as regards the company Premafin, the only significant relationship between it and the companies declared bankrupt was the one relating to the declarations of indemnity issued by Im.Co. and its subsidiaries regarding any expenses/responsibilities resulting from the commitment to transfer the areas located in the Municipality of Milan to third parties. In this regard, Premafin lodged an objection pursuant to art. 98 of Bankruptcy Law to the bankruptcy claim condition of Im.Co., considering that the deputy to the presiding judge, by means of decree dated 28 November 2012, ruled it to be enforceable, rejecting Premafin's application for proof of debts in relation to the declarations of indemnity concerning any expenses/responsibilities resulting from the aforementioned transfer commitment. Following the first hearing held on 9 June 2013, the judge set the final hearing for 6 May 2014.

According to the information disclosed to the market, based on an initiative of the main bank creditors of the bankrupt companies, Unicredit and Banca Popolare di Milano incorporated the company Visconti Srl, with the objective of proposing a bankruptcy agreement to settle the insolvency of the companies Im.Co. and Sinergia.
On 3 October 2013, the Unipol Group signed an agreement with Visconti Srl regarding the settlement, also as a compromise, of the receivables due to Unipol Group companies from Im.Co. and Sinergia and their subsidiary ASA, as part of the bankruptcy agreement applications of said parties Im.Co. and Sinergia. The effectiveness of this agreement is subject to certain conditions precedent, including the ratification, by means of a settlement provision, of the bankruptcy agreement of Im.Co.
Visconti Srl filed appeals against the bankruptcy agreement applications of Im.Co. and Sinergia, on 7 and 31 October 2013 respectively.

As regards the receivables due to the Group from Im.Co. and Sinergia, deriving from advances paid in accordance with contracts for the purchase of future properties (totalling, net of write-downs effected, €86.2m and representing the bulk of receivables recorded in the financial statements), it should be noted that the carrying amount of these receivables at 31 December 2013 was determined on the basis of an assessment of the recoverability of said receivables, carried out in 2012 by an independent expert, and reflects the present value of the underlying property initiatives.

As regards Premafin, the objective of the agreement is to allow the acquisition of all property areas involved in the ongoing dispute between the Municipality of Milan and Premafin, in view of a possible amicable settlement of the existing dispute.

Dispute with the Municipality of Milan

Premafin is involved in a dispute with the Municipality of Milan relating to a commitment for the transfer of areas at pre-established prices. In May 2008, the Court of Appeal partially reversed the first instance judgment which had sentenced Premafin to compensate the damages caused by the failure to acquire the areas, recognising, in only two of the actions performed, the nature of a genuine preliminary sales agreement for the respective areas at the centre of the dispute and confirming the criterion for the quantification of the damages, to be settled in separate proceedings. In this regard, in 2008, Premafin had therefore proceeded, within the prescribed terms, to lodge an appeal before the Court of Cassation, in respect of which a hearing is waiting to be set.

Having said that - considering that the judgement of the Court of Appeal is provisionally enforceable - in October 2012, the Municipality of Milan summoned Premafin to the Court of Milan for the quantification and settlement of the damages incurred. During said proceedings, a court-appointed expert witness was arranged and the case was adjourned to the hearing on 12 February 2015 for the statement of final pleas.
In respect of a claim for around €37m, Protos SpA (company appointed by Premafin in 2012) performed an estimate of the potential damages incurred by the Municipality of Milan, quantifying the amount at approximately €13.2m.

Following the bankruptcy of the company Im.Co., which had issued declarations of indemnity in favour of Premafin, the company lodged an appeal for the proof of debt and, subsequently, owing to the dismissal of the application, filed an opposition appeal to the bankruptcy claim condition pursuant to art. 98 of Bankruptcy Law. The first hearing set for the appearance of the parties was held on 9 May 2013 and conciliation was attempted; it was not possible to reach an agreement and the judge set the hearing for final pleas on 6 May 2014, with terms for the filing of briefs and replies.

In relation to this case, although the appeal is pending before the Supreme Court, having acknowledged the summons notified by the Municipality of Milan, following in-depth investigations and meetings with independent real estate experts regarding the quantification of possible damages, and having considered the risks of the non-effectiveness of the declarations of indemnity issued by Im.Co. (bankrupt company) and its subsidiaries, and in spite of the opposition appeal against Premafin’s unsuccessful application to be included in Im.Co.’s creditors, for which the final hearing was set for 6 May 2014, the company estimated the current value of total liabilities at around €12.2m.

In relation to a possible settlement for said dispute, please refer to the contents of the previous paragraph “Im.Co. and Sinergia bankruptcy”.

CONSOB penalty proceedings

By means of communications dated 19 April 2013, Consob commenced two separate penalty proceedings against Fondiaria-SAI and Milano Assicurazioni for charges relating to their respective 2010 Consolidated financial statements.
Pursuant to art. 187-septies, parag. 1 of the Consolidated Law on Finance, Consob notified Ms. Jonella Ligresti and Mr. Emanuele Erbetta, for the offices held in Fondiaria-SAI at the time of the events, of the violation set forth in art. 187-*ter*, parag. 1, of the Consolidated Law on Finance. The latter violation was also

notified to Fondiaria-SAI as the jointly and severally liable party; Fondiaria-SAI was also notified of an unlawful act provided for under art. 187-*quinquies*, parag.1, letter a), of the Consolidated Law on Finance due to the above-mentioned breach of art.187-ter, parag.1, of the Consolidated Law on Finance, committed by Ms. Jonella Ligresti and Mr. Emanuele Erbetta, acting in the aforementioned roles.

A similar notification was also served by Consob to Milano Assicurazioni. In this regard, pursuant to art. 187-septies, parag. 1 of the Consolidated Law on Finance, the Commission notified Mr. Emanuele Erbetta, for the office held in the subsidiary at the time of the events, of the violation set forth in art. 187-*ter*, parag. 1, of the Consolidated Law on Finance.
The latter violation was also notified to Milano Assicurazioni as the jointly and severally liable party; Milano Assicurazioni was also notified of an unlawful act provided for under art. 187-*quinquies*, parag.1, letter a), of the Consolidated Law on Finance due to the above-mentioned breach of art.187-ter, parag.1, of the Consolidated Law on Finance, committed by Mr. Emanuele Erbetta, acting in the aforementioned role.

Fondiaria-SAI and Milano Assicurazioni, assisted by their legal representatives, presented their conclusions, asking that the administrative penalties set out in articles 187-*ter*, 187-*quinquies* and 187-*septies* of the Consolidated Law on Finance not be imposed on the companies.

The proceedings launched by Consob are ongoing and are currently pending before the Office of Administrative Penalties where the “preliminary part of the decision” will be made.

At the current state of play, in consideration of the serious defensive arguments, formal and substantive, adopted by the companies, it is difficult to predict the outcome of the proceedings; furthermore, in view of the objective uncertainty of the matters and the vast range of statutory penalties established by the Consolidated Law on Finance, it is also difficult to envisage the amount of the penalties the authorities could impose.

Other ongoing criminal proceedings

At the date of drafting of these financial statements, compensation claims were formulated in civil proceedings (by two parties: the “Civil Proceedings”) and in criminal proceedings (in cases R.G.n.r. - General Criminal Records Registry - 21713/13 and R.G.n.r. 24630/2013, for a total of around 1,850 entities: the “Criminal Proceedings”), by various investors who had purchased Fondiaria-SAI, Milano Assicurazioni and Premafin shares and by various “stakeholders with widespread interests”.
In the Civil Proceedings, the plaintiffs summarily stated that they had purchased and subscribed Fondiaria-SAI shares as they were prompted by the information in the information prospectuses published by Fondiaria-SAI on 24 June 2011 and 12 July 2012 in relation to the increases in share capital under option resolved by the company on 14 May 2011, 22 June 2011 and 19 March 2012 respectively.
UnipolSai (now Fondiaria-SAI) appeared at both Civil Proceedings and disputed the plaintiffs’ claims. The Civil Proceedings are at the introductory phase: in one case, the first hearing was held on 4 March 2014 and, in the other, the first hearing will be held on 11 November 2014.

There are two Criminal Proceedings currently pending:
(a) Criminal Proceedings (R.G.n.r. 21713/13) with “immediate” procedure which involves the defendants Salvatore Ligresti, Jonella Ligresti, A. Talarico, F. Marchionni and E. Erbetta;
(b) the Criminal Proceedings (R.G.n.r. 24630/2013) with “ordinary” procedure which involves the defendants Gioacchino Paolo Ligresti, P. G. Bedogni, F. Gismondi, G. Marino, M. Spadacini, A. D’Ambrosio, R. Ottaviani, A. Virgilio and UnipolSai (alleged to be liable pursuant to Legislative Decree 231/2001).

At the date of drafting of these financial statements, in the Criminal Proceedings around 1,850 parties brought civil action against the defendants and asked to be authorised to summon UnipolSai as the "civilly liable party" for the unlawful acts contested against the defendants; a decree authorising the summons of UnipolSai as the "civilly liable party" has yet to be issued in the two Criminal Proceedings.
A preliminary and non-exhaustive examination of the acts of the Criminal Proceedings shows that the parties that brought the civil action lodged compensation claims through which, in summary, they affirmed: *(i)* that in some cases they were "*investors in the securities of Fondiaria-SAI*" and "*Milano Assicurazioni*" and "*injured parties*" in the Criminal Proceedings; *(ii)* in other cases, that they purchased Fondiaria-SAI and Milano Assicurazioni shares because they were "prompted" by Fondiaria-SAI's 2010 financial statements which they alleged were misleading; *(iii)* that they have the right to compensation for damages in various cases, without, however, quantifying them.

As indicated above, UnipolSai Assicurazioni SpA, formerly Fondiaria-SAI SpA, was accused of the unlawful administrative act set forth in art. 25-*sexies* of Legislative Decree 231/2001 in relation to the offence of market abuse notified to the former senior management of the Company in criminal proceedings no. 23858/13 R.G.Gip, pending before the Office of the Judge of Preliminary Hearings in the Court of Turin.
In the criminal proceedings in question, during the investigation phase, by means of Decree dated 10 August 2013, the Preliminary Investigations Judge ordered a preventive seizure, targeted at the confiscation of assets of up to a value of €251,600,000, against Salvatore, Jonella, Gioacchino Paolo and Giulia Maria Ligresti, Antonio Talarico, Emanuele Erbetta, Fausto Marchionni, and against the company in relation to the accusation set out in art. 25-*sexies* of Legislative Decree 231/2001 and articles 9 and 19 of Legislative Decree 231/2001.

On 12 September 2013, the Company filed a review request against said provision at the Court of Turin, deeming the precautionary initiative to be groundless and unjust, in particular that a Company profit could be identified equal to the change in the value of the security as a result of the stock market manipulation contested.
By means of ruling dated 1 October 2013, the Court of Review of Turin upheld the review claim in light of the issue appealed against by the Company's defence.
The Public Ministry filed an appeal against said provision on 10 October 2013 in the Court of Cassation. The hearing before the Supreme Court of Cassation, Fifth Criminal Section, is set for 3 April 2014.

However, at the recent hearing on 18 March 2014, as part of process R.G.n.r. 24630/13 in the preliminary hearing against UnipolSai and G.P. Ligresti, P. G. Bedogni, F. Gismondi, M. Spadacini, G. Marino, A. D'Ambrosio, R. Ottaviani and A. Virgilio, the Preliminary Hearing Judge passed a judgment with which he declared his lack of territorial jurisdiction in favour of the Court of Milan, with reference solely to the positions of G.P. Ligresti, Bedogni, Gismondi and UnipolSai, as accused also (or only) of the offence of stock market manipulation, which, according to the Judge, would - on the basis of the charge - have been committed in the Lombardy regional capital.
By contrast, the positions of Messrs. Marino, Spadacini, D'Ambrosio, Ottaviani and Virgilio would remain with the Court of Turin, to respond to the offences of false information in the financial statements and false statements. The former statutory auditors, Marino, Spadacini and D'Ambrosio already filed a claim for a summary judgment, which will be decided at the hearing on 3 April 2014.
If, also in the proceedings pending at the Court of Turin (R.G.n.r. 21713/2013) with an immediate procedure, at the hearing on 10 April 2014, a similar decision was to be taken and therefore, provision made for the transmission of the acts to the Public Prosecutor of Milan for all defendants, this would determine the lapsing of the civil actions brought and the associated summons requests of the civilly liable party UnipolSai. In proceedings R.G.n.r. 24630/13, that already occurred with the transfer of the procedures to Milan as regards the positions of G.P. Ligresti and Bedogni.

Based on the legal judgments issued and the knowledge acquired henceforth, at the current state of play, there is no need to allocate provisions for risks and charges in relation to any compensation obligation which may be incurred by UnipolSai as a result of a hypothetical negative outcome of the Civil and Criminal Proceedings.
In fact, based on international accounting standards (IAS 37), a provision is envisaged in the presence of a passive obligation in the event "*it is likely* (*i.e. it is more credible rather than not) that, to fulfil the obligation, it will be necessary to use the resources intended to produce economic effects*" and, furthermore, in the case in which "*a reliable estimate may be made of the amount deriving from the obligation*".

In the case in question, the conditions now reported (IAS 37) were not satisfied, given that, for a series of reasons, it is not possible, at the current state of play:

(i) to assess whether the risk of UnipolSai being a losing party in the Civil and Criminal Proceedings should be deemed "likely" or "unlikely".

(ii) to estimate, with sufficient reliability, the amount of any compensation obligation for UnipolSai as a result of a hypothetical negative outcome of the Civil and Criminal Proceedings.

At present, neither is it possible to evaluate any risk connected with the adoption of a new precautionary measure targeted at confiscation of profits, which could arise in the event the appeal before the Court of Cassation is upheld by the Public Ministry.

3. Technical provisions

Amounts in €m	31/12/2013	31/12/2012	*var. %*	Reclass. IFRS 5	Pre-reclass. IFRS 5	*% var. before IFRS 5*
Non-Life premium provisions	3,649.2	4,012.3		18.7	3,667.9	*-8.6*
Non-Life claims provisions	14,913.9	15,780.4			14,913.9	*-5.5*
Other non-life technical provisions	20.2	22.9			20.2	*-11.7*
Total non-life provisions	18,583.3	19,815.6	*-6.2*	18.7	18,602.0	*-6.1*
Life mathematical provisions	29,637.7	27,725.5			29,637.7	*6.9*
Provision for payable amounts (Life business)	450.6	447.7			450.6	*0.7*
Technical provisions where the investment risk is borne by policyholders and arising from pension fund management	7,642.8	8,486.2			7,642.8	*-9.9*
Other Life technical provisions	560.9	-19.0			560.9	
Total Life provisions	38,292.0	36,640.4	*4.5*	0.0	38,292.0	*4.5*
Total technical provisions	56,875.3	56,456.0	*0.7*	18.7	56,894.0	*0.8*

The Non-Life premium provisions classified under liabilities held for disposal in accordance with IFRS 5 have been determined with reference to insurance policies, existing at 31 December 2013, stipulated between agents whose mandates form part of the class being transferred and in relation solely to the estimated portion of the premiums of said policies earned in the period following the transfer of the portfolio. The total premiums provision concerning said policies came to €392m at 31 December 2013.

4. Financial liabilities

Financial liabilities amounted to €16,041.4m (€16,233.6m at 31/12/2012).

4.1 Financial liabilities at fair value through profit or loss

The item, which amounted to €2,056.8m (€2,168.9m at 31/12/2012), is broken down as follows:

- Financial liabilities held for trading totalled €472m (€620.3m at 31/12/2012).
- Financial liabilities designated at fair value through profit or loss totalled €1,584.8m (€1,548.6m at 31/12/2012). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders and the insurance risk borne by the Group did not exceed 10% (some types of Class III, Class V and Class VI contracts).

4.2 Other financial liabilities

Amounts in €m	31/12/2013	%	31/12/2012	%	% var.
Subordinated liabilities	2,575.3	*18.4*	2,563.2	*18.2*	*0.5*
Liabilities from financial contracts issued by insurance companies	26.1	*0.2*	26.8	*0.2*	*-2.4*
Deposits received from reinsurers	277.8	*2.0*	301.3	*2.1*	*-7.8*
Debt securities issued	2,930.6	*21.0*	2,715.4	*19.3*	*7.9*
Payables to bank customers	6,095.8	*43.6*	6,253.3	*44.5*	*-2.5*
Interbank payables	1,257.6	*9.0*	1,509.0	*10.7*	*-16.7*
Other loans obtained	122.8	*0.9*	123.8	*0.9*	*-0.8*
Sundry financial liabilities	698.5	*5.0*	571.9	*4.1*	*22.1*
Total other financial liabilities	13,984.6	*100.0*	14,064.8	*100.0*	*-0.6*

The item Interbank payables included €850m in subsidised loans obtained by Unipol Banca through participation in the ECB's LTRO auctions, unchanged with respect to 31 December 2012.

Details of subordinated liabilities are shown in the table below:

Issuer	Nominal amount outstanding	level subord.	Year of maturity	call	Rate	L/NL
Unipol Assicurazioni	300.0m	tier II	2021	every 3 months from 15/6/2011	3-month euribor + 250 b.p.	L
Unipol Assicurazioni	261.7m	tier II	2023	every 3 months from 29/7/2013	fixed rate 5.66% (*)	L
Unipol Assicurazioni	200.0m	tier I	perpetual	from 2018	6-month euribor + 250 b.p. (**)	NL
Unipol Assicurazioni	200.0m	tier I	perpetual	from 2018	6-month euribor + 250 b.p. (**)	NL
Unipol Banca	49.7m	tier II	2015		fixed rate 3.6%	NL
Unipol Banca	15.0m	tier II	2017		fixed rate 4.4%	NL
Unipol Banca	83.7m	tier II	2017		3-month euribor + 20 b.p.	NL
Unipol Banca	7.0m	tier II	2017		fixed rate 4.8%	NL
Unipol Banca	61.2m	tier II	2017		3-month euribor + 30 b.p.	NL
Unipol Banca	24.9m	tier II	2019		fixed rate 4.5%	NL
Unipol Banca	49.9	tier II	2019		fixed rate 4.5%	NL
Unipol Banca	300.0m	tier II	2019		average quarter 3-month euribor + 640 b.p.	NL
Fondiaria-SAI	400.0m	tier II	2023	every 6 months from 24/07/2013	6-month euribor + 180 b.p.	NL
Fondiaria-SAI	100.0m	tier II	2025	every 6 months from 30/12/2015	6-month euribor + 180 b.p. (***)	NL
Fondiaria-SAI	150.0m	tier II	2026	every 6 months from 14/07/2016	6-month euribor + 180 b.p. (***)	NL
Milano Assicurazioni	50.0m	tier II	2026	every 6 months from 14/07/2016	6-month euribor + 180 b.p. (***)	NL
Fondiaria-SAI	250.0m	tier I	perpetual	from 2018	6-month euribor + 350 b.p. (***) (1)	NL
Milano Assicurazioni	100.0m	tier I	perpetual	from 2018	6-month euribor + 350 b.p. (***) (1)	NL

(*) from July 2013 variable 3-month euribor+250 b.p. (first instalment October 2013).

(**) from May 2018 variable rate equal to the 6-month euribor +350 b.p.. An interest rate hedge is in place (expiring in May 2018) through an IRS which transforms the floating rate to a fixed rate of 6.355%.

(***) against a nominal €650m, IRSs were entered into which transform the floating rate to a fixed rate, expiring on the date of the associated call.

(1) from July 2018 6-month euribor +450 b.p.

Debt securities issued by Unipol, net of intragroup subscriptions, for €776.3m (€771.5m at 31/12/2012) relate to a senior unsecured loan 2009-2016, fixed rate 5%, listed on the Luxembourg Stock Exchange, with a nominal value of €750m.

The debt securities issued by Unipol Banca, net of intragroup subscriptions, amounted to €2,135.9m (€1,858.7m at 31/12/2012).

In 2013, loan repurchase agreements for a nominal €100m were subscribed by Unipol Assicurazioni, effective from 18 December 2013 and expiring on 2 January 2014, at a rate of 0.55%, with counterparty Mediobanca (title used: BTP 2.75% 1 December 2015). Italian Government bonds assigned to the free capital of Unipol Assicurazioni's Life business were used.

The Premafin Group's debt is composed of subordinated liabilities, all due to Mediobanca, amounting to €1,028.8m (€1,010.7m at 31/12/2012) and other payables to banks and other lenders, totalling €735.5m (€779.9m at 31/12/2012), which are mainly composed as follows:

- €379.3m (€377.1 at 31/12/2012) relating to the "Amended Pre-Integration Loan Agreement" of Premafin, object of the Debt Restructuring Agreement stipulated as part of the redevelopment plan pursuant to Art. 67 of Bankruptcy Law;
- €111.5m (€111.3m at 31/12/2012) refers to the loan stipulated by the Closed-End Real Estate Fund Tikal R.E. with Mediobanca acting as Agent Bank. The loan, for an original amount of €119m, was disbursed for the purchase of properties and for improvement works. The cost of the loan was equal to the 6-month

Euribor plus a credit spread of 90 basis points. From 2008, the Fund, has made use of interest rate derivatives in implementation of a policy hedging the risk of an increase in interest rates on the loan taken out;

- €18.4m (€84.8m at 31/12/2012) refers to the bonds issued in 2009 and 2010 by BancaSai, part floating rate and part fixed rate, with variable expiries up until 2014. A total of €63m was repaid in 2013;
- €53.6m (€53.7m at 31/12/2012) refers fully to the debt of the subsidiary Immobiliare Fondiaria-SAI and mainly concerns the bank loan stipulated by Marina di Loano with Intesa SanPaolo acting as Agent Bank, expiring on 17 March 2014 and with an interest rate equal to the 3-month Euribor plus 300 basis points. The company made use of an interest rate derivative in implementation of a policy hedging the risk of an increase in interest rates on the loan taken out;
- €12.4m (€24.4m at 31/12/2012) relates to the loans of the subsidiary Finadin. A partial repayment of €12m was made in 2013.

5. Payables

Amounts in €m	31/12/2013	31/12/2012	var. %	Reclass. IFRS 5	Pre-reclass. IFRS 5	% var. before IFRS 5
Payables arising from direct insurance business	177.5	164.3	8.0	0.6	178.1	8.4
Payables arising from reinsurance business	85.3	85.1	0.2		85.3	0.2
Other payables	919.9	1,027.2	-10.5	5.8	925.7	-9.9
Policyholders' tax due	158.6	165.1	-4.0		158.6	-4.0
Sundry tax payables	130.1	155.0	-16.0		130.1	-16.0
Trade payables	313.0	208.8	49.9	0.1	313.1	49.9
Post-employment benefits	102.6	113.4	-9.5	4.6	107.2	-5.5
Social security charges payable	39.3	38.5	2.1		39.3	2.1
Sundry payables	176.3	346.4	-49.1	1.2	177.5	-48.8
Total payables	1,182.6	1,276.5	-7.4	6.4	1,189.1	-6.9

Sundry payables included €123.1m in amounts due to the tax consolidating entity Finsoe (€125.8m in 2012).

6. Other liabilities

Amounts in €m	31/12/2013	31/12/2012	var. %	Reclass. IFRS 5	Pre-reclass. IFRS 5	% var. before IFRS 5
Current tax liabilities	141.7	178.5	-20.6	0.0	141.7	-20.6
Deferred tax liabilities	1,014.5	814.3	24.6	21.6	1,036.0	27.2
Liabilities associated with disposal groups held for sale	74.2	1.6		-74.2	0.0	
Commissions on premiums under collection	138.2	146.4	-5.6		138.2	-5.6
Deferred commission income	2.8	3.2	-13.4		2.8	-13.4
Accrued expense and deferred income	2.5	2.5	-1.7		2.5	-1.7
Other liabilities	816.0	816.8	-0.1	12.4	828.3	1.4
Total other liabilities	2,189.8	1,963.3	11.5	-40.2	2,149.6	9.5

The item Liabilities associated with a disposal group held for sale is composed, for €72.8m, of liabilities identified on the basis of the transfer perimeter forming part of the contract stipulated on 15 March 2014 between UnipolSai and Allianz, and for €1.3m by other liabilities held for disposal.
For details of these liabilities please refer to paragraph 5.5 of these notes to the financial statements.

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).

Economic data on a like-for-like basis

Variations, on a like-for-like basis, in the income statement economic figures with respect to the corresponding figures in the previous year are stated by including in the data at 31 December 2012 the economic contribution of the Premafin/Fondiaria-SAI Group, determined with reference to the entire year and not limited to the period after the acquisition corresponding to solely the second half.

The 2012 income statement figures of the Premafin Group were taken from the pro-forma consolidated income statement of UnipolSai at 31 December 2012, contained in the Information Document jointly drafted by Fondiaria-SAI, Premafin, Milano Assicurazioni and Unipol Assicurazioni, pursuant to art. 70, parag. 6, of Consob Regulation no. 11971/1999, published on 9 October 2013, chapter 5, sub-chapter 5.3.2.

In particular, the values presented in the column “Premafin Group post-PPA” were considered (included in the aforementioned pro-forma consolidated income statement), which include the income statement figures of the Premafin Group, adjusted due to the accounting options made consistent with those used by Unipol to draft its 2012 Consolidated Financial Statements, by taking into account the final values derived from the process of accounting for the business combination.

INCOME

1.1 Net premiums

Amounts in €m	31/12/2013	31/12/2012	*var. %*	*% var. on a like-for-like basis*
Non-Life premiums earned	10,209.0	7,491.4	*36.3*	
Non-Life business written premiums	9,857.3	7,265.5	*35.7*	
Non-Life business - changes in the provision for premiums	351.7	225.9	*55.7*	
Life business written premiums	6,816.0	4,433.9	*53.7*	
Gross premiums earned (Non-Life and Life)	17,025.0	11,925.3	*42.8*	*0.1*
Non-Life business - ceded reinsurance premiums	-421.7	-280.0	*50.6*	
Non-Life business - ceded premiums	-421.3	-275.9	*52.7*	
Non-Life business - changes in the provision for premiums - reinsurers' share	-0.4	-4.1		
Life business - ceded premiums	-22.0	-21.7	*1.1*	
Ceded reinsurance premiums (Non-Life and Life)	-443.7	-301.7	*47.1*	*-4.2*
Total net premiums	16,581.3	11,623.6	*42.7*	*0.2*

1.2 Commission income

Amounts in €m	31/12/2013	31/12/2012	var. %	% var. on a like-for-like basis
Commission income from banking business	107.6	115.8	-7.2	
Commission income from investment contracts	16.1	14.3	12.0	
Other commission income	4.6	3.6	28.4	
Total commission income	128.3	133.8	-4.1	-3.6

1.3 Gains and losses on remeasurement of instruments at fair value through profit or loss

Amounts in €m	31/12/2013	31/12/2012	% var.	% var. on a like-for-like basis
from financial assets held for trading	37.4	12.5		
from financial liabilities held for trading	17.1	1.9		
from financial assets/liabilities at fair value through profit or loss	292.7	437.0		
Total net income/expenses	347.3	451.4	-23.1	-53.8

1.4 Gains on investments in subsidiaries, associates and interests in joint ventures

These totalled €11.3m (€7.8m at 31/12/2012).

1.5 Gains on other financial instruments and investment property

Gains on other financial instruments and investment property *Amounts in €m*	31/12/2013	31/12/2012	% var.	% var. on a like-for-like basis
Interest	2,120.1	1,631.1	30.0	
on investments held to maturity	107.5	99.6		
from loans and receivables	595.4	616.2		
from available-for-sale financial assets	1,396.4	906.9		
on sundry receivables	10.2	3.2		
on cash and cash equivalents	10.7	5.3		
Other income	169.1	134.3	25.9	
from investment property	92.9	60.6		
from available-for-sale financial assets	76.2	73.4		
on investments held to maturity	0.0	0.1		
on sundry receivables	0.0	0.2		
Realised gains	687.4	333.8	106.0	
from investment property	6.8	0.1		
on investments held to maturity	0.5	0.3		
from loans and receivables	31.4	11.1		
from available-for-sale financial assets	646.6	291.8		
from other financial liabilities	2.1	30.4		
Unrealised gains and reversals of impairment losses	0.5	29.8	-98.3	
from available-for-sale financial assets	0.0	29.7		
from other financial assets and liabilities	0.5	0.1		
Total item 1.5	2,977.0	2,129.0	39.8	11.9

1.6 Other income

Amounts in €m	31/12/2013	31/12/2012	% var.	% var. on a like-for-like basis
Miscellaneous technical income	96.4	70.0	37.7	
Exchange rate gains	5.6	1.7	228.3	
Prior year items	42.7	29.6	44.2	
Other income	411.2	212.0	94.0	
Total other income	555.8	313.3	77.4	2.4

Unipol GRUPPO

COSTS

2.1 Net charges relating to claims

Amounts in €m	31/12/2013	31/12/2012	var. %	% var. on a like-for-like basis
Net charges relating to claims - direct and indirect business	14,488.9	10,640.3	36.2	-4.7
Non-Life business	6,820.7	5,090.3	34.0	
non-life business amounts paid	7,853.4	5,555.8		
changes in provisions for non-life claims	-866.2	-357.3		
changes in non-life recoveries	-166.3	-108.0		
changes in other technical non-life provisions	-0.2	-0.3		
Life business	7,668.2	5,550.0	38.2	
life business amounts paid	6,600.4	5,635.9		
changes in life business payable amounts	9.5	-151.6		
changes in mathematical provisions	1,893.3	61.4		
changes in other technical life business provisions	14.5	241.0		
changes in provisions where the investment risk is borne by policyholders and arising from pension fund management	-849.4	-236.6		
Net charges relating to claims - reinsurers' share	-180.5	-271.4	-33.5	-57.7
Non-Life business	-166.1	-255.2	-34.9	
non-life business amounts paid	-313.2	-167.6		
changes in provisions for non-life claims	142.5	-141.4		
changes in non-life recoveries	4.6	53.8		
Life business	-14.4	-16.1	-11.0	
life business amounts paid	-35.9	-27.1		
changes in life business payable amounts	-1.8	-2.1		
changes in mathematical provisions	23.3	13.1		
Total net charges relating to claims	14,308.5	10,368.9	38.0	-3.1

2.2 Commission expense

Amounts in €m	31/12/2013	31/12/2012	var. %	% var. on a like-for-like basis
Commission expense from banking business	22.4	17.7	26.6	
Commission expense from investment contracts	8.3	8.2	0.4	
Other commission expense	8.5	7.9	7.2	
Total commission expense	39.1	33.8	15.7	2.3

2.3 Losses on investments in subsidiaries, associates and interests in joint ventures

These totalled €6.4m (€22.2m at 31/12/2012).

2.4 Losses on other financial instruments and investment property

Amounts in €m	31/12/2013	31/12/2012	*var. %*	*% var. on a like-for-like basis*
Interest:	346.1	344.4	*0.5*	
from other financial liabilities	340.1	338.5		
from payables	5.9	5.8		
Other charges:	78.1	51.9	*50.4*	
from investment property	65.7	37.7		
on investments held to maturity	0.0	0.2		
from loans and receivables	0.1	4.4		
from available-for-sale financial assets	10.1	8.0		
from cash and cash equivalents	0.4	0.2		
from other financial liabilities	1.8	1.4		
Realised losses:	177.4	100.7	*76.1*	
from investment property	0.3	0.0		
from loans and receivables	40.4	3.4		
from available-for-sale financial assets	136.0	97.0		
from other financial liabilities	0.6	0.4		
Unrealised losses and impairment losses:	773.8	212.9	*263.5*	
from investment property	113.3	47.5		
from loans and receivables	514.3	126.5		
from available-for-sale financial assets	146.2	38.9		
Total item 2.4	1,375.4	709.9	*93.7*	*68.5*

Interest from other financial liabilities amounting to €340.1m relates in particular to interest expenses accrued on bonds issued by Group companies (subordinated and non-subordinated), €210.3m of which relating to the banking sector.

At 31 December 2013, losses on valuation and impairment losses, amounting to €773.8m (€212.9m in 2012), were due to write-downs of Loans and Receivables attributable to banking activities for €514.3m (€126.5m at 31/12/2012), impairment losses on financial instruments classified in the 'Available-for-sale assets' category (shares and OEIC units) amounting to €73.1m (€38.9m at 31/12/2012), write-downs on investment property for €60.5m (€16.5m at 31/12/2012), effected on the basis of updated appraisals drafted by independent experts, and depreciation of properties for €52.8m (€31m in 2012).

Unrealised losses on available-for-sale financial assets included €73m for decreases in the fair value of bonds subject to fair value hedging through IRS.

2.5 Operating expenses

Amounts in €m	31/12/2013	31/12/2012	var. %	% var. on a like-for-like basis
Insurance sector	2,681.3	1,873.1	43.2	
Banking sector	309.2	285.5	8.3	
Holding and Services sector and Other	391.8	215.7	81.7	
Real Estate Sector	7.9	5.3	48.5	
Intersegment eliminations	-306.9	-160.3	91.5	
Total operating expenses	3,083.2	2,219.3	38.9	-0.4

Below are details of Operating expenses in the Insurance business:

	NON-LIFE		% var.	LIFE		% var.	TOTAL		% var.
Amounts in €m	dic-13	dic-12		dic-13	dic-12		dic-13	dic-12	
Acquisition commissions	1,423.2	966.5	47.3	120.2	73.0	64.7	1,543.5	1,039.4	48.5
Other acquisition costs	409.1	282.0	45.1	56.3	43.9	28.2	465.4	325.9	42.8
Changes in deferred acquisition costs	-7.4	-16.9		-3.4	-2.6	29.6	-10.9	-19.6	-44.5
Collection commissions	196.2	197.4	-0.6	12.4	11.1	11.9	208.6	208.5	0.1
Profit sharing and other commissions from reinsurers	-110.2	-77.5	42.2	-5.3	-3.9	35.2	-115.4	-81.4	41.8
Investment management expenses	29.8	23.8	25.1	33.3	22.2	50.1	63.0	46.0	37.1
Other administrative expenses	421.2	278.6	51.2	105.9	75.7	40.0	527.1	354.3	48.8
Total operating expenses	2,362.0	1,653.8	42.8	319.4	219.2	45.7	2,681.3	1,873.1	43.2

2.6 Other costs

Amounts in €m	31/12/2013	31/12/2012	% var.	% var. on a like-for-like basis
Other technical charges	263.7	147.4	78.9	
Impairment losses on receivables	54.2	32.6	66.3	
Other costs	950.2	459.8	106.7	
Total other costs	1,268.1	639.8	98.2	11.2

3. Income tax

In accordance with the provisions of IAS 12 the following table shows, at consolidated level, the deferred taxes utilised and accrued.

Amounts in €m	31/12/2013 Ires	Irap	Total	31/12/2012 Ires	Irap	Total
Current taxes	-383.8	-139.7	-523.6	-285.7	-106.5	-392.2
Deferred assets and liabilities:	145.8	46.6	192.4	140.3	17.6	157.8
Use of deferred tax assets	-299.3	-12.2	-311.5	-288.3	-55.5	-343.8
Use of deferred tax liabilities	100.6	23.3	123.8	324.4	78.1	402.5
Accrual to deferred tax assets	476.2	64.5	540.8	307.9	44.9	352.8
Accrual to deferred tax liabilities	-131.6	-29.1	-160.7	-203.7	-49.9	-253.7
Total	-238.0	-93.2	-331.2	-145.5	-88.9	-234.4

Against pre-tax income of €520.3m, taxes pertaining to the year of €331.2m were recorded, corresponding to a tax rate of 63.7% (35.3% at 31/12/2012) due, in particular, to the extraordinary taxes deriving from the IRES surcharge of 8.5% on financial/insurance companies, for €72.9m (with an incidence of 14% on the pre-tax result), the substitute tax calculated on the monetary revaluation performed on the interest held in the Bank of Italy for €18m, against consolidated revenue of €30m and IRAP, whose incidence on the pre-tax result rose to 17.9%, compared to 13.4% in the previous year.

The following table shows the breakdown of deferred tax assets and liabilities, showing the major differences for taxation purposes:

Amounts in €m	31/12/2013	31/12/2012
DEFERRED TAX ASSETS		
Intangible assets and property, plant and equipment	163.4	143.8
Investment property	113.0	87.5
Financial instruments	294.2	330.4
Sundry receivables and other assets	194.0	180.4
Provisions	236.8	192.8
Technical provisions	357.1	239.0
Financial liabilities	13.8	20.1
Payables and other liabilities	17.1	5.0
Other deferred tax assets	948.8	956.1
Total deferred tax assets	2,338.2	2,186.2
DEFERRED TAX LIABILITIES		
Intangible assets and property, plant and equipment	240.0	303.6
Investment property	89.9	77.6
Financial instruments	457.8	359.3
Sundry receivables and other liabilities	0.3	0.0
Provisions	2.4	1.1
Technical provisions	67.7	64.5
Financial liabilities	2.7	3.3
Payables and other liabilities	5.3	1.2
Other deferred tax liabilities	148.4	3.8
Total deferred tax liabilities	1,014.5	814.3

Net tax assets are deemed to be recoverable on the basis of the provisional plans of Group companies.
The item 'Other deferred tax assets' includes €673.1m in taxes paid on the realignments of goodwill carried out in 2008 and 2011.

5. OTHER INFORMATION

5.1 Hedge accounting

Fair value hedging concerns fixed-rate bonds, transformed to a floating rate via Interest Rate Swaps.

Fair value hedges

Unipol Assicurazioni: the financial instruments designated as hedging instruments were Interest Rate Swaps, whose fair value at 31 December 2013 was a negative €201.5m. The change in the fair value of the bonds hedged classified under Available-for-sale assets, recognised in the hedge validity period, was a positive €161.7m.
At 31 December 2013 hedging was effective since the ratios between the respective variations in fair value were still within the range 80%-125%.
The economic effects pertaining to the year 2013 amounted to a negative €73.1m as regards the change in the fair value of the underlying assets and a positive €62.8m as regards the change in the fair value of the IRSs, with a negative net economic effect of €10.3m.

Unipol Banca: the financial instruments designated as hedging instruments were Interest Rate Swaps, whose fair value at 31 December 2013 was a positive €4.7m. The change in the fair value of the bonds issued by Unipol Banca subject to hedging, classified under Other financial liabilities, recognised in the hedge validity period, was a positive €4.9m.
At 31 December 2013 hedging was effective since the ratios between the respective variations in fair value were still within the range 80%-125%.
The economic effects pertaining to the year 2013 amounted to a negative €6.7m as regards the change in the fair value of the IRSs and a positive €6.6m as regards the change in the fair value of the underlying assets, with a negative net economic effect of €0.1m.

BancaSai: the financial instruments designated as hedging instruments were Interest Rate Swaps, for a notional value of €25m, hedging interest rate risk deriving from fixed-rate loans to customers, whose fair value at 31 December 2013 was a negative €0.3m.

Cash flow hedges

The objective of the existing hedges is to transform the interest rate on financial liabilities from a floating rate to a fixed rate, stabilising the cash flows.

Unipol Assicurazioni - cash flow hedge on hybrid perpetual loans through IRSs for a notional value of €400m: the cumulative negative effect on equity, in the Hedging reserve, was €44.8m (€29.4m net of tax). At 31 December 2012, it was a negative €63.4m (€41.6m net of tax).

Unipol Assicurazioni - cash flow hedge on bond securities recorded in the Available-for-sale asset portfolio through the sale of IRSs for a notional value of €327m: the cumulative positive effect on Equity, in the Hedging reserve, was €0.5m (€0.3m net of tax).

Gruppo Arca Vita - cash flow hedge on bond securities recorded in the Available-for-sale asset portfolio through the sale of IRSs for a notional value of €63m: the cumulative negative effect on Equity, in the Hedging reserve, was €2.2m (€1.4m net of tax). At 31 December 2012, the negative effect was €1m (€0.6m net of tax).

Unipol Banca - cash flow hedge on bond loans through IRSs for a notional value of €132m: the cumulative negative effect on Equity, in the Hedging reserve, was €12.3m (€8.2m net of tax). At 31 December 2012, it was a negative €17.4m (€11.7m net of tax).

Unipol Banca - cash flow hedge on bond securities recorded in the Available-for-sale asset portfolio through the sale of IRSs for a notional value of €240m: the cumulative positive effect on Equity, in the Hedging reserve, was €4m (€2.7m net of tax). At 31 December 2012, it was a negative €2.9m (€2m net of tax).

Premafin Group - cash flow hedge on debt exposures to banks through IRSs for a notional value of €725m (€1,125m in 2012): at 31 December 2013, the cumulative positive effect on Equity, in the Hedging reserve, was €5.9m (€4.4m net of tax). At 31 December 2013, the cumulative negative effect on Equity, in the Hedging reserve, was €9.5m (€6.6m net of tax).

5.2 Information relating to the actual or potential effects of offsetting agreements

In order to allow an evaluation of the actual or potential effects of offsetting agreements on the Unipol Group, the information relating to the financial instruments involved in master netting arrangements are reported below. The transactions shown in the tables below concern:

- derivatives
- repurchase agreements.

With reference to derivatives, the agreements contained in the ISDA Master agreements which regulate transactions in said instruments, make provision, in the cases of the insolvency of one of the contractual parties, for the offsetting between receivables and payables including any cash deposits or financial instruments pledged as guarantee.

In relation to repurchase agreements, the set-off clause, applicable in the case of the insolvency of the forward purchaser, is intrinsically constituted by the collateral pledged on the financial securities forming the object of the forward purchase.

Financial assets *(Amounts in €m)*

Type	Gross amount (A)	Amount of financial liabilities offset in the financial statements (B)	Net amount of financial assets reported in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements		Net amount (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits received as guarantee (E)	
Derivative transactions (1)	264.8	-	264.8	77.1	10.0	177.7
Repurchase agreements (2)	117.2	-	117.2	117.2	-	-
Securities lending	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	382.0	-	382.0	194.3	10.0	177.7

Financial liabilities *(Amounts in €m)*

Type	Gross amount (A)	Amount of financial assets offset in the financial statements (B)	Net amount of financial liabilities reported in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements: Financial instruments (D)	Related amounts not subject to offsetting in the financial statements: Cash deposits pledged as guarantee (E)	Net amount (F)=(C)-(D)-(E)
Derivative transactions (1)	472.3	-	472.3	85.9	233.8	152.6
Repurchase agreements (2)	275.4	-	275.4	275.1	-	0.3
Securities lending	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	747.7	-	747.7	361.0	233.8	152.9

(1) The amounts indicated include the fair value in the financial statements of the derivatives involved in the netting agreements and any cash deposits given or received as guarantee.
(2) The amounts indicated include the financial receivable/payable relating to the repurchase agreement and the value of the financial asset involved in the forward purchase.

5.3 Earnings (loss) per share

Ordinary shares - Basic and diluted

	31/12/2013	31/12/2012
Earnings (loss) allocated to ordinary shares (€m)	-48.5	173.1
Weighted average of ordinary shares outstanding during the year (€m)	441.8	142.4
Basic earnings (loss) per share (EUR per share)	-0.11	1.22

Preference shares - basic and diluted

	31/12/2013	31/12/2012
Earnings (loss) allocated to ordinary shares (€m)	-30.0	112.1
Weighted average of ordinary shares outstanding during the year (€m)	273.5	87.7
Diluted earnings (loss) per share (EUR per share)	-0.11	1.28

Earnings per share relating to 31 December 2012 were redetermined as a result of the definitive recognition of the business combination relating to the acquisition of the Premafin/Fondiaria-SAI Group.

5.4 Dividends

In view of the profit for the year made by the Parent Unipol SpA at 31 December 2012 (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of Unipol SpA held on 30 April 2013, resolved the distribution of dividends totalling €113.1m, €46.5m of which to Preference Shares and €66.6m to Ordinary Shares, corresponding to €0.17 per Preference Share and €0.15 per Ordinary Share.

The Shareholders' Meeting also set the dividend payment start date for 23 May 2013 (coupon detachment 20/5/2013).

The financial statements of the Parent Unipol at 31 December 2013, drawn up in accordance with Italian GAAP, posted a profit for the year of €146.1m.
Unipol's Board of Directors proposes that the Ordinary Shareholders' Meeting allocate as dividends €0.1615 per Ordinary Share and €0.1815 per Preference Share considering n. 6.740.000 Ordinary Treasury Shares. The total amount set aside for dividends came to €120.3m.

5.5 Non-current assets held for sale or disposal groups

The tables below show, according to the financial statement classification originally assigned, the values of assets and liabilities held for sale, indicating the values of the same relating to disposals requested by the Measure of the Antitrust Authority separately from other assets and liabilities held for disposal.

With reference to the transfers envisaged by the Antitrust Authority, it should be noted that they were identified on the basis of the transfer perimeter involved in the contract stipulated on 15 March 2014 between UnipolSai and Allianz, taking into account the conditions and implementation times set out in the contract. In particular, the transfer, even though unitary, is expected to be structured into two separate phases from a timing standpoint: the first will see the transfer of the sales mandates while in the second, having obtained the necessary authorisations, the insurance contracts stipulated previously by the assignor will be transferred, which, at that date, will still not be expired or renewed by the purchaser.
The values of the assets and liabilities subject to disposal in the second phase were quantified and classified according to IFRS 5 on the basis of the portion of them, already existing at 31 December 2013, which is still expected to exist at the date of the second closing. In particular, the Non-Life premium provisions classified under assets held for disposal in accordance with IFRS 5 have been determined with reference to insurance policies, existing at 31 December 2013, stipulated between agents whose mandates form part of the class being transferred and in relation solely to the estimated portion of the premiums of said policies earned in the period following the transfer of the residual portfolio as part of the second closing.

Non-current assets - Other IFRS 5 reclassifications, also include €21.4m in properties held for sale, for which the associated preliminary sales contracts have been signed and €3.4m in assets relating to the company subject to divestment Saint George Capital Management.

Non-current assets held for sale or disposal groups

Amounts in €m		31/12/2013	
	disposals ex Ruling AGCM	*other reclassifications IFRS 5*	Total reclassifications IFRS 5
1 INTANGIBLE ASSETS	98.4	0.0	98.5
1.1 Goodwill	35.6	-	35.6
1.2 Other intangible assets	62.8	0.0	62.9
2 PROPERTY, PLANT AND EQUIPMENT	0.1	0.2	0.2
2.1 Property	-	-	-
2.2 Other tangible assets	0.1	0.2	0.2
3 TECHNICAL PROVISIONS – REINSURERS' SHARE	-	-	-
4 INVESTMENTS	0.9	21.5	22.4
4.1 Investment property	-	21.4	21.4
4.2 Investments in subsidiaries, associates and interests in joint ventures	-	-	-
4.3 Investments held to maturity	-	-	-
4.4 Loans and receivables	0.9	-	0.9
4.5 Available-for-sale financial assets	-	0.1	0.1
4.6 Financial assets at fair value through profit or loss	-	-	-
5 SUNDRY RECEIVABLES	26.5	0.0	26.5
5.1 Receivables relating to direct insurance business	26.5	-	26.5
5.2 Receivables relating to reinsurance business	-	-	-
5.3 Other receivables	0.0	0.0	0.0
6 OTHER ASSETS	3.1	0.4	3.5
6.1 Non-current assets held for sale or disposal groups	-	-	-
6.2 Deferred acquisition costs	0.5	-	0.5
6.3 Deferred tax assets	-	-	-
6.4 Current tax assets	-	-	-
6.5 Other assets	2.6	0.4	3.0
7 CASH AND CASH EQUIVALENTS	20.7	2.7	23.4
TOTAL NON-CURRENT ASSETS OR DISPOSAL GROUPS	149.7	24.8	174.5

Liabilities associated with disposal groups

Amounts in €m		31/12/2013		
		disposals ex Ruling AGCM	*other reclassifications IFRS 5*	Total reclassifications IFRS 5
2	PROVISIONS	15.1	-	15.1
3	TECHNICAL PROVISIONS	18.7	-	18.7
4	FINANCIAL LIABILITIES	-	-	-
4.1	Financial liabilities at fair value through profit or loss	-	-	-
4.2	Other financial liabilities	-	-	-
5	PAYABLES	5.2	1.2	6.4
5.1	Payables arising from direct insurance business	0.6	-	0.6
5.2	Payables arising from reinsurance business	-	-	-
5.3	Other payables	4.6	1.2	5.8
6	OTHER LIABILITIES	33.8	0.1	33.9
6.1	Liabilities associated with disposal groups	-	-	-
6.2	Deferred tax liabilities	21.6	-	21.6
6.3	Current tax liabilities	-	0.0	0.0
6.4	Other liabilities	12.3	0.1	12.4
TOTAL LIABILITIES OF A DISPOSAL GROUP		72.8	1.3	74.2

Technical provisions, amounting to €18.7m, refer solely to the Non-Life class.

Liabilities associated to a disposal group - Other IFRS 5 reclassifications, also include €1.3m in liabilities relating to the company subject to divestment Saint George Capital Management.

5.6 Transactions with related parties

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

- Institutional Relations and Corporate Identity;
- Management, Development and Administration of Human Resources, project management and organisational reporting;
- Corporate Services;
- Compliance with legislation and anti-money laundering;
- Governance (internal controls, 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 81/08);
- Technical training and Organisation;
- Administrative (accounting, tax, administrative and financial statements services);
- Purchasing and auxiliary services;
- Real estate;

- Development of Life products, Analysis of Provisions, Legislative Monitoring, Portfolio Management and Life Insurance Settlements;
- Claims management and settlement;
- Complaints management;
- Commercial;
- Reinsurance;
- Finance.

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

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

The following elements are specifically taken into consideration:

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

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

- managing addressing services, providing medical advice and assistance by telephone, making bookings, managing and settling claims relating to specific guarantees/products on behalf of Unipol Assicurazioni and Linear;
- support services for employee training and learning on behalf of Unipol, Unipol Assicurazioni, Linear and Linear Life.

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

- Administration and financial statements;
- Planning and management control;
- Marketing;
- Commercial;
- IT services;

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

- Organisation;
- Administration and financial statements;
- Human Resources;
- Anti-money laundering;
- Legal Affairs;
- Risk Management;
- Compliance;
- Internal auditing;
- Planning and Management Control;
- General Business.

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

– the performance objectives that provision of the service to the Company must achieve;

– the strategic investments to be implemented in order to ensure the agreed levels of service.
The following elements are specifically taken into consideration:
– staffing costs;
– operating costs (logistics etc.);
– general costs (IT, consultancy etc.).

Both the Parent Unipol and the subsidiaries Unipol Assicurazioni and Unipol Banca seconded staff to the Group companies.

When services were provided by the Parent Unipol, the operating companies were 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, financial and insurance products and services and for the provision of auxiliary banking services in general. The financial effects of these transactions were governed by the market terms applied to major customers.

The Consorzio Gruppo Fondiaria-SAI Servizi provided services to companies in the Fondiaria-SAI Group in the following areas:
- Underwriting and Non-Life and Life products;
- Technical support for sales networks;
- Portfolio management;
- Settlement services;
- Management of agency networks;
- Brokers and other sales channels;
- Governance;
- Investor relations;
- Finance;
- Administration and financial statements;
- Marketing, external relations and communication;
- IT services;
- Purchases;
- Human resources;
- Organisation.

With reference to the Fondiaria-SAI Group, the main intragroup transactions, regulated at market prices or according to the criterion for the chargeback of solely specific costs incurred, concern re-insurance relations, the claims settlement process, the IT service, administration, the management of real estate and moveable assets, the granting of loans and, in general, all business support activities performed centrally.

The above transactions are not atypical or unusual.

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

Finsoe SpA, which holds a controlling investment in Unipol as defined in art. 2359 1. 1, of the Italian Civil Code or 50.75% of the ordinary share capital, does not manage or coordinate it, either in technical or financial terms, in relation to Unipol.

Credit indemnity agreement between Unipol and the subsidiary Unipol Banca

In 2013, Unipol Banca disbursed €2.2m to Unipol Banca following the settlement of one of the credit positions involved in the agreement. At 31 December 2013, Unipol allocated €200m to the provision for risks, which therefore amounted to €300.2m.
In respect of the indemnity agreement, Unipol collected commissions from Unipol Banca totalling €5.7m.

Incorporation of the company Unipol Finance Srl

As part of the actions planned to pursue the objective of rationalising the Unipol Group's investment structure, and in order to place a greater focus on Unipol's activities in line with its role as parent, on 25 November 2013, the single-member company Unipol Finance Srl was incorporated, 100%-owned by Unipol, with share capital of €0.5m.
On 27 November 2013, the Shareholders' Meeting resolved a share capital increase to be paid by the contribution in kind of 240,609,096 class "B" savings shares of the company Fondiaria-SAI SpA (equal to 74.8% of the class "B" savings share capital) and 27,201,199 savings shares of the company Milano Assicurazioni SpA (equal to 26.5% of the savings share capital) held by Unipol SpA, investments that do not determine the exercising, by Unipol, of management and coordination activities.
The increase in share capital in service of the contribution, performed on 28 November 2013, amounted to €432.3m, €4.5m charged to share capital and €427.8m charged to the share premium reserve.

Put and call options on the interest in Unipol Banca

As part of the Merger, Unipol agreed to grant Fondiaria-SAI a put option on the interest held by Unipol Assicurazioni in Unipol Banca SpA, equal to 32.26% of the associated share capital, to be exercised on expiry of the fifth year after the statutory effective date of the Merger, at a price equal to the present carrying amount of said interest (therefore equal to roughly €299.4m), and Fondiaria-SAI agreed to grant Unipol a corresponding call option on said interest, at the same price, but providing Unipol with the possibility of exercising the option for the entire period running between the statutory effective date of the Merger and the expiry of the fifth year after said date.
At 31 December 2013, Unipol not only recorded impairment of the interest held in Unipol Banca (67.74%) of €199.7m, but allocated €95.1m to the provision for future risks and charges in relation to the share held by the subsidiary Unipol Assicurazioni due to the aforementioned option.

The following table shows transactions with related parties (holding companies, associates, related companies and other companies) carried out during 2013, as laid down in IAS 24 and in CONSOB Communication DEM/6064293/2006. The information relating to directors, statutory auditors, general managers and key managers (recognised under Others) does not include remuneration and fees for their appointments nor for the work they carried out, which are shown separately.

Transactions with subsidiaries have not been recognised since in drawing up the consolidated financial statements transactions among Group companies consolidated using the line-by-line method have been eliminated as part of the normal consolidation process.

Transactions with related parties

Amounts in €m	Holding Company	Associates	Other (3)	Total	inc.% (1)	inc.% (2)
Loans and receivables	17.8	52.2		70.0	0.1	3.8
Sundry receivables	140.2	36.2		176.5	0.2	9.6
Other assets	0.0	0.5		0.5	0.0	0.0
TOTAL ASSETS	158.1	88.9		247.0	0.3	13.4
Other financial liabilities	4.7	30.5		35.2	0.0	1.9
Sundry payables	123.3	0.4		123.7	0.1	6.7
Other liabilities	0.0	0.0		0.0	0.0	0.0
TOTAL LIABILITIES	128.1	30.9		159.0	0.2	8.7
Net premiums	0.0	0.4		0.4	0.2	0.0
Gains on other financial instruments and investment property	0.2	1.5		1.8	1.0	0.1
Other income	0.0	1.8		1.8	1.0	0.1
TOTAL REVENUE AND INCOME	0.3	3.7		4.0	2.1	0.2
Net charges relating to claims	0.0	0.4		0.4	0.2	0.0
Losses on other financial instruments and investment property	0.1	0.1		0.2	0.1	0.0
Operating expenses	0.0	84.7		84.7	45.1	4.6
Other costs	0.0	0.7		0.7	0.4	0.0
TOTAL COSTS AND EXPENSES	0.1	85.8		85.9	45.7	4.7

(1) Percentage based on total assets in the consolidated statement of financial position recognised under Equity, and based on the consolidated profit/(loss) for the year under financial items.
(2) The percentage on total net cash flow from operating activities mentioned in the statement of cash flows.
(3) The column 'Other' includes associates and individuals identified as related parties (directors, statutory auditors, general managers, key managers and their family members).

The holding company Finsoe operates as consolidating company for tax purposes of Unipol Assicurazioni, Linear, Linear Life, Midi, Smallpart, Unisalute, Centri Medici Unisalute, Unipol Banca, Ambra Property, Unifimm, Punta di Ferro, Covent Garden Bo and Comsider, which, in accordance with art. 117 and 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).
At 31 December 2013, IRES receivables of Group companies due from tax consolidating company Finsoe amounted to €158m and IRES payables totalled €123.1m.

Loans and receivables from associates referred to non-interest bearing loans provided by Immobiliare Milano (€8.1m) and to loans granted by Unipol Banca (€41.6m), of which €20m to the company Euromilano.
The item Sundry receivables contained €34.5m in receivables due from insurance brokerage agencies for commissions.
The item Other financial liabilities due to associates refers to bank deposits at Unipol Banca totalling €29.3m.
Operating expenses relating to associates includes €84m in commissions and other acquisition costs paid to insurance brokerage companies.

Remuneration payable for 2013 to the Parent's Directors, Statutory Auditors and Key Managers for carrying out their duties in Unipol and in other consolidated companies amounted to €15.2m, details of which are as follows (in €m):

- Directors and General Manager	8.7
- Statutory auditors	0.5
- Other key managers	6.0 *(*)*

(*) amount mainly includes income from employment.

The remuneration of the General Manager and the other key managers included an estimated €0.3m of benefits to be granted under the capital participation plan (performance shares).

During 2013 the companies in the Group paid Unipol the sum of €2.9m as remuneration for the posts held in them by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers.

5.7 Fair value measurements – IFRS 13

Regulation no. 1255/2012 ratified IFRS 13 – Fair value measurement, which took effect on 1 January 2013. IFRS 13, to be applied prospectively, did not extend the field of application of fair value measurement, but provides a guide on how to measure the fair value of financial instruments and non-financial assets and liabilities already required or permitted by other accounting standards (IFRS).

In 2013, the Unipol Group adjusted itself into line with the requirements of the new accounting standard IFRS 13 relating to Fair value measurement. This standard:

a) defines the fair value;
b) groups into a single accounting standard the rules for measuring fair value;
c) enriches financial statement information.

The standard defines fair value as the sale price of an asset based on an ordinary transaction or the transfer price of a liability between market participants at the measurement date and under market conditions (exit price).
The fair value is a market measurement and not an entity-specific measurement; as such, the valuations must be made on the basis of the assumptions and models mainly used by market participants, including assumptions about the risk of the asset or liability being measured.
When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 defines a fair value hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure fair value.

Chapter 2, the Accounting standards adopted, outlines the fair value measurement policies and criteria adopted by the Unipol Group.

Fair value measurements on a recurring basis

The following table reports separately, by fair value hierarchy level, the comparison between assets and liabilities in the financial statements valued at fair value at 31 December 2013 and 31 December 2012 respectively.

Assets and liabilities valued at fair value on a recurring and non-recurring basis: breakdown by fair value level	Level 1		Level 2		Level 3		Total	
Amounts in €m	2013	2012	2013	2012	2013	2012	2013	2012
Assets and liabilities valued at fair value on a recurring basis								
Available-for-sale financial assets	37,708.0	34,068.5	733.4	794.9	1,492.5	1,784.8	39,933.9	36,648.2
Financial assets at fair value through profit or loss:								
- held for trading	264.4	246.5	196.7	186.4	108.7	146.0	569.8	578.8
- at fair value through profit or loss	6,172.5	5,291.0	1,152.6	2,327.1	1,892.2	2,397.9	9,217.3	10,016.1
Investment property								
Property, plant and equipment								
Intangible assets								
Total assets at fair value on a recurring basis	*44,144.9*	*39,606.0*	*2,082.7*	*3,308.5*	*3,493.4*	*4,328.6*	*49,721.0*	*47,243.1*
Financial liabilities at fair value through profit or loss:								
- held for trading	9.0	28.7	458.5	574.0	4.5	17.6	472.0	620.3
- at fair value through profit or loss			505.8	483.6	1,079.0	1,064.9	1,584.8	1,548.6
Total liabilities valued at fair value on a recurring basis	*9.0*	*28.7*	*964.3*	*1,057.6*	*1,083.5*	*1,082.5*	*2,056.8*	*2,168.9*
Assets and liabilities valued at fair value on a non-recurring basis								
Non-current assets held for sale or disposal groups								
Liabilities associated with disposal groups held for sale								

The amount of financial instruments classified in Level 3 at 31 December 2013 stood at €3,493.4m.

Details of changes in Level 3 financial assets and liabilities in the same period are shown below.

Details of changes in financial assets and liabilities at level 3 at fair value on a recurring basis	Available-for-sale financial assets	Financial assets at fair value through profit or loss		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value through profit or loss	
Amounts in €m		held for trading	at fair value through profit or loss				held for trading	at fair value through profit or loss
Opening balance	1,784.8	146.0	2,397.9				17.6	1,064.9
Acquisitions/Issues	302.7	3.4	204.7				0.0	
Disposals/Repurchases	-502.7	-18.5	-625.9				-12.6	
Repayments	-20.3	-12.0	-19.3					
Profit or loss recognised in profit or loss	-50.2	-11.5	-71.1				1.8	
- of which unrealised gains/losses	-56.6	-11.5	-71.5				1.8	
Profit or loss recognised in other comprehensive income	-3.4		0.5					
Transfers to level 3	31.2	0.0	3.8					
Transfers to other levels	-63.5	-0.5						
Other changes	13.9	1.8	1.6				-2.2	14.1
Closing balance	1,492.5	108.7	1,892.2				4.5	1,079.0

The transfers from Level 1 to Level 2 which occurred during the reference period were insignificant.

Analysis and stress testing of non-observable parameters (Level 3)

The table below shows, for level 3 financial assets and liabilities measured at fair value, the effects of the change in the non-observable parameters used in the fair value measurement.

With reference to "assets measured at fair value on a recurring basis" and belonging to Level 3, the stress test of non-observable parameters is performed with reference to financial instruments valued on a Mark to Model basis and on which the measurement is carried out through one or more non-observable parameters.

The portion of securities subject to analysis has a market value of €418.3m at 31 December 2013.

The non-observable parameters subject to a shock are as follows:
– benchmark spread curves constructed to value the bond instruments of issuers for which the prices of bonds issued or CDS curves are not available;
– credit risk parameters such as the recovery rate and probability of default.

The following table shows the results of the shocks:

€m	Curve Spread				Recovery rate			
Fair Value	46.66				371.36			
Shock	+10bps	-10bps	+50bps	-50bps	-10%	-10%	50%	-50%
Fair Value delta	-0.22	0.22	-1.1	1.15	3.34	-3.21	18.75	-14.61
Fair Value delta %	-0.48%	0.48%	-2.37%	2.46%	+0.91%	-0.87%	+5.05%	-3.94%

Fair value measurements on a non-recurring basis

IFRS 13 governs the fair value measurement and the associated disclosure also for assets and liabilities not measured at fair value on a recurring basis.
For these assets and liabilities, fair value is calculated solely for the purposes of fulfilling market disclosure requirements. It should also be noted that since said assets and liabilities are not generally exchanged, the determination of their fair value is based primarily on the use of internal parameters not directly observable on the market, with the sole exception of listed securities classified in the category 'Investments held to maturity'.

Assets and liabilities not valued at fair value: breakdown by fair value level

	Carrying amount		Fair Value							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Assets										
Investments held to maturity	2,932.9		2,524.9		477.8		42.1		3,044.7	
Loans and receivables	16,299.7		10.7		4,314.5		12,427.5		16,752.7	
Investments in subsidiaries, associates and interests in joint ventures	188.8						188.8		188.8	
Investment property	2,869.8						2,968.8		2,968.8	
Property, plant and equipment	1,383.3						1,426.0		1,426.0	
Total assets	23,674.6		2,535.6		4,792.3		17,053.2		24,381.1	
Liabilities										
Other financial liabilities	13,984.6		1,282.0				12,697.1		13,979.2	

5.8 Information on personnel

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).

On 30 April 2013, Unipol's shareholders' meeting approved the payment plan based on financial instruments (performance share type), intended for the Chief Executive Officer and Company Management. Similar resolutions were adopted in 2013 by the Corporate Bodies of the main Group companies.

The plan is for three years, ending in 2015, and provides for benefits to be paid if the following targets are met:
– overall growth in consolidated gross profit for the three-year period;
– increase in the value of Unipol Ordinary securities over the three years;
– an indicator of financial stability.

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

The previous 2010-2012 Plan ended in 2012 (last year of the Plan) and, as required by the Plan regulation, the Unipol shares will be delivered in three tranches starting in 2014.

The cost recorded with a contra-item in equity for 2013 came to €7.1m.

Access to the Solidarity Fund for the insurance sector - Trade union agreement of 18 December 2013

As part of the Merger, an agreement was signed on 18 December 2013 which makes provision, among other things, for access to the Solidarity Fund for the insurance sector.
In fact, in the agreement, it was specifically agreed that the objectives of the Industrial Plan can also be pursued through voluntary access to the extraordinary part of the Solidarity Fund for personnel (amount equal to roughly 900 units) who are less than 5 years from meeting the pension requirements, to ensure that - at the end of membership of the aforementioned Fund managed by INPS (National Social Security Institute) - personnel can immediately receive their pensions.
Membership of the Solidarity Fund involves the termination of the employment relationship, but allows the worker to obtain the equivalent treatment as his/her future pension, until this is effectively accrued, plus the payment of the related INPS contribution.
In order to offset the difference between the current salary and solidarity allowance collected during membership of the Fund, the agreement made provision for a series of economic supplements (which will be paid on termination of the relationship together with the post-employment benefits) in relation to the period of membership of the Fund.
Additional economic supplements were introduced for those that retire before the age of 62 ("penalisation of the Fornero Reform"), or with less than 35 years of contributions, or those for whom pension calculation according to the mixed system still applies.
For the period of membership of the Solidarity Fund, fixed at a maximum term of 5 years, it was also established that the personnel concerned will retain the same healthcare assistance and supplementary pension allowances provided for personnel in service.
The total charges required for activation of the Solidarity Fund are compatible with the allocations for integration costs set out in the 2013/2015 Business Plan and the expected savings will determine a return on investment over a period of 2.2 years.

In this regard, it should be noted that UnipolSai is the first company in the insurance market to make use of the Solidarity Fund. This instrument, in respect of the need to manage the surplus staff deriving from restructuring operations, presents undoubted advantages in terms of having a low social impact and represents a solution for dealing with the repercussions of the Fornero reform on pensions, which extended the possibility for employees to keep working until the age of 70.
An estimated cost of €145m was recorded in the 2013 Consolidated Financial Statements.

Training

In terms of training, a total of 22,960 man-days were provided for the companies in the Group at 31 December 2013, 13,046 in insurance business and 9,914 in banking.

<u>Insurance business</u>

As regards the main training initiatives started or completed in 2013 (which did not involve the companies in the Premafin/Fondiaria-SAI Group for which the appropriate training projects were organised), a total of 7,754 man-days were used, 996 for distance learning by using the e-learning Unipol Web Academy platform, for a total of 7,970 hours. More specifically, these initiatives concerned:
- the Claims Area, which was also confirmed in 2013 as one of the training priorities in the technical field and, therefore, there were a number of initiatives targeted at continuing the process of specialisation and constant updating launched in 2010 and dedicated as much to the professional claims handlers as the Group call centre operators;
- as regards Health and Safety, in addition to the customary training of Emergency Personnel in the different company offices, activities were conducted involving the provision of courses for ensuring compliance with the legal obligations set forth by legislation governing health and safety, in light of recent updates resulting from the State-Regions agreement last year. As regards the latter, it is appropriate to emphasise the module dedicated to Specific Risks in the work environment and the one devoted to the Supervisor, in addition to specialist courses for the personnel of Centri Medici Unisalute and for workers and supervisors in the companies in the Arca Vita Group;
- new edition of the “Privacy and Marketing” Seminar, promoted in collaboration with the Legal area of Unipol Assicurazioni and targeted at an in-depth examination of the close links that now characterise these areas;
- the conception, presentation and launch of a new training plan financed by Fondo Banche Assicurazioni relating to Notice 1/13, as part of which, the “Lean Six Sigma” project is particularly significant, dedicated to the personnel in Arca Assicurazioni’s organisational area, with the objective of improving the performance of analyses and organisational intervention, by introducing a quantitative approach to the management of projects and operating methods based on objective data and indicators, and linguistic training programmes targeted at the employees of Arca Sistemi and Arca Vita’s Legal area;
- the new Unisalute operators took part in a training course to develop their ability to manage their emotional involvement and strengthen the active listening skills necessary, together with an essential dose of empathy, for providing clear and prompt responses;
- a training course was designed and implemented, dedicated to doctors who carry out their activities at Unisalute, with the goal of providing instruments for interpreting their role in the company and for the management of customer communication;
- the third phase of the training course dedicated to RSCAs (Heads of Agency Commercial Development) was completed, targeted at consolidating certain behavioural and relational skills which emerged as areas for improvement during the assessments carried out in 2011, as was the simultaneous training course devoted to the Area Manager. In the second half, a workshop was provided for said professionals targeted

at sharing an evaluation of the current market challenges and the company's profitability and business development objectives;

- Arca Assicurazion's claims handlers took part in a training course aiming at developing the ability to manage telephone relations with the various contacts. In this regard, the themes of communication, conflict management, conflict-related stress and emotional management were dealt with;
- the so-called "standard training modules" (participation in refresher conventions, seminars and inter-company courses organised by external bodies) and courses managed through the Group's e-learning platform were particularly intense. As regards the latter, the course with the greatest uptake in the insurance segment was the course entitled "Il D. Lgs. 231/2001" ('Legislative Decree 231/2001") and legislative courses on Privacy and Anti-money laundering.

In relation to companies in the Premafin/Fondiaria-SAI Group, training activities were carried out with a dual purpose, completion of the training programmes already started and, at the same time, support for the early initiatives prior to the integration with Unipol Assicurazioni.
A total of 5,292 man-days were provided, 2,810 of which classroom-based and 2,482 distance learning courses (equal to 18,610 man-hours).
The main activities concerned:

- the provision of the training programmes set out in the "Catalogue of internal courses), distributed on-line at the end of 2012;
- the preparation and rolling out, nationwide, of a Training Project targeted at the claims administrative departments;
- the completion of the Insurance Master's designed for new graduates, carried out in collaboration with SDA Bocconi;
- the design and provision, in collaboration with ABI Formazione, of the classroom-based course on Anti-money laundering designed for the sensitive areas identified by the Anti-money laundering Department, more specifically the Network Control and Life Business Inspectors Areas;
- the organisation of the initial "pro-merger" training activities, such as courses for management adaptation to the SAP platform, firstly for "key users" then for "end users" in Administration and Financial Statements, General Accounting and Purchasing;
- the organisation of meetings on "Vehicle settlement policies";
- the provision of new distance-learning courses on Privacy and Anti-money laundering.

Many of the training courses mentioned fall within the plans financed by Fondo Banche Assicurazioni.

Banking Business

Unipol Banca's 'Technical Training of Staff' in 2013 consisted of the provision of classroom-based courses for a total of 6,300 man-days, and distance learning courses via the 'Unipol Web Academy' platform for a total 3,614 man-days.

The main training initiatives started or completed in 2013 regarded:

- the completion of the programme dedicated to potential new Affluent Managers targeted at developing knowledge of Private Lending and sales and behavioural expertise, obviously in addition to projects designed for Branch Owners falling within the training plan approved by Fondo Banche Assicurazioni in Notice 1/12;
- training programmes aimed at complementing the introduction of two significant changes, i.e. the new SEPA payment instruments in force from 1 February 2014 and the new Credit Monitoring Procedure;

- the customary training course designed in compliance with the provisions of the IVASS Regulation and targeted at the qualification and refresher training of more than 800 branch employees who deal with activities involving the proposing and placement of insurance products and services;
- conclusion of the training programme dedicated to the theme of Project Management and targeted at employees in various departments who handle company project management activities at present or will do in the future.
- development of two specialist courses, one aimed at the Human Resources Management area, for the provision of specialist and basic skills, the other directed at the Management and Area Control Departments and dedicated to F.E.U. (Single Front End) application knowledge.
- rolling out of regulatory courses targeted at both Management and branch employees, e.g. the training module dedicated to in-depth knowledge of Anti-money laundering Legislation and courses designed for the various personnel members provided for in Legislation governing Security;
- so-called “standard training modules” (participation in refresher conventions, seminars and inter-company courses organised by external bodies) based on specific requirements regarding the role held and the relevant Department.

Training was also conducted for non-employee financial advisors, with distance learning courses provided to them on legislation and sales, for a total of 512 man-days, and classroom-based courses, for a total of 414 man-days.

5.9 Non-recurring significant transactions and events

Merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI

In relation to the Merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI, please see the detailed information provided in the Management Report.

Incorporation of the company Unipol Finance Srl

As part of the actions planned to pursue the objective of rationalising the Unipol Group's investment structure, and in order to place a greater focus on Unipol's activities in line with its role as parent, on 25 November 2013, the single-member company Unipol Finance Srl was incorporated, 100%-owned by Unipol, with share capital of €0.5m.
On 27 November 2013, the Shareholders' Meeting resolved a share capital increase to be paid by the contribution in kind of 240,609,096 class "B" savings shares of the company Fondiaria-SAI SpA (equal to 74.8% of the class "B" savings share capital) and 27,201,199 savings shares of the company Milano Assicurazioni SpA (equal to 26.5% of the savings share capital) held by Unipol SpA, investments which are not a determining factor for the exercising, by Unipol, of management and coordination activities.
The increase in share capital in service of the contribution, performed on 28 November 2013, amounted to €432.3m, €4.5m charged to share capital and €427.8m charged to the share premium reserve.
The valuation of the shares involved in the contribution, included in the appraisal pursuant to art. 2465 of the Civil Code, conducted on the basis of the associated market price, stood at €407.8m for class "B" savings shares of Fondiaria-SAI SpA and €24.5m for savings shares of Milano Assicurazioni SpA.

5.10 Atypical and/or unusual positions or transactions

There were no atypical and/or unusual transactions that, because of their significance, importance, nature of the counterparties involved in the transaction, 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 company's assets or the protection of non-controlling shareholders.

5.11 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test)

As in previous years, in accordance with IAS 36.10, which provides for the impairment of intangible assets that have an indefinite useful life, the impairment test was carried out on the goodwill recognised in the consolidated financial statements with reference to insurance and banking subsidiaries.

The weakness of the overall economic scenario and uncertainty that will characterise the growth prospects for the economy over the coming years, determined the need to continue to use conservative criteria in determining the measurement parameters used.

Appropriate Sensitivity Analyses were also developed to test the stability of the recoverable amounts of goodwill if there was a variation in the main parameters used, such as the rate of discounting and the long-term growth rate (g factor).

In consideration of the fact that, on 6 January 2014, the merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI (which assumed the name UnipolSai Assicurazioni) became effective, taking into account that - pursuant to the joint provisions of paragraphs 72, 84 and 87 of IAS 36 - the impairment test is conducted with reference to the prospect of economic-financial development of the CGUs resulting from the aforementioned merger, it was necessary to modify the structure of the Non-Life CGU, which is therefore composed of:

– UnipolSai Assicurazioni - Non-Life (former Unipol Assicurazioni - Non-Life, former Fondiaria-SAI - consolidated Non-Life);
– Unisalute;
– Linear

and of the Life CGU which is composed of:

– UnipolSai Assicurazioni - Life (former Unipol Assicurazioni - Life, former Fondiaria-SAI - consolidated Life);
– Arca Group.

In this regard, it should be noted that the goodwill deriving from the acquisition of the Premafin Group in 2012 was re-allocated to the portion of the UnipolSai Assicurazioni – Non-Life CGU and to the portion of the UnipolSai Assicurazioni – Life CGU based on the prospective profitability relating to the Non-Life and Life CGUs.

Thus the CGUs consisted of the following:

- Non-Life CGU UnipolSai Assicurazioni - Non-Life, Unisalute, Linear;
- Life CGU UnipolSai Assicurazioni - Life, Gruppo Arca;
- Banking business CGU Unipol Banca.

The impairment testing of the Non-Life CGU was performed as follows:

– in relation to UnipolSai Assicurazioni – Non-Life, taking into account final pro-forma 2013 figures, the data relating to the 2014 Budget were used for the year 2014, the data of the plan drafted in December 2012 were used for 2015, and for the years 2016-2018 a net result deriving from the average 2013-2015 results was considered;

– in relation to the other companies operating in Non-Life business (Unisalute and Linear) the prospective plans approved by the Boards of Directors of the individual companies were considered.

The measurement methods and parameters are described in more detail in the paragraph of the Notes to the Group consolidated financial statements, already provided to the Directors and Statutory auditors, to which full reference should be made.
The results obtained from application of the impairment procedure show that there is no need to make any adjustments to the goodwill of the Non-Life CGUs recorded in the consolidated financial statements at 31 December 2013.

The impairment testing of the Life CGU was performed as follows:
– in relation to UnipolSai Assicurazioni - Life, the recoverable amount of goodwill was calculated by considering the value of the existing portfolio (Value of in Force) and the value of the portfolio of new products (Value of New Business), based on the discounting of future cash flows relating to the same, as derived from the in-house actuarial model;
– in the case of the Arca Group, Arca Vita was measured using the Appraisal Value method and the DDM 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).

The results obtained from application of the impairment procedure show that there is no need to make any adjustments to the goodwill of the Life CGU recorded in the consolidated financial statements at 31 December 2013.

In relation to the Banking Business CGU, it should be noted that the economic trend in the last few years, as a result of the crisis that has affected the banking system for the last 6 years, has not made it possible to meet the targets laid down in the multiyear plans drawn up to support the impairment tests carried out in recent years. Therefore a new multiyear plan has been drawn up that, in view of previous years' performances and the forecasts for the near future, which are still difficult, especially for the credit sector, lays down cautious profit targets. Nevertheless these new figures predict an improvement in the Bank's economic performance over the next five years.
Despite the fact the plan highlights a gradual improvement in the Bank's economic result, the conditions are not satisfied for retaining the value of goodwill recorded under assets in the statement of financial position. Therefore, the entire amount of goodwill at 31 December 2013 was substantially written down.

Non-Life CGU	
Valuation method used	The method 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. According to this method the value of the economic capital is the sum of the current value of potential future cash flows and the current terminal value.
Net profits used	The above net profits were considered.
Projection period	Five prospective flows were considered.
Rate of discounting	When the rates of discounting were determined account was taken of the country risk implied in the risk-free rate. A rate of discounting of 9.01% was used, broken down as follows: – Risk-free rate: 4.28%

	– Beta coefficient: 0.95 – Risk premium: 5% The average figure for the 10-year Long-Term Treasury Bond for the period January – December 2013 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 Premium at risk was deemed to be 5%, in accordance with common practice among Financial Analysts and the Professional Practices.
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 rate of growth of the insurance market for 2014-2018 was expected to be 3.6%. The average variation in GDP was expected to be 2.9% in nominal terms. The average consumer price index was expected to be approximately 1.2%. In view of this it was deemed appropriate to use a g factor of 2%, in line with the Professional Practices used.
Life CGU	
Goodwill recoverable amount	In relation to UnipolSai Assicurazioni - Life, the recoverable amount of goodwill was calculated by considering the value of the existing portfolio (Value of in Force) and the value of the portfolio of new products (Value of New Business), based on the discounting of future cash flows relating to the same, as derived from the in-house actuarial model. In the case of the Arca Group, Arca Vita was measured using the Appraisal Value method and the DDM 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	
Valuation method used	The method used was based on discounting expected cash flows.
Rate of discounting	The rate used is 9.11% and is broken down as follows: – Risk-free rate: 4.28% – Beta coefficient: 0.97 – Risk premium: 5% The average figure for the 10-year Long-Term Treasury Bond for the period January – December 2013 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 Premium at risk was deemed to be 5%, in accordance with common practice among Financial Analysts and the Professional Practices.
Long term growth rate (g factor)	For example in Banking Business the annual average growth rate for 2014-2018 is expected to be: • 2.8% for lending to customers • 1.6% for bank funding • 2.6% for interest margin

	• 2.7% 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 expected cash flows were discounted.

Below are the results of the impairment tests along with the relevant sensitivity analyses:

Amounts in €m	Allocation of goodwill	Recoverable amount	Surplus
Non-Life CGU	1,232	2,005	773
Life CGU	386	481	95
Total	1,618	2,486	868

The above amounts do not take account of the reclassification to item 6.1 of Assets of €35.6m in goodwill recognised following the acquisition of the Premafin/Fondiaria-SAI Group in application of IFRS 5.

Parameters used	Non-Life
Risk Free	4.28%
Beta	0.95
Risk premium	5%
Short-term discounting rate	9.01%
Range	*8.01%-10.01%*
Pass	*0.5%*
Factor *g*	2%
Range	*1%-3%*
Pass	*0.5%*

	Amounts in €m	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	Delta of recoverable amount - goodwill	Min	Max	g	Short-term discounting rate	g	Short-term discounting rate
UnipolSai Non-Life	549	113	1,297	2%	10.7%	0%	10.2%
Unisalute	158	111	236	2%	20.8%	0%	20.5%
Linear	66	39	115	2%	14.1%	0%	13.5%

In consideration of the fact that, at 31 December 2013, Unipol still held an interest in Premafin (the merger became effective, as mentioned, on 6 January 2014), it was necessary to perform the impairment test of the value of the interest in Unipol's separate financial statements. For the valuation of Premafin, in light of its nature as holding company which holds, directly and indirectly (through Finadin) the interest in Fondiaria-SAI, a simple equity type valuation method was adopted, by re-stating the value of the interest held in Fondiaria-SAI based on a "Sum of Parts" method, which makes it possible to adequately value the different business areas in which the Fondiaria-SAI Group operates (mainly insurance and real estate business): in particular, the results of the impairment tests conducted at Fondiaria-SAI level were used as a reference.
The carrying amount in Unipol of the interest in Premafin is lower than the pro-rata value obtained using the above method.

5.12 Notes on Non-Life business

Procedural note on fixing the level of provisions and assumptions made

The process that leads to making the assumptions is carried out in such a way as to make a neutral valuation (i.e. neither optimistic nor prudent) of the liabilities with the intention of coming up with an estimate that is as realistic as possible.
The source of the figures is internal and the trends are based on annual statistics and monitored monthly throughout the year. As far as possible assumptions are checked against market statistics.
If any information is missing, incomplete or unreliable the estimate of the final cost is based on prudent assumptions.

The very nature of insurance business makes it very difficult to estimate the cost of settling a claim with any certainty. The provision for each claim reported is set by an adjuster and is based on the information in his possession and on experience gained in similar cases. The forecasts fed into the system are periodically updated on the basis of new information about the claim. The final cost may vary as the claim proceeds (for example deterioration in the condition in the event of injury) or in the event of natural disasters. Estimating the final cost is very difficult and the various elements that make it so complex vary depending on the class in question.
As the Group's work is concentrated in Italy the major exposure to catastrophe risks is represented by natural disasters such as Earthquake and Flood.
Reinsurance cover is taken out to cover this type of risk, at different levels with respect to the portfolio of each of the companies in the Group. The thresholds identified have been judged sufficiently prudent, being calculated using statistical models that simulate companies' exposures in detail.

The provisions for claims are estimated using the inventory method and the adjusters' estimates are also combined with the results of statistical methods such as the 'Chain Ladder', the 'Bornhuetter Ferguson' and the 'ACPC (Average Cost Per Claim) and with valuations based on the average costs for the year (for similar groups covering a sufficiently large number of claims).
Where deemed necessary, claims are also segmented based on cost, by defining a threshold on the basis of which to apply the actuarial methods to claims with cost under the threshold set and confirming the claims handlers' provision for claims with a higher cost.

The Chain Ladder method is applied to the amount paid out and the loading. The method is based on historical analysis of the factors that affect the trend in claims. The selection of these factors is based on the figures for the accumulated amounts paid out, which produces an estimate of the final cost per year of occurrence if the claims for that year have not been paid in full. The Chain Ladder method is suitable for sectors in which the figures are stable and is therefore not suitable in cases in which there is no significantly stable previous periods and in cases of significant changes in the settlement rate.

The Bornhuetter Ferguson method uses a combination of a benchmark, or estimates of the ratio of losses to 'a priori' premium and an estimate based on claims incurred (Chain Ladder). The two estimates are combined using a formula that gives greater weight to experience. This technique is used in situations in which the figures are not suitable for making projections (recent years and new classes of risk).

The ACPC method is based on a projection of the number of claims to be paid and the respective average costs. This method is based on three fundamental assumptions: settlement rate, basic average costs and exogenous and endogenous inflation.

These methods extrapolate the final cost according to the year in which the claim is incurred and according to similar groups of risk on the basis of the trends in claims recognised by the Group in the past. Should there be a reason for deeming the trends recognised to be invalid some of the factors can be modified and the projection is adapted to fit the available information. Some examples of what affects the trends could be:

- changes in the claims handling procedures involving different approaches to settlement/making allocations to provisions;
- market trends showing increases higher than inflation (may be linked to the economic situation or to political, legal or social developments);
- random fluctuations including the impact of 'major' claims.

Claims incurred but not yet reported are estimated on the basis of the historical trends within the company, with the number and the average costs of the claims being estimated separately.

As provided for in IFRS 4 the provisions were not discounted.

Trend in claims

The following analyses refer to the companies in the Unipol Group, excluding the companies whose values are immaterial for the Group's valuations. These relate in particular to: ISI Insurance, Incontra Assicurazioni, Europa Tutela Giudiziaria, Dialogo Assicurazioni, Systema, Pronto Assistance and Ddor. The incidence of the amount of provisions of excluded companies on the Group total stands at 1%.

The tables below, which illustrate the trend in claims, show the estimated first-year costs for each year in which claims were incurred from 2004 until 2013 and the adjustments made in subsequent years as a result of the claim being settled or the budget being adjusted as a result of more information about the claim being received.
The line showing the variation compared with the first-year provision must be considered separately since subsequent adjustments may already have been incorporated into the figures for later years.
Maximum caution must be exercised when extrapolating from the figures in the following tables for the purpose of ascertaining the adequacy or inadequacy of provisions.

The Group considers the provisions for claims reported or yet to be reported incurred by 31 December 2013 to be adequate in the light of information currently available. Of course, as they are estimates there is no absolute certainty that the provisions are in fact adequate.

Trend in claims (All classes except Assistance)

Amounts in €m

Year incurred	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of claims accumulated											
at the end of year incurred	7,525	7,882	8,043	8,172	8,425	9,136	8,652	7,884	7,233	6,450	79,403
after one year	7,423	7,748	8,128	8,098	8,650	9,237	8,542	7,622	6,989		
after two years	7,407	7,711	8,186	8,235	8,877	9,480	8,808	7,718			
after three years	7,318	7,746	8,171	8,363	9,103	9,630	8,840				
after four years	7,339	7,761	8,290	8,510	9,255	9,676					
after five years	7,351	7,831	8,537	8,651	9,292						
after six years	7,431	7,980	8,561	8,691							
after seven years	7,523	8,034	8,579								
after eight years	7,580	8,052									
after nine years	7,579										
Estimate of claims accumulated	7,579	8,052	8,579	8,691	9,292	9,676	8,840	7,718	6,989	6,450	81,867
Accumulated payments	7,246	7,579	8,003	7,980	8,367	8,521	7,485	6,162	4,860	2,485	68,687
Variation compared with the valuation in year 1	54	170	536	519	867	540	188	-166	-244	0	
Outstanding at 31/12/2013	332	474	577	712	926	1,156	1,355	1,556	2,129	3,965	13,180
Effects of discounting											
Carrying amount	332	474	577	712	926	1,156	1,355	1,556	2,129	3,965	13,180

Use of the data contained in the trend in claims table as inputs for actuarial models like the “Chain-Ladder” model must be made with extreme care. Future replication of changes in cost recorded in the past, in the case of provision strengthening, could lead to paradoxical situation whereby the higher the strengthening the greater the insufficiency which may be inaccurately forecast by these methods.

The breakdown of the IBNR (claims incurred but still not reported) estimate at 31 December 2012 showed an overall shortfall in 2013 of €39.2m or 3.1% of the estimate.

Change in the assumptions made and analysis of the sensitivity of the model

The estimated cost for 2004-2012 at 31 December 2013 was €75,417m, an increase compared with the valuation carried out at 31 December 2012 for the same years (€75,373m).
The new figure takes account of the savings recognised on claims that have been settled and of the revaluations required on claims that are still outstanding. The risks arising from insurance policies are complex and subject to numerous variables that make the task of quantifying the sensitivity of the model very complicated.

The incidence of the amount of the 2,042 major claims (exceeding €800,000 in the case of Motor TPL, above €400,000 in the case of General TPL and €350,000 in the case of Fire) on the total provisions of the three classes was 20.4%. A 10% increase in the number of major claims would have led to a fall in provisions of €190m.
The incidence on total provisions of claims handled by others was 5.4%. If reinsurers had revalued these claims by 5% costs would have risen by €30.9m.

In relation to the Liability Adequacy Test (LAT), the evaluation of the sensitivity of the models to a change in assumptions was carried out separately for the companies in the Unipol Group prior to the acquisition of the Premafin/Fondiaria-SAI Group and for companies in the Premafin/Fondiaria-SAI Group. The assumptions adopted were as follows:

- Unipol Group prior to the acquisition of the Premafin/Fondiaria-SAI Group: 1% increase/decrease in the rate of adjustment of average claim costs (used in the ACPC method) of the MV TPL and General TPL classes and a 10% increase/decrease in the advance assumptions made on claims/premiums ratios (used in the "Bornhuetter-Ferguson" method);
- Premafin/Fondiaria-SAI Group: 10% increase/decrease in the tail estimation for MV TPL and General TPL claims below the threshold of €100 thousand (forecast using the "Chain-Ladder" method), and a 5% increase/decrease in the cost for MV TPL and General TPL claims with a threshold of more than €100 thousand (for which the liquidator's provision was confirmed).

The following table shows the LAT's numbers:

amounts in €m

	Pre-2002	2002-2013	Total	Delta %
Provision requirements	912	13,714	14,626	
Unfavourable LAT assumption	912	13,387	14,299	-2.23%
Favourable LAT assumption	912	14,041	14,953	2.24%

In assessing the results of these variations it must be borne in mind that these analyses are of the deterministic type and no account is taken of any correlations.

5.13 Notes on Life business

Breakdown of the insurance portfolio

Consolidated Life premiums generated €6,982.9m in 2013 (insurance and investment products).
The Unipol Group's Life direct premiums came from Unipol Assicurazioni, primarily through the agency network and through Head Office, with a residual portion of deposits coming from the banking channel, comprised mainly of the Unipol Banca branches and companies in the Arca Group, especially through bank branches.
The Life direct premiums of the Premafin Group came from both the traditional channel and bancassurance companies (Popolare Vita Group and BIM Vita).

The Life direct premiums of the Unipol Group at 31 December 2013 are broken down as follows:

Direct premiums - consolidated life business	Unipol Assicurazioni	Linear Life	Arca Group	Arca Premafin	Total
Amounts in €m					
Insurance premiums (IFRS4)	2,161.7	1.0	737.2	3,914.4	6,814.3
var. %	*10.7%*	*12.0%*	*60.7%*	*8.4%*	*13.1%*
Investment Products (IAS39)	16.8	0.0	107.8	44.0	168.6
var. %	*2.1%*	*0.0%*	*16.8%*	*0.4%*	*10.5%*
Total Life business premiums	2,178.5	1.0	845.0	3,958.5	6,982.9
var. %	*10.6%*	*12.0%*	*53.4%*	*8.3%*	*13.1%*
Breakdown:					
Insurance premiums (IFRS4)	*99.2%*	*100.0%*	*87.2%*	*98.9%*	*97.6%*
Investment Products (IAS39)	*0.8%*	*0.0%*	*12.8%*	*1.1%*	*2.4%*

Unipol Group Life direct premiums (insurance products and investment products) amounted to €6,982.9m at 31 December 2013, an increase of +53.1% compared with last year (+13.1% considering the pro-forma 2012 figure).
Direct premiums recorded by the company Unipol Assicurazioni amounted to €2,178.5m (31.2% of the Total) whilst consolidated direct premiums achieved by the Arca Group amounted to €845m (12.1% of the Total); Linear Life made a negligible contribution. The Premafin Group realised premiums of €3,958.5m, equal to 56.7% of the Total.
Insurance premiums amounted to 97.6% of total premiums, a slight rise compared to the figure at 31 December 2012 (97.2%).

Direct insurance premiums: type of premiums	Unipol Assicurazioni	Linear Life	Arca Group	Premafin Group	Total
Amounts in €m					
Traditional premiums	1,762.8	1.0	737.0	2,852.3	5,353.1
Financial premiums	0.5	0.0	0.2	1,062.1	1,062.8
Pension funds	398.4	0.0	0.0	0.0	398.4
Insurance premiums (IFRS4)	2,161.7	1.0	737.2	3,914.4	6,814.3
including investment with DPF	830.1	0.4	705.4	2,460.2	3,996.1
% investment with DPF	*38.4%*	*43.3%*	*95.7%*	*62.8%*	*58.6%*

The insurance premiums of the Unipol Group and Premafin Group were composed primarily of traditional policies, which account for 76.7% of total consolidated premiums, compared to 15.2% represented by financial premiums and, finally, 5.7% by pension funds.

5.14 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 ISVAP Regulation no. 20/2008 (currently being updated) and in the Solvency II regulations which will come into force on 1 January 2016 and whose main principles and guidelines were already incorporated in the interim measures approved by the EIOPA and applicable from 2014.

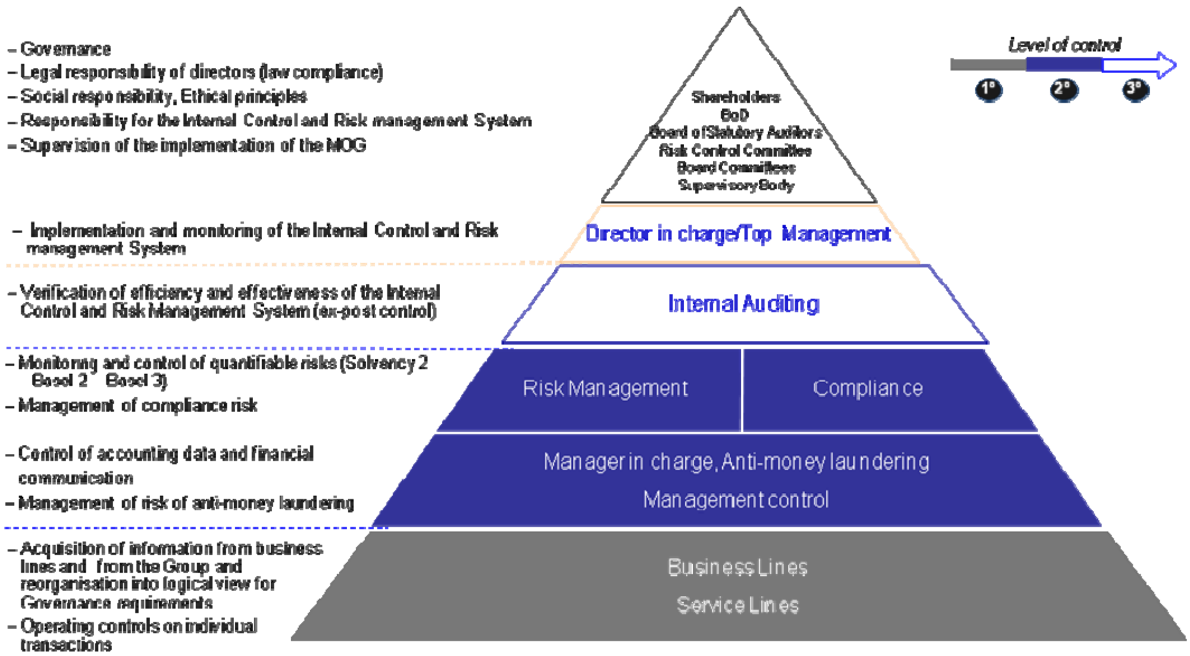
Internal Control and Risk Management System

The Unipol Group's Risk Management structure and process are part of the wider internal control and risk management system which operates on several levels:

- line controls (so-called “first-level controls”), aimed at ensuring transactions are carried out correctly. These are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the different units which report to the managers of the operating structures, or carried out by the back office; as far as possible, they are incorporated in IT procedure. The operating structures are the primary bodies responsible for the risk management process: in daily operations, these departments must identify, measure or evaluate, monitor, mitigate or report the risks deriving from ordinary company business in compliance with the risk management process; they must ensure observance of the risk tolerance level established and of the procedures the risk management process is broken down into;
- risk and compliance controls (so-called “second-level controls”), which aim to ensure, among other things:
  - the correct implementation of the risk management process;
  - the observance of the operating limits assigned to the various departments;
  - the compliance of company operations with the regulations.

  The departments responsible for these controls are separate from the productive functions; they help define the risk governance policies and the risk management policy;
- internal review (so-called “third-level controls”) verification of the completeness, functionality and adequacy of the Internal Control and Risk Management System (including the first- and second-level controls).

By way of a non-exhaustive example, the Unipol Group’s Risk and Control Governance model is shown below.



Within Unipol:

- The **Board of Directors**, based on prior judgment of the Control and Risks Committee, defines the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Company and the Operating Companies are correctly identified, and adequately measured, managed and monitored. The Board of Directors is responsible for approving the Risk Management Policy, which contains guidelines and policies for identifying, calculating, checking and mitigating the most significant risks in line with the company's risk tolerance level. As part of the definition of the guidelines and risk management, it approves the risk tolerance (risk appetite), the associated limits, the main policies and strategies for risk management. The Board of Directors delegates risk monitoring to the Risk Management Department, which is responsible for ensuring an integrated evaluation of the various risks (Enterprise Risk Management – ERM) at Group level.

- The **Risk Control Committee** issues judgments to the Board of Directors regarding the definition of the guidelines of the Risk management system, and concerning the evaluation of the adequacy of the Risk management system with respect to the characteristics of the company and the risk profile assumed, and on its effectiveness.

- The **Chairman of the Board of Directors**, as the Director responsible for the internal control and risk management system, handles the identification of the main company risks, taking account of the characteristics of the activities carried out by the Company and the Operating Companies, periodically subjecting them to review by the Board of Directors; he also implements the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness.

- **Top Management** supports the Director in charge of designing and implementing the Internal control and risk management system, including therein those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Administrative Body.

- The Risk Management Department is responsible for ensuring an integrated evaluation of the various risks (Enterprise Risk Management – ERM) at Unipol Group level, supports Top Management, the Chairman and the Board of Directors with the evaluation of the structure and effectiveness of the Risk Management System and reports its conclusions to said bodies, highlighting any deficiencies and suggesting ways of resolving them. Risk Management carries out this work as part of the process of 'Own Risk Solvency Assessment' for insurance business and the 'Internal Capital Adequacy Assessment Process' for banking business, ensuring that the work carried out by the various company departments dealing with risk management is coordinated and in line with best practices in the market and in accordance with the regulations imposed by the Supervisory Authorities. This does not exempt the individual operating departments from their specific responsibilities for managing the risks relating to their own work since the departments themselves must have the necessary tools and expertise. Risk Management helps the various companies in the Group to analyse the impact on the risk profile of the strategic choices relating to evaluating, in advance ('ex ante') and in retrospect ('ex post'), the impact on the risk profile relating to the strategic business decisions, particular transactions analysed, products and tariffs; it also monitors the exposure to risks and observance of tolerance levels.
  In this context, Risk Management, in concert with the other competent departments, helps the Director in charge and Top Management to spread and reinforce the culture of risk. This activity is directed at all levels of personnel within the organisation in order to create awareness of the assigned roles in the internal control and risk management system and ensure they are fully involved.

New restructuring of the Unipol Group.

With regard to the Governance Control Functions (Audit, Risk Management and Compliance) Unipol's organisational structure requires, pursuant to the applicable industry legislation, that they report directly to the Board of Directors. These Functions are coordinated by the Director responsible for the Internal Control and Risk Management System.
It should be noted that, effective from 19 December 2013, the "Risk Management" and "Compliance and Anti-money laundering" functions report hierarchically to the "Chief Risk Officer" (who reports to the Board of Directors). This structure of Governance Control Functions makes it possible, by preserving the characteristics of independence and separateness of the individual control functions, and guaranteeing compliance with the principle of segregation of operating functions and control functions, to further strengthen the integrated monitoring of the risks to which the Group is exposed in the various areas in which it conducts its business.

The above organisational structure is also adopted by the Company UnipolSai.

In 2013, as part of the plan of integration with former Premafin/Fondiaria-SAI Group, the process of outlining a single governance structure for the entire new group continued, with the standardisation of principles, policies and the risk ethos within the new corporate structure.
Activities were carried out for the alignment of Policies and standardisation of processes and controls to adjust and adapt the provisions on risk management in line with the operational complexity and the changed risk profile of the new Group.

Monitoring Procedures: Company committees

As part of the governance and the Internal control and risk management system, several company committees have been set up in the Parent and the Operating Companies to implement and monitor the policies on guidelines, coordination and operating strategy laid down by the Board of Directors and Top Management.

Risk Management System

Risk Management Policy

The Risk Management Policy lays down specific guidelines on managing risks arising from the business activities carried out by the companies in the Unipol Group. This Policy covers strategies, targets, roles, responsibilities and analysis methods, with reference to the identification, evaluation, control and mitigation of the risks for the Company Departments involved.

The Policy therefore has the following general objectives:
- improving the process of managing risks;
- helping top management to make strategic choices;
- introducing an efficient process for the identification, evaluation, control and mitigation of risks;
- increasing the level of knowledge and awareness of the various types of risk;
- promoting the ethos of risk management.

The risk management process includes:
- risk identification:
- risk evaluation (including risk measurement):
- risk control (including risk reporting):
- risk mitigation.

Specific policies containing guidelines for underwriting and managing risks have been issued for major risks. These policies contain definitions of the risk, calculation methods, any limits, the monitoring system and whatever else is required for the risk to be properly managed.

Significant risks, or those risks whose consequences can undermine Group solvency or constitute a serious obstacle to achieving its objectives, are identified by means of a procedure that takes account of both Group structure and the specific nature of the types of business managed by the various Companies. The categories of risk identified are as follows:
- Technical-Insurance Risks (Non-Life and Life);
- Financial Risks (Market, Liquidity/ALM);
- Credit risk;
- Operational risk;
- Emerging risks;
- Other risks.

The evaluation phase consists of risk measurement and identifies the impact of a potential event on achievement of the company objectives. The risks are measured by means of a combination of several methods:

Solvency I - A commonly used method that has introduced the minimum capital requirements (minimum solvency margin) and relates it to indicators such as premiums and claims, mathematical provisions and capital at risk.

Solvency II: Internal Model for calculating the Solvency Capital Requirement – As part of the process of incorporating Solvency II legislation the Group performs risk measurement based on Solvency II, by using an Internal Model that uses sophisticated financial and actuarial analysis tools. Combining these risks in the Internal Model provides a holistic assessment of the business risks. These calculations are also carried out using the standard formula, based on the findings of the most recent quantitative impact study with a reliability level of 99.5%.

Stress testing - used for internal risk management, stress tests are quantitative techniques by means of which undertakings assess their vulnerability to extreme but plausible events. Stress tests evaluate the effects on the economic and financial conditions of specific events or of changes in a set of economic-financial variables in the event of adverse scenarios. These techniques thus enable additional information on the actual exposure to various risk factors to be obtained, providing a better evaluation of the adequacy of capital and suggesting strategies and procedures for responding to these extreme events. Risk Management helps to conduct the stress tests for all the operating Companies in the Group, according to the type of risk deemed to be most relevant to the company's business transactions. On conclusion of the stress tests, in order to communicate the outcomes of the analyses and inform the individual Companies of the risks assessed the Risk Management Department reports to Top Management and the relevant Boards of Directors.

Basel II for calculating capital requirements - The Unipol Banca Group comes under the category of class 2 banks (banking groups and banks that use standardised procedures, with consolidated or individual assets exceeding €3.5bn). The Banking Group deemed it appropriate to comply with the guidelines issued in Bank of Italy Circular 263 of 27 December 2006 and subsequent updates, 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 for banks - On 27 June 2013, the texts of Regulation (EU) no. 575/2013 ("CRR") and Directive 2013/36/EU ("CRD IV") governing prudential supervision were published in the Official Journal of the European Union, which transpose the standards defined by the Basel Committee for bank supervision in the European Union. These new provisions entered into force on 1 January 2014, and provision is made for a transitory system for application of the provisions governing regulatory capital (equity) and capital reserves ("buffers").
In 2013, Unipol Banca performed simulations with the objective of verifying the effects of the new regulatory framework on the capital and liquidity ratios.

Control and reporting: the Group prepared a reporting system which is structured both "internally" and "externally".

In-house reporting, targeted at internal Group bodies and departments, is a strategic and operational tool for projecting, planning and monitoring measures relating to capital and risk management.
Internal reporting is an official tool through which:

- the Risk management department communicates to the different company levels, each for matters within their competence, the status of risk evolution and any violation of the limits set according to the approaches and metrics of Solvency II;
- the Administration, Planning, Control and Operations General Directorate communicates the results of capital absorption according to the applicable regulatory criteria.

If, following an analysis of the results recorded, the specified operating limits have been exceeded, based on the data communicated by the Risk Management Department, the Department concerned, in conjunction with the Administration, Planning, Control and Operations General Directorate and with the help of Risk Management, decides on the measures to be taken to rectify matters within an appropriate timescale and notifies the relevant personnel.

In consideration of the recipients of the various requirements and uses of the results produced, two types of reporting are provided depending on the stakeholders served and the type of information:

– Risk Management Reporting;
– Management Reporting.

Reporting on risk management: the Risk management department, in order to ensure prompt and constant monitoring of the evolution of risks and compliance with the limits set for the different levels of company responsibility, defined and implemented a risk management reporting system.
Reporting on risk management is intended for the Administrative Body, the competent Committees and Top Management, in order to provide support in the decision-making process and with strategic direction, through aggregated risk information, according to the approaches and metrics of Solvency II, at Group, Company and Segment level.
In addition, reporting on risk management is also addressed to the operating structures given that it provides, on risk matters, adequate granularity in terms of information, needed for the performance of monitoring activities and for providing support to the operating decisions of the business segments. In fact, the operating structures receive reports on capital adequacy and observance of the operating limits, on a frequent basis and with different content in relation to the activity carried out by each operating structure.

Mitigation consists in identifying and proposing measures required and/or useful for limiting current or forecast levels of risk that are not in line with the risk objectives laid down for the business. As regards the different forms of risk mitigation tools, the most significant are:
- financial hedges;
- reinsurance;
- management actions;
- guarantees held as a hedge against 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 (Credit Support Annex) agreements is also used as guarantees on credit risks.
If the internal models for calculating risks include mitigation techniques, it is ensured 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.

Internal Model

Insurance business

The approach underlying the Internal Model for calculating Unipol's Solvency Capital Requirement has been developed in line with the new Solvency II standards currently being defined.
The Value at Risk method is used to measure the risk profile of the insurance companies, calculated over a 1-year time period and with a confidence interval of 99.5%.
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, Liquidity/ALM);
- Credit risk;
- Operational and other risks.

Categories of risk are identified and constantly updated by means of the monitoring of company operations, 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.
In 2013, the internal risk evaluation models used by the two pre-existing Groups were rapidly integrated. This was facilitated by the common use in the two Groups of certain calculation applications, processes implemented with uniform methods, and the rapid extension of the Unipol's operating structure and Risk Management to the new Group.

The development of the Internal Model, implemented in 2013, was the result of a constant process of fine-tuning of the calculation models defined previously, in line with the evolution of the guiding principles of validation activity.

Under the Internal Model each risk is calculated using suitable metrics and appropriate instruments and their subsequent aggregation process.
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 provisions risk** is measured using an internal model, consistent with the new standards set out by Solvency II legislation, with stochastic methods being used to evaluate the underwriting risk (premium risk and reserve risk).

The **Life underwriting and provisions risk** is calculated using an internal model based on an ALM type stochastic approach in line with the new standards laid down in Solvency II, which allow an integrated "fair value" measurement of assets and liabilities.

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 used. 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 paragraph analyses the main sensitivities.

With reference to **credit risk**, the internal model used to measure risk is the CreditRisk+ framework. This model makes it possible to measure the risk of default relating to bank, insurance or reinsurance counterparties concerning exposures deriving from cash available at banks, financial risk mitigation operations through derivative contracts and technical risk mitigation operations through reinsurance treaties. Furthermore, the model allows the risk of default deriving from exposures to agents and brokers to be measured.

As regards **operational risk**, in order to ensure a complete analysis of company risks, the Unipol Group has drafted an Operational Risk Management framework to identify, measure, monitor and manage Operational Risk. Based on this framework, relations and reciprocal impacts between operational and other risks are also considered, with the objective of understanding the direct and indirect effects of events linked to operational risk.

Banking business

For Pillar I risk factors, the Banking Group adopted the standardised procedures provided for by Bank of Italy (Circular 263 of 27/12/2006 and subsequent updates) and used in the Supervisory reporting.

Financial Risks

During 2013 the Group's Investment Policy was updated and its perimeter of application extended to the companies in the Fondiaria-SAI Group. The Group's Investment Policy establishes the criteria forming the basis of the investment policy, the types of activities considered correct to invest in, the breakdown of the portfolio of medium/long-term investments and fixes the limits on the underwriting and monitoring of market risk in such a way as to ascertain total exposure, in line with the "risk appetite" expressed in the Group's strategic objectives, guaranteeing an adequate portfolio diversification.

Market risk

Market risks refer to the risk of losses as a result of changes in interest rates, share prices, real estate prices, exchange rates and credit spreads.
Therefore, the following types are considered:

- *Interest rate risk*, or the risk of a possible variation in the value of a financial asset in the portfolio as a consequence of unfavourable movements in interest rates;
- *Share price risk*, or the risk linked to losses due to unfavourable movements in share prices;
- *Real estate risk*, or the risk linked to losses due to unfavourable movements in real estate prices;
- *Currency risk*, or the risk of possible losses on currency items in the portfolio as a result of an unfavourable trend in exchange rates;
- *Credit spread risk*, or the risk that the value of the portfolio that is sensitive to credit may fall owing to the deterioration of the issuer's credit quality;

The Value at Risk method is used to measure the market risk, calculated over a 1-year time period and with a confidence interval of 99.5%. In addition, sensitivity and stress test measurements are determined for each risk factor.

The *interest rate risk* for ALM purposes is quantified in terms of duration mismatch. The duration mismatches at 31 December 2013 relating to the Unipol Group are shown below. The assets falling under the calculation of the duration mismatch include securities, cash, receivables and properties; the liabilities include the financial liabilities and technical provisions; the gap is then calculated as the weighted difference for the market value of assets, financial liabilities and best estimates of the technical provisions, by considering the corrective effect of derivatives.
For the Unipol Group, the duration mismatch for the Life segment stood at -0.83, and 0.98 for the Non-Life segment. In relation to the bank segment, the duration mismatch was +0.05.

Share price risk is the risk connected with a potential variation in the value of share assets, as a result of market volatility of the reference indexes.

Real estate risk is the risk connected with the occurrence of losses as a result of unfavourable movements in the prices of real estate assets.
The assets falling under the calculation of *real estate risk* include property funds, directly-owned properties and direct and indirect investments in real estate projects.
In particular, with reference to directly-owned properties, the value used to calculate the risk (fair value) is the one deriving from the estimate made by independent experts.

The *currency risk* for ALM purposes is defined as the risk of a possible variation in the value of financial statement assets and liabilities and the Net Asset Value as a result of unfavourable changes in the exchange rates or the volatility of exchange rates. Based on the Group's Investment Policy, the total exposure to non-Euro currencies, net of currency hedging, must be limited to 3% of total investments.
The Unipol Group's exposure to currency risk is not significant at 31 December 2013.

The *credit spread risk* is the risk connected with a variation in the value of bond assets following a change in spreads representative of the credit rating of the individual issuers.

The level of sensitivity of the Unipol Group's portfolios of financial assets to the main market risk factors is shown below.
The sensitivity is calculated as a variation in the market value of the assets following a:
- simultaneous rise of +10 bps in the interest rate curve;
- -20% fall in share prices;
- rise of +10 bps in the credit spread;

31/12/2013	HOLDING		BUSINESS INSURANCE		BUSINESS BANKING		TOTAL	
Amounts in €m	Income Statement impact	Impact on Statement of financial position	Income Statement impact	Impact on Statement of financial position	Income Statement impact	Impact on Statement of financial position	Income Statement impact	Impact on Statement of financial position
Unipol Group								
Rate sensitivities (+10 bps)	-0.01	-0.17	12.28	-196.27	0.07	-1.47	12.34	-197.91
Credit spread sensitivities (+10 bps)	-0.07	-0.31	0.97	-225.84	0.07	-2.65	0.97	-228.80
Equity sensitivities (-20%)	0.00	-7.93	-14.91	-340.36	-0.03	-3.08	-14.94	-351.37

The values include the hedging derivatives.

Liquidity risk

By liquidity risk is meant the risk to which the Unipol Group may be exposed when dealing with cash commitments (whether expected or unexpected) at a reasonable cost and within a reasonable time by selling less liquid assets on unfavourable terms, thus affecting its solvency. The Group's liquid resources derive from the normal business transactions in Life and Non-Life insurance, from banking business and from funding carried out by issuing bond loans placed with the Group's customers or with institutional investors. The main principles on which the liquidity risk management model is based may be summarised as follows:

- centralising the Liquidity Management Functions at Group level;
- managing structural liquidity by keeping a balance between liabilities and investments in non-current assets in order to avoid pressure on the short-term liquidity situation, 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;
- retaining a high level of assets on deposit with banks and in Eurozone government securities that can be swiftly turned into cash.

The liquidity gap situation, both structural and tactical, will be analysed weekly with the use of the maturity ladder as a tool. The net liquidity requirement is then compared with the reserves of assets that are liquid or can be easily made liquid and with credit margins available with the ECB and with lenders of lines of credit.

The Investment Policy is updated annually. The policy includes the criteria on which the investment policy is based, the types of asset in which it is deemed appropriate to invest, the composition of the portfolio of medium-to-long-term investments and limits to investments in terms of asset allocation and financial risk.

Credit risk

Generally, credit risk means:

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).

Within the Unipol Group perimeter the credit risk is mainly in the following areas: banking, insurance and outward reinsurance.

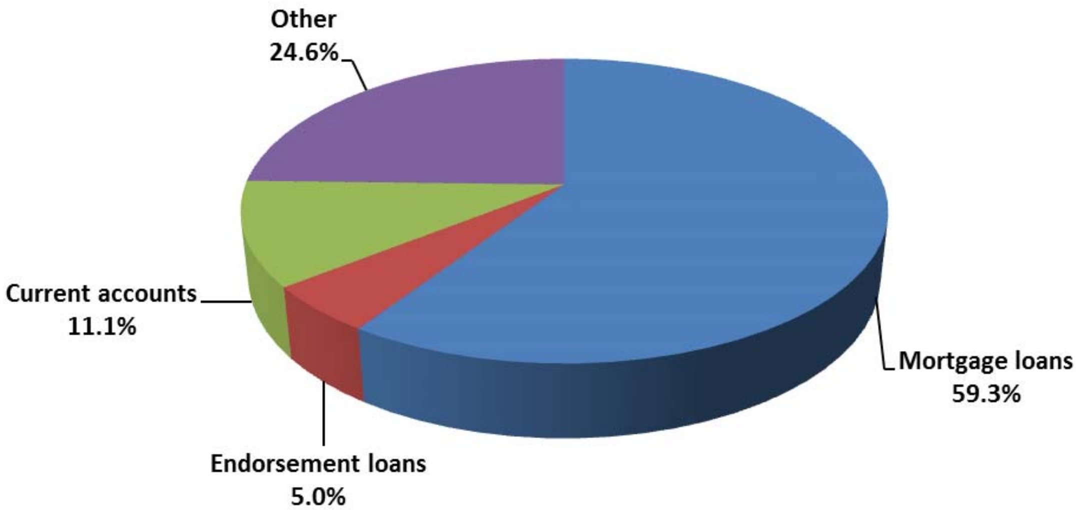
In 2013, the Group’s Credit Policy was updated, the first version of which was approved in 2009. This document governs the work of underwriting and monitoring the credit risk in such a way as to ascertain total exposure to the individual counterparty, in line with the risk appetite expressed in the Group's strategic objectives, thus ensuring sufficient portfolio diversification.
The current update extends the Policy’s field of application to all insurance companies directly and indirectly controlled by Unipol with registered offices in Italy, the Unipol Banca Banking Group and the BancaSai Banking Group.

Uses in Banking business

The development of credit risk is currently monitored using classic indicators. At Unipol Banca, 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 (Unipol Group Credit Risk Committee and Unipol Banca's Credit Monitoring Committee).
At BancaSai, credit risk is monitored through a system of reporting, periodically shared with the Risk Committee and the Board of Directors.

In 2013, in order to measure credit risk, Unipol Banca used credit rating models for companies developed by the IT outsourcer CEDACRI with the support of the consulting firm Prometeia; the previous rating models (Classic CRS) provided by said outsourcer continued to be used for private customers and certain other residual segments. In this area, BancaSai refers to the Classic CRS rating system provided by CEDACRI for all segments.
It should also be noted that, in 2013, for Unipol Banca, the rating models were augmented by the CRIF scoring systems used during the provision phase for retail segments.

Net of non-performing loans, 59.3% of the loans of the Unipol Banca Banking Group and BancaSai were made up of mortgage loans.



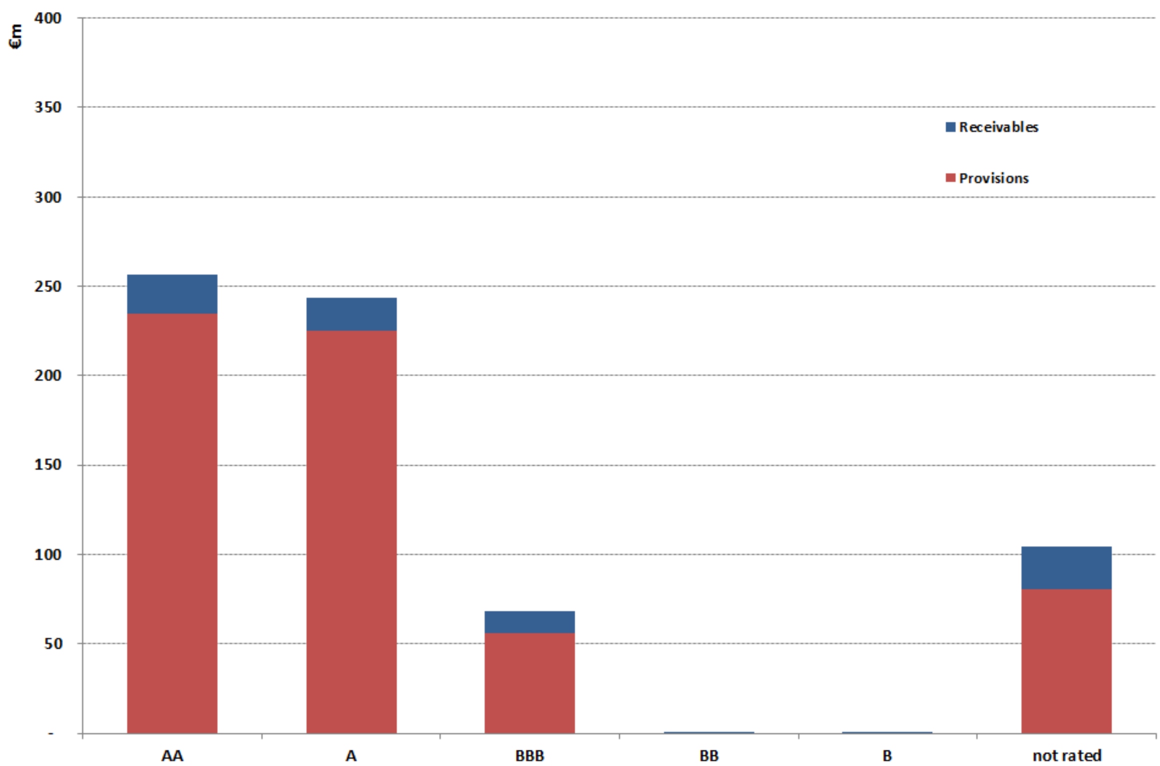
On 3 August 2011 Unipol entered into a contract under which it undertook to reimburse the Unipol Banca Group for any losses it might suffer on impaired loans to several counterparties representing the highest concentrations of risk in the real estate sector. Most of them were mortgages on property and in almost all cases their value was greater than the amounts owed to the bank.
The guarantee provided by the holding company offers the Unipol Banca 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 holding company, Unipol, 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 indemnity cover the incidence of gross bad and doubtful debts on total cash lending[1] stood at 13.7%.

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 Unipol Group Credit Risk Committee.

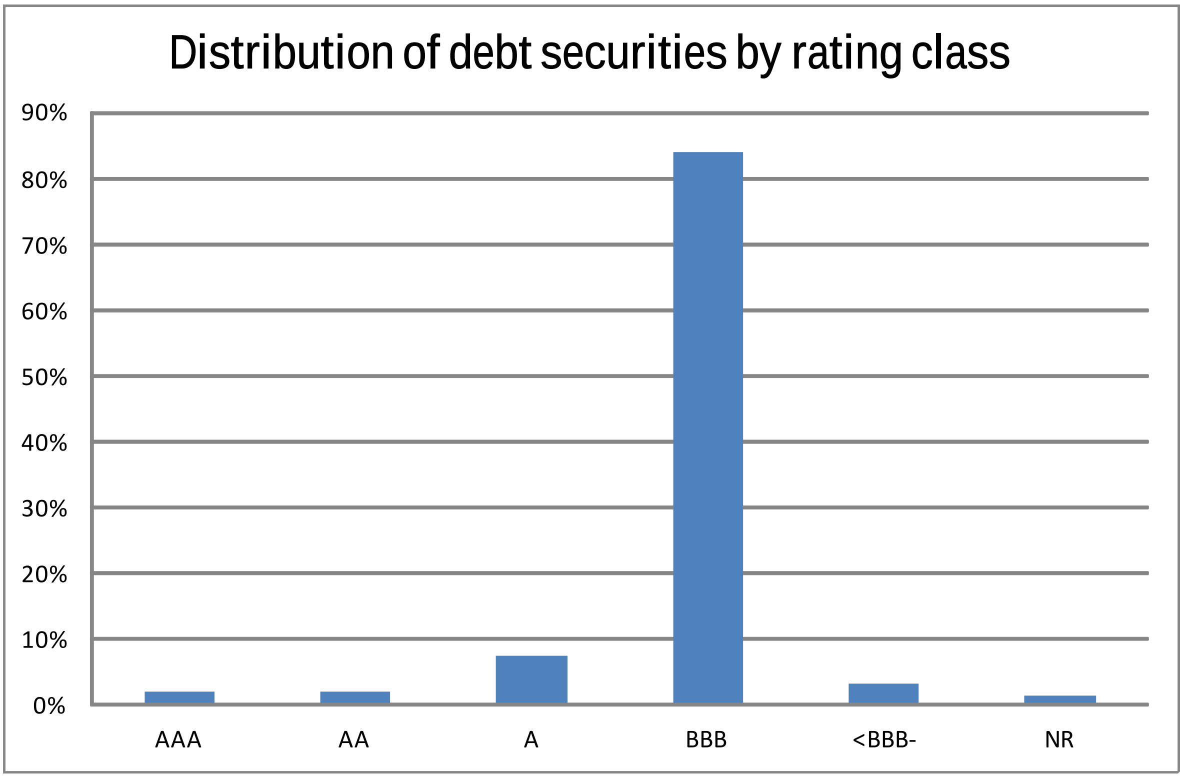
Outwards reinsurance
In this area, the existing exposure to credit risk is divided into:
- liquid receivables already due arising out of the bordereaux sent to the reinsurer listing the balances on each policy during the period and those still outstanding;
- potential estimated receivables for the provisions for claims borne by the reinsurer (which will become due at the time of the payment to the policyholder and for the relative amounts). 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, etc.).

The table showing the distribution of receivables for the Unipol Group from reinsurers and of the provisions for claims borne by them broken down by rating class is shown below at 31 December 2013 (amounts in €m, net of intragroup reinsurance):



[1] The incidence of gross bad and doubtful debts on total cash lending, excluding hedges, stood at 18.2%.

Debt security Issuer Risk
The credit risk of debt securities is monitored within market risk based on the volatility of the credit spread and within credit risk on the basis of the probability of default of the issuer and associated loss given default.
The table showing the distribution of the Unipol Group's bond portfolio, insurance business and holding business, broken down by rating class is shown below (data relating to 31/12/2013).



Information relating to exposure to sovereign debt securities referred to in CONSOB Communication DEM/11070007 of 5 August 2011

In accordance with CONSOB Communication DEM/11070007 of 5 August 2011 and 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 2013, broken down by type of portfolio, nominal amount, carrying amount and fair value.

Amounts in €m	Balances at 31 December 2013		
	Nominal amount	Carrying amount	Market value
Italy	36,707.0	35,783.1	35,880.1
Available-for-sale financial assets	30,825.6	30,494.7	30,494.7
Investments held to maturity	1,811.3	1,819.9	1,913.3
Loans and receivables	3,597.6	3,324.4	3,328.0
Financial assets at fair value through profit or loss	472.5	144.1	144.1
Spain	691.0	665.2	662.0
Available-for-sale financial assets	585.2	583.2	583.2
Investments held to maturity	56.0	56.3	60.2
Loans and receivables	49.8	25.8	18.6
Germany	319.8	330.7	340.8
Available-for-sale financial assets	139.8	149.7	149.7
Investments held to maturity	180.0	181.0	191.2
France	128.0	129.2	132.6
Available-for-sale financial assets	78.0	79.8	79.8
Investments held to maturity	50.0	49.4	52.8
Ireland	103.7	113.0	113.3
Available-for-sale financial assets	93.7	102.6	102.6
Loans and receivables	10.0	10.3	10.6
Portugal	107.9	106.6	107.8
Available-for-sale financial assets	54.9	53.8	53.8
Investments held to maturity	53.0	52.8	54.0
Belgium	66.1	67.3	69.8
Available-for-sale financial assets	41.1	42.7	42.7
Investments held to maturity	25.0	24.6	27.1
Serbia	15.5	34.9	34.9
Available-for-sale financial assets	2.0	1.9	1.9
Loans and receivables	0.1	12.2	12.2
Financial assets at fair value through profit or loss	13.5	20.9	20.9
Canada	25.0	29.3	29.3
Available-for-sale financial assets	25.0	29.3	29.3
The Netherlands	24.0	25.9	25.9
Available-for-sale financial assets	24.0	25.9	25.9
Slovenia	37.0	38.4	38.4
Available-for-sale financial assets	37.0	38.4	38.4
Austria	21.5	22.7	22.7
Available-for-sale financial assets	21.5	22.7	22.7
Poland	7.5	8.7	8.7
Available-for-sale financial assets	7.5	8.7	8.7
Finland	6.5	6.8	6.8
Available-for-sale financial assets	6.5	6.8	6.8
Switzerland	4.8	5.3	5.3
Available-for-sale financial assets	4.8	5.3	5.3
USA	3.8	4.2	4.2
Available-for-sale financial assets	3.8	4.2	4.2
Mexico	2.5	2.7	2.7
Available-for-sale financial assets	2.5	2.7	2.7
Hungary	0.5	0.5	0.5
Available-for-sale financial assets	0.5	0.5	0.5
Slovakia	0.3	0.3	0.3
Available-for-sale financial assets	0.3	0.3	0.3
TOTAL	38,272.4	37,374.8	37,486.2

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2013 totalled €37,374.8m, 96% being accounted for by securities issued by the Italian State.

Technical-insurance risks

Risks relating to Life portfolios

Life risks are estimated using a stochastic type internal model which measures all assets and liabilities at fair value by considering the risks and correlation between these. This model is consistent with the new standards set out by Solvency II. In particular, in terms of capital absorption (Internal Capital Requirement), the impacts of the following risk factors were evaluated:

- mortality/longevity risk, understood as the increase (mortality risk) or decrease (longevity risk) in expected death rates;
- lapse risk, understood as the variation (increase/decrease) in surrendered policies compared with those forecast;
- expense risk, understood as the increase in contractual and business expenses compared with those expected;
- catastrophe risk, understood as the immediate increase in the probability of death, caused by a catastrophic event such as pandemic or war;

The results of the internal Life model were validated by means of a stress test approach, using quantitative prospective analyses obtained by varying the most significant sources of risk with respect to the basic scenario values.

Mortality risk

The Unipol Group operates a different policy for underwriting risks according to sales channel and type of tariff. Particular attention is paid to underwriting term death benefit policies where the procedures provide for limits both on the sum assured and on the age of the policyholder. 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.

The comparison showed an actual death rate 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 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.

Guaranteed minimum rate option

The companies in the Group market a number of products that have returns linked to the results obtained from separately managed businesses. In most cases these products offer guaranteed minimum revaluation rates and therefore the Companies in the Group are exposed to the risk that returns on the assets invested will fall short of those paid to policyholders. In view of the trend in market interest rates and in compliance with provisions issued by the Supervisory Body, the guaranteed minimum rate offered when these products are marketed has been gradually reduced over the last few years and is now down to 1.5% and to 2% depending on the tariffs marketed. Many tariffs present a method of consolidation of return guarantees at a pre-established maturity instead of an annual consolidation.

Therefore the portfolio now contains policies issued in previous years that provide for guaranteed minimum rates that are higher than those now being marketed. Consequently the average guaranteed minimum rate on the existing portfolio is less than that recognised in the previous year.

The risk involved in these options is monitored and assessed using methods and instruments that allow the risks underwritten by the Group to be managed quantitatively, thus helping to bring about a reduction in profit volatility and enabling financial resources to be allocated in the best possible way.

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 IAS/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 procedures already provided for carrying out analyses in accordance with ISVAP Ruling 1801G and extended the valuations to a duration of 25 years.

Risks relating to Non-Life portfolios

During 2013 the Non-Life technical-insurance risks were calculated using the Non-Life Internal Model, consistent with the standards of Solvency II. The model component which measures the risks of the Non-Life portfolio saw significant developments, introduced in order to more adequately reflect the risk profile of the new Group.
In particular, a stochastic Frequency Severity type model was adopted to measure underwriting risk, which makes it possible to measure risk capital:

- separately for attritional and large claims. The associated separation threshold is identified using the appropriate statistical methods;
- taking into account the effect of reinsurance treaties;
- using a model to estimate general expenses.

As regards the measurement of reserve risk, for each Business Line, different stochastic models are used based on historical payment data, on a joint analysis of these and of inventory provisions, on average costs and the number of claims before and net of application of reinsurance treaties.

With reference to Catastrophe Risk, the evaluations were performed by using the standardised scenario method proposed by EIOPA, in which the following events are taken into consideration:

- natural disasters such as earthquake, flood and hail;
- man-made disasters such as large-scale fires and acts of terrorism;
- "health" risks, such as the risk of a pandemic.

With reference to Earthquake risk, in 2013, a software selection process was carried out, which led to the acquisition of one of the main global models for the analytical evaluation of said risk, with the objective of having use of an instrument which not only supports the Group with calculating risk capital, but also in the Underwriting and Tariff-setting processes and in defining the reinsurance strategy.

The Risk management department continued to collaborate with the Non-Life Technical Area to define tariffs on a risk-adjusted basis which ensures not only the proper coverage of expected costs but the return on the capital absorbed in line with the risk profile and the Group's performance objectives.

Operational risks

The Framework of Operational Risk Management

In order to ensure a complete analysis of company risks, the Unipol Group has drafted an Operational Risk Management framework to identify, measure, monitor and manage Operational Risk. This term means "*the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources and internal systems, or from external events*". Based on the Operational Risk Management framework, relations and reciprocal impacts between operational and other risks are also considered, with the objective of understanding the direct and indirect effects of events linked to operational risk. In particular, the analysis schemes adopted are aimed at understanding, based on a causal approach, the risk factors, events and effects, both financial and non-financial, and the impacts these can have on the Group's solvency and on the achievement of the objectives set.

Within the Group governance structure, the monitoring of Operational Risks is entrusted to the Operational risks department in the Risk Management department of the Parent Unipol. The objectives assigned to said unit, within the internal control system, are aimed at ensuring the Group's assets are safeguarded, at adequate risk control and at improving the efficiency and effectiveness of the company processes.

As regards the classification of Operational Risk, the event-type model has been adopted, created for the banking domain (Basel II) and to which the current guidelines under Solvency II purposes make reference.
During the year, the process of integration of the operational risk management methods was developed within the Unipol Group. Therefore, it is confirmed that the method makes provision for the following arrangements:

– the organisational model provides a network of analysts present in the business lines which operate on the basis of a method defined by the Risk Management department;
– the method adopted for measuring risks is functional in providing an internal statistical model with data.

Regardless of the activities of fine-tuning the methods, operational risks are measured regularly at the main Group companies.
The methods relating to the management of operational IT risks are still being reviewed, also as a result of the issuing, by the Bank of Italy, of legislation with specific references that require dedicated consideration; to this end, the Risk Management department collaborates with the other Group functions in an appropriate project.

Capital allocation policies

Risk Appetite

The risk tolerance level (Risk Appetite) is defined as the amount of capital at risk[2] that the Board of Directors specifies as the maximum acceptable loss without the Group's business continuity being jeopardised. The Risk Appetite is specified as the maximum sustainable loss at a specific reliability level over a year. The Risk Appetite is specified according to "risk factor" and "Business unit".

The Risk Appetite is calculated annually on the consolidated budget figures and those of the individual companies in the Unipol Group.

For the insurance business, calculations are based on the expected levels of growth shown in the business plan or the budget, using the reliability level of 99.50% laid down by the Solvency II Directive.
The other elements Unipol takes into account when ascertaining Risk Appetite can be divided into three types: rating, risk/profitability and solvency.
The Unipol Group determines Risk Appetite on the basis of total economic capital ascertained by applying internal models, the Standard formula and the procedures for combining the various major risks mentioned in Pillar I[3] provided for by Solvency II legislation. The Unipol Group's Risk Appetite is the sum of the total economic capital of the Banking Group, ascertained in accordance with Basel II, and the total economic capital of the insurance Group.
During the year, monitoring was conducted on a quarterly basis of the risk tolerance level for the year 2013, approved by the Administrative Bodies of the Parent and of the operating companies.

The Banking Group's Risk Appetite, measured on the basis of potential growth volumes, contained in the business plan or the budget, contributes solely for the Pillar I component[4] in line with the calculations for the

[2] 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".
[3] 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 provisions), financial risk, credit risk and operational risk.
[4] The Pillar I risks provided for in Basel II are: credit and counterparty risk, market risk and operational risk.

insurance Group. Subsequently, under ICAAP[5], the Banking Group also uses the Pillar II risks and the further requirements revealed by stress testing to assess its potential capital adequacy.

ORSA and ICAAP

Under their own risk management system the companies that fall within the scope of the Risk Policy use, as instruments for evaluating the efficacy of the risk management system:

- Own Risk Solvency Assessment – ORSA, in the case of insurance companies;
- the Internal Capital Adequacy Assessment Process – ICAAP, in the case of banking companies.

The primary objective of the two tools is to ensure that the company evaluates all the risks inherent in its work and determines the corresponding capital requirement. This evaluation covers at least the overall solvency requirement and takes account of the specific risk profile, the approved risk tolerance limits and the company's operating strategy. These two tools analyse both current and potential risks.
For this purpose the company establishes and carries out procedures that are commensurate with the nature, scope and complexity of its work and enable it to identify and assess accurately the risks to which it is or could be exposed in the short and long term.

The ORSA and ICAAP reports explain, at least: i) the legislative framework; ii) the economic background; iii) the scope of analysis; iv) the roles and responsibilities of the Bodies and Departments involved in the process; v) the procedures for identifying, assessing and mitigating the risk; vi) the links between assessing the risk and the procedure for allocating the capital, and the discrepancies in respect of the risk appetite over the period concerned laid down in the Business Plan; vii) the procedures for obtaining any additional funds; viii) the management actions used to evaluate and describe their impact; ix) the in-house report and the report to the Supervisory Authorities.

Bologna, 20 March 2014

The Board of Directors

[5] Each year, the banking groups send the Bank of Italy the ICAAP report, relating to 31 December of the previous year, by the end of April of the following year.

Tables appended to the Notes to the Financial Statements

Name	State	Registered office	Method (1)	Assets (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%
Unicard Spa	086 Italy	Milan	G	11		53.63% Unipol Banca Spa	53.63%		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%
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%
Fondiaria-Sai Spa	086 Italy	Turin	G	4	3.63%		44.85%	41.93%	100.00%
						3.09% Finadin Spa Finanziaria di Investimenti			
						0.001% Sai Holding Italia Spa			
						0.01% Milano Assicurazioni Spa			
						24.32% Premafin Spa			
						19.35% Unipol Finance Srl			
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	28.42%		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%

Name	State	Registered office	Method (1)	Assets (2)	% Direct holding	% Indirect holding	% Total participating interest (3)	% votes available at ordinary General Meetings (4)	% Consolidation
Liguria Societa' di Assicurazioni Spa	086 Italy	Segrate (MI)	G	1		99.97% Milano Assicurazioni Spa	28.45%		100.00%
Liguria Vita Spa	086 Italy	Segrate (MI)	G	1		100.00% Liguria Societa' di Assicurazioni Spa	28.45%		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	28.46%		100.00%
Ddor Novi Sad A.D.O.	289 Serbia	Novi Sad (Serbia)	G	3		99.99% Fondiaria-Sai Spa	44.85%		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	66.80%		100.00%
						60.00% Premafin Spa			
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 Spa	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 United Kingdom	London (GB)	G	11		100.00% Finsai International Sa	44.85%		100.00%
Fondiaria-Sai Nederland Bv	050 Low Countries	Amsterdam (NL)	G	11		100.00% Fondiaria-Sai Spa	44.85%		100.00%
Sailux Sa in liquidation	092 Luxembourg	Luxembourg	G	11		100.00% Saifin Saifinanziaria Spa	44.85%		100.00%
Saint George Capital Management Sa	071 Switzerland	Lugano (Switzerland)	G	11		100.00% Saifin Saifinanziaria Spa	44.85%		100.00%
Sainternational Sa in liquidation	092 Luxembourg	Luxembourg	G	11		100.00% Fondiaria-Sai Spa	44.85%		100.00%
Scontofin Sa in liquidation	092 Luxembourg	Luxembourg	G	11		70.00% Finadin Spa Finanziaria di Investimenti	55.28%		100.00%
						19.00% Sailux Sa in liquidation			
Finsai International Sa	092 Luxembourg	Luxembourg	G	11		19.92% Fondiaria-Sai Spa	44.85%		100.00%
						36.15% Sailux Sa in liquidation			
						43.92% Sainternational Sa in liquidation			
Banca Sai Spa	086 Italy	Turin	G	7		100.00% Fondiaria-Sai Spa	44.85%		100.00%
Sai Investimenti Sgr Spa	086 Italy	Turin	G	8		51.00% Fondiaria-Sai Spa	47.41%		100.00%
						29.00% Milano Assicurazioni Spa			
						20.00% Premafin Spa			
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	11		70.00% Auto Presto & Bene Srl	31.39%		100.00%
Atavalue Srl	086 Italy	Turin	G	11		100.00% Sai Holding Italia Spa	44.85%		100.00%
Auto Presto & Bene Srl	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%

Consolidation scope

Name	State		Registered office	Method (1)	Assets (2)	% Direct holding	% Indirect holding	% Total participating interest (3)	% votes available at ordinary General Meetings (4)	% Consolidation
Gruppo Fondiaria-Sai Servizi Scrl	086	Italy	Milan	G	11		64.16% Fondiaria-Sai Spa	39.16%		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 Srl			
							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	43.73%		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	39.93%		100.00%
							30.00% Milano Assicurazioni Spa			
Sogeint Srl	086	Italy	Milan	G	11		100.00% Milano Assicurazioni Spa	28.46%		100.00%
Srp Services Sa	071	Switzerland	Lugano (Switzerland)	G	11		100.00% Saintemational Sa in liquidation	44.85%		100.00%
Pronto Assistance Servizi Scarl	086	Italy	Turin	G	11		37.40% Fondiaria-Sai Spa	35.86%		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 Spa	086	Italy	Milan	G	11		51.00% Fondiaria-Sai Spa	36.82%		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	Pinzolo (TN)	G	10		100.00% Milano Assicurazioni Spa	28.46%		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	44.15%		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	38.98%		100.00%
							35.83% Milano Assicurazioni Spa			
Immobiliare Milano Assicurazioni Srl	086	Italy	Turin	G	10		100.00% Milano Assicurazioni Spa	28.46%		100.00%

Name	State		Registered office	Method (1)	Assets (2)	% Direct holding	% Indirect holding	% Total participating interest (3)	% votes available at ordinary General Meetings (4)	% Consolidation
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 Spa	36.82%		100.00%
Marina di Loano Spa	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 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%
Nuove Iniziative Toscane Srl	086	Italy	Florence	G	10		96.88% Fondiaria-Sai Spa	44.34%		100.00%
							3.12% Milano Assicurazioni Spa			
Progetto Bicocca la Piazza Srl in liquidation	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	28.46%		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%
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	28.46%	63.39%	100.00%
							0.06% Pronto Assistance Spa			
							0.02% Popolare Vita Spa			
							0.52% Sai Holding Italia Spa			
							1.51% Fondiaria-Sai Nederland Bv			
							0.20% Sainternational Sa in liquidation			
							1.40% Unipol Finance Srl			
Premafin Spa	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	36.81%		100.00%
							35.36% Milano Assicurazioni Spa			
Athens R.E. Fund - Fondo Speculativo (Hedge Fund)	086	Italy		G	10		100.00% Milano Assicurazioni Spa	28.46%		100.00%
Unipol Finance Srl	086	Italy	Bologna	G	9	100.00%		100.00%		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 holdings; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=real estate companies; 11=othe

(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

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Name	State		Registered office	Assets (1)	Type (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 liquidation	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%		0.4
Assicoop Modena & Ferrara Spa	086	Italy	Modena	11	b		43.75%	Smallpart Spa	43.75%		6.0
Assicoop Bologna Spa	086	Italy	Bologna	11	b		40.21%	Smallpart Spa	40.21%		2.8
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	22.78%		0.2
							13.44%	Unipol Assicurazioni Spa			
							0.01%	Arca Assicurazioni Spa			
							13.75%	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			
							10.68%	Milano Assicurazioni Spa			
Assicoop Imola Spa	086	Italy	Imola (BO)	11	b		47.33%	Smallpart Spa	47.33%		2.4
Societa' Finanz. per Le Gest. Ass.Ve Srl in liquidation	086	Italy	Rome	11	b		12.91%	Unipol Assicurazioni Spa	21.73%		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%		5.0
SCS Azioninnova Spa	086	Italy	Bologna	11	b		42.85%	Unipol Banca Spa	42.85%		1.7
Promorest Srl	086	Italy	Castenaso (BO)	11	b		49.92%	Unipol Banca Spa	49.92%		5.1
EuroMilano Spa	086	Italy	Milan	10	b		16.95%	Unipol Assicurazioni Spa	16.95%		11.3
Isi Insurance Direct Srl	086	Italy	Rome	11	a		100.00%	Isi Insurance Spa	31.70%	31.70%	0.0
OMEGA 2004 Spa in liquidation	086	Italy	Verona	11	a		90.00%	Arca Vita Spa	57.05%	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%		5.9
Assicoop Romagna Futura Srl	086	Italy	Ravenna	11	b		50.00%	Smallpart Spa	50.00%		5.4
Garibaldi Sca	092	Luxembourg	Luxembourg	11	b		32.00%	Milano Assicurazioni Spa	9.11%		76.5
Isola Sca	092	Luxembourg	Luxembourg	11	b		29.56%	Milano Assicurazioni Spa	8.41%		15.3
Fin.Priv. Srl	086	Italy	Milan	11	b		28.57%	Fondiaria-Sai Spa	12.81%		26.6
Consulenza Aziendale per L'Informatica - Scai Spa	086	Italy	Turin	11	b		30.07%	Fondiaria-Sai Spa	13.49%		1.5
Ddor Auto Doo	289	Serbia	Novi Sad (Serbia)	3	a		100.00%	Ddor Novi Sad A.D.O.	44.85%		0.0
Soaimpianti - Organismi Di Attestazione Srl in liquidation	086	Italy	Milan	11	b		21.64%	Fondiaria-Sai Spa	9.70%		0.0
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 Srl	086	Italy	Florence	11	b		51.00%	Fondiaria-Sai Spa	22.87%		1.8

Details of unconsolidated investments

Name	State		Registered office	Assets (1)	Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% votes available at ordinary General Meetings (4)	Carrying amount (€m)
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			
Hotel Terme di Saint Vincent Srl	086	Italy	Saint Vincent (AO)	11	a		100.00%	Atahotels Compagnia Italiana Aziende Turistiche Alberghiere Spa	36.82%		0.0
Ital H&R Srl	086	Italy	Pieve Emanuele (MI)	11	a		100.00%	Italresidence Srl	36.82%		0.0
Tour Executive Srl in liquidation	086	Italy	Milan	11	a		100.00%	Atahotels Compagnia Italiana Aziende Turistiche Alberghiere Spa	36.82%		
A7 Srl in liquidation	086	Italy	Milan	10	b		20.00%	Immobiliare Milano Assicurazioni Srl	5.69%		0.1
Borsetto Srl	086	Italy	Turin	10	b		44.93%	Immobiliare Milano Assicurazioni Srl	12.79%		2.4
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	5.69%		0.2
Sviluppo Centro Est Srl in liquidation	086	Italy	Rome	10	b		40.00%	Immobiliare Milano Assicurazioni Srl	11.39%		
Metropolis Spa in liquidation	086	Italy	Florence	10	b		29.71%	Immobiliare Milano Assicurazioni Srl	8.46%		
Penta Domus Spa	086	Italy	Turin	10	b		24.66%	Immobiliare Milano Assicurazioni Srl	7.02%		3.4
Valore Immobiliare Srl in liquidation	086	Italy	Milan	10	b		50.00%	Milano Assicurazioni Spa	14.23%		0.5
Cono Roma Srl in liquidation	086	Italy	Rome	11	b		50.00%	Finadin Spa Finanziaria di Investimenti	33.40%		

(1) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 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

	Amounts in €m	Non-Life business		Life business		Banks		Holding and Services		Real Estate		Intersegment eliminations		Total	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
1	INTANGIBLE ASSETS	1,531.1	1,532.1	648.5	667.6	15.4	145.4	43.8	277.7	1.0	1.4	-2.8	-3.0	2,237.0	2,621.1
2	PROPERTY, PLANT AND EQUIPMENT	516.4	569.9	57.4	57.4	17.3	20.7	231.0	231.3	558.4	529.3	2.8	2.8	1,383.3	1,411.3
3	TECHNICAL PROVISIONS – REINSURERS' SHARE	907.5	1,047.8	138.0	159.6									1,045.5	1,207.3
4	INVESTMENTS	16,968.6	16,357.3	41,629.2	40,396.0	12,634.6	12,972.5	446.9	1,127.8	1,285.4	1,328.4	-952.4	-1,235.0	72,012.3	70,947.1
4.1	Investment property	1,635.4	1,733.1	11.2	11.6	1.1	1.1	45.2	22.1	1,176.9	1,221.6			2,869.8	2,989.5
4.2	Investments in subsidiaries, associates and interests in joint ventures	73.3	150.2	91.8	0.0	8.0	8.0	0.0	0.3	15.7	16.0			188.8	174.5
4.3	Investments held to maturity	714.5	814.7	1,402.2	1,679.7	818.4	719.5					-2.2	-163.2	2,932.9	3,050.8
4.4	Loans and receivables	2,339.3	2,445.0	3,795.0	4,145.6	10,754.2	11,300.2	324.4	572.6	30.1	32.6	-943.3	-1,006.9	16,299.7	17,489.2
4.5	Available-for-sale financial assets	12,092.3	11,067.8	26,786.8	24,163.1	932.7	895.1	66.1	522.6	62.8	58.2	-6.7	-58.5	39,933.9	36,648.2
4.6	Financial assets at fair value through profit or loss	113.8	146.5	9,542.1	10,396.0	120.3	48.6	11.2	10.3	0.0	0.0	-0.2	-6.5	9,787.1	10,594.9
5	SUNDRY RECEIVABLES	2,747.8	3,050.6	681.9	571.3	83.6	77.3	436.1	540.2	70.2	90.2	-604.1	-666.0	3,415.5	3,663.5
6	OTHER ASSETS	1,483.5	1,400.8	927.5	782.1	486.1	391.7	548.8	503.6	26.1	20.2	-98.7	-31.3	3,373.3	3,067.0
6.1	Deferred acquisition costs	28.2	21.3	49.2	45.8									77.4	67.1
6.2	Other assets	1,455.3	1,379.4	878.4	736.3	486.1	391.7	548.8	503.6	26.1	20.2	-98.7	-31.3	3,295.9	2,999.9
7	CASH AND CASH EQUIVALENTS	1,235.7	833.1	875.0	656.8	229.9	305.4	337.0	226.8	84.6	102.4	-1,924.9	-1,416.4	837.3	708.2
	TOTAL ASSETS	25,390.6	24,791.5	44,957.4	43,290.7	13,467.0	13,913.0	2,043.6	2,907.4	2,025.8	2,071.9	-3,580.1	-3,349.0	84,304.3	83,625.5
1	EQUITY													7,481.0	7,264.5
2	PROVISIONS	375.9	295.0	39.7	28.9	18.8	11.8	372.5	169.9	27.5	28.3	-300.2	-102.4	534.2	431.5
3	TECHNICAL PROVISIONS	18,583.3	19,815.6	38,292.0	36,640.4									56,875.3	56,456.0
4	FINANCIAL LIABILITIES	1,794.5	1,829.1	2,854.1	2,827.9	12,269.7	12,418.7	1,513.5	1,533.9	174.8	171.2	-2,565.2	-2,547.3	16,041.4	16,233.6
4.1	Financial liabilities at fair value through profit or loss	73.3	117.1	1,928.9	1,982.6	50.4	63.0	0.2	5.2	4.0	0.9			2,056.8	2,168.9
4.2	Other financial liabilities	1,721.2	1,712.0	925.2	845.4	12,219.3	12,355.7	1,513.3	1,528.7	170.7	170.3	-2,565.2	-2,547.3	13,984.6	14,064.8
5	PAYABLES	995.3	1,116.2	213.6	226.3	117.1	93.7	403.4	434.4	57.1	65.7	-604.0	-659.7	1,182.6	1,276.5
6	OTHER LIABILITIES	1,211.4	846.3	690.6	695.3	303.4	370.8	63.2	60.7	31.6	29.1	-110.4	-39.0	2,189.8	1,963.3
	TOTAL EQUITY AND LIABILITIES													84,304.3	83,625.5

Income statement by business segment

	Amounts in €m	Non-Life business		Life business		Banks		Holding and Services		Real Estate		Intersegment eliminations		Total	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
1.1	Net premiums	9,787.3	7,211.4	6,794.1	4,412.2									16,581.3	11,623.6
1.1.1	*Gross premiums earned*	*10,209.0*	*7,491.4*	*6,816.0*	*4,433.9*									*17,025.0*	*11,925.3*
1.1.2	*Ceded reinsurance premiums*	*-421.7*	*-280.0*	*-22.0*	*-21.7*									*-443.7*	*-301.7*
1.2	Commission income	6.2	6.7	20.6	18.0	147.2	144.8	5.7	5.5			-51.4	-41.2	128.3	133.8
1.3	Gains and losses on remeasurement of financial instruments at fair value through profit or loss	-41.2	-2.3	386.1	452.2	0.4	13.1	3.5	-9.3	-1.6	-2.5			347.3	451.4
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	3.7	7.8	7.6	0.0	0.0	0.0	0.0		0.0	0.0			11.3	7.8
1.5	Gains on other financial instruments and investment property	884.8	539.4	1,598.2	1,077.8	477.5	508.3	23.9	25.1	56.5	36.5	-63.7	-58.2	2,977.0	2,129.0
1.6	Other income	480.2	236.7	73.6	58.0	34.4	18.9	678.5	342.8	39.0	20.8	-749.8	-363.9	555.8	313.3
	TOTAL REVENUE AND INCOME	11,120.9	7,999.8	8,880.1	6,018.1	659.5	685.2	711.5	364.3	93.9	54.9	-864.9	-463.3	20,601.0	14,658.9
2.1	Net charges relating to claims	-6,654.6	-4,835.0	-7,653.9	-5,533.9									-14,308.5	-10,368.9
2.1.1	*Amounts paid and changes in technical provisions*	*-6,820.7*	*-5,090.3*	*-7,668.2*	*-5,550.0*									*-14,488.9*	*-10,640.3*
2.1.2	*Reinsurers' share*	*166.1*	*255.2*	*14.4*	*16.1*									*180.5*	*271.4*
2.2	Commission expense	-6.4	-6.6	-11.5	-11.0	-34.1	-29.9	0.0	0.0			13.0	13.7	-39.1	-33.8
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	-2.8	-9.0	0.0	0.0	0.0	0.0	-3.4	-12.2	-0.2	-1.1			-6.4	-22.2
2.4	Losses on other financial instruments and investment property	-284.1	-170.1	-185.5	-93.7	-581.2	-324.7	-60.6	-68.6	-83.9	-36.7	-180.0	-16.1	-1,375.4	-709.9
2.5	Operating expenses	-2,362.0	-1,653.8	-319.4	-219.2	-309.2	-285.5	-391.8	-215.7	-7.9	-5.3	306.9	160.3	-3,083.2	-2,219.3
2.6	Other costs	-946.4	-501.1	-198.3	-103.1	-159.2	-32.3	-637.8	-282.8	-51.2	-25.9	724.8	305.3	-1,268.1	-639.8
2	TOTAL COSTS AND EXPENSES	-10,256.3	-7,175.6	-8,368.6	-5,960.9	-1,083.8	-672.4	-1,093.7	-579.3	-143.1	-69.0	864.7	463.2	-20,080.7	-13,994.0
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	864.6	824.1	511.5	57.2	-424.3	12.8	-382.2	-215.0	-49.2	-14.1	-0.2	-0.1	520.3	664.9

Details of property, plant & equipment and intangible assets

Amounts in €m	At cost	At restated value or at fair value	Total carrying amount
Investment property	2,869.8		2,869.8
Other property	1,259.0		1,259.0
Other tangible assets	124.3		124.3
Other intangible assets	653.8		653.8

Details of financial assets

	Investments 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 at fair value through profit or loss			
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Equity instruments and derivatives at cost					111.3	88.9	0.0	0.0	0.0	0.0	111.3	88.9
Equity instruments at fair value					1,334.9	1,880.2	13.9	10.9	108.6	104.8	1,457.4	1,995.9
listed securities					*1,034.8*	*1,396.2*	*0.2*	*10.9*	*108.6*	*104.8*	*1,143.7*	*1,511.8*
Debt securities	2,932.9	3,050.8	5,294.8	5,764.0	37,739.6	33,701.9	413.6	410.7	6,173.9	7,648.4	52,554.9	50,575.8
listed securities	*2,428.2*	*2,483.8*	*0.0*	*0.0*	*36,460.3*	*32,368.4*	*239.9*	*213.8*	*3,315.3*	*3,299.1*	*42,443.8*	*38,365.2*
OEIC units					748.1	977.2	60.5	77.2	2,779.4	2,045.2	3,588.0	3,099.6
Loans and receivables from bank customers			9,752.3	10,495.4							9,752.3	10,495.4
Interbank loans and receivables			353.5	397.3							353.5	397.3
Deposits with ceding companies			35.4	37.7							35.4	37.7
Financial receivables on insurance contracts									57.1	93.8	57.1	93.8
Other loans and receivables			834.6	768.5							834.6	768.5
Non-hedging derivatives							64.7	35.3	53.5	95.0	118.2	130.3
Hedging derivatives							17.1	44.8	0.0	0.0	17.1	44.8
Other financial investments			29.2	26.3					44.7	28.8	73.9	55.1
Total	2,932.9	3,050.8	16,299.7	17,489.2	39,933.9	36,648.2	569.8	578.8	9,217.3	10,016.1	68,953.7	67,783.1

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 market indices		Benefits linked to pension fund management		Total	
Amounts in €m	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Recognised assets	6,234.5	7,290.6	2,982.6	2,725.2	9,217.1	10,015.8
Intragroup assets *	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	6,234.5	7,290.6	2,982.6	2,725.2	9,217.1	10,015.8
Recognised financial liabilities	1,087.2	1,098.1	486.8	437.8	1,574.0	1,535.9
Recognised technical provisions	5,147.7	6,198.7	2,495.0	2,287.4	7,642.8	8,486.2
Intragroup liabilities *	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	6,234.9	7,296.8	2,981.9	2,725.2	9,216.8	10,022.0

* Assets and liabilities eliminated on consolidation

Details of technical provisions – reinsurers' share

	Direct business		Indirect business		Total carrying amount	
Amounts in €m	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Non-Life provisions	614.3	709.9	293.3	337.8	907.5	1,047.8
Provision for premiums	139.0	133.4	72.7	75.6	211.7	209.0
Claims provision	475.3	576.5	220.6	262.3	695.9	838.8
Other provisions	0.0	0.0	0.0	0.0	0.0	0.0
Life provisions	99.3	117.8	38.7	41.8	138.0	159.6
Provision for payable amounts	7.3	6.0	1.9	1.4	9.2	7.4
Mathematical provisions	91.8	111.6	36.8	40.4	128.6	152.0
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	713.6	827.7	331.9	379.6	1,045.5	1,207.3

Details of technical provisions

	Direct business		Indirect business		Total carrying amount	
Amounts in €m	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Non-Life provisions	18,449.1	19,673.6	134.1	142.0	18,583.3	19,815.6
Provision for premiums	3,646.0	4,007.6	3.2	4.7	3,649.2	4,012.3
Claims provision	14,783.0	15,643.1	130.9	137.3	14,913.9	15,780.4
Other provisions	20.1	22.9	0.1	0.0	20.2	22.9
including provisions allocated as a result of the liability adequacy test	*0.0*	*0.0*			*0.0*	*0.0*
Life provisions	38,267.3	36,612.7	24.7	27.7	38,292.0	36,640.4
Provision for payable amounts	448.4	445.6	2.2	2.2	450.6	447.7
Mathematical provisions	29,615.2	27,699.9	22.5	25.6	29,637.7	27,725.5
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	7,642.8	8,486.2	0.0	0.0	7,642.8	8,486.2
Other provisions	560.9	-19.0	0.0	0.0	560.9	-19.0
including provisions allocated as a result of the liability adequacy test					*0.0*	*0.0*
including deferred liabilities to policyholders	*430.8*	*-155.8*			*430.8*	*-155.8*
Total technical provisions	56,716.4	56,286.3	158.8	169.8	56,875.3	56,456.0

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 at fair value through profit or loss					
Amounts in €m	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Equity 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	2,575.3	2,563.2	2,575.3	2,563.2
Liabilities arising from financial contracts issued by insurance companies			1,581.9	1,545.2	26.1	26.8	1,608.0	1,572.0
Arising from contracts where the investment risk is borne by policyholders			*1,094.3*	*1,107.4*			*1,094.3*	*1,107.4*
Arising from pension fund management			*487.5*	*437.8*			*487.5*	*437.8*
Arising from other contracts			*0.0*	*0.0*	*26.1*	*26.8*	*26.1*	*26.8*
Deposits received from reinsurers					277.8	301.3	277.8	301.3
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	2,930.6	2,715.4	2,930.6	2,715.4
Payables to bank customers					6,095.8	6,253.3	6,095.8	6,253.3
Interbank payables					1,257.6	1,509.0	1,257.6	1,509.0
Other loans obtained	0.0	0.0	0.0	0.0	122.8	123.8	122.8	123.8
Non-hedging derivatives	89.7	116.6	0.0	0.0			89.7	116.6
Hedging derivatives	382.2	503.7	0.3	0.9			382.6	504.6
Sundry financial liabilities	0.0	0.0	2.6	2.5	698.5	571.9	701.1	574.4
Total	472.0	620.3	1,584.8	1,548.6	13,984.6	14,064.8	16,041.4	16,233.6

Details of technical insurance items

		31/12/2013			31/12/2012		
	Amounts in €m	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business							
NET PREMIUMS		10,209.0	-421.7	9,787.3	7,491.4	-280.0	7,211.4
a	Recognised premiums	9,857.3	-421.3	9,436.0	7,265.5	-275.9	6,989.6
b	Change in premium provision	351.7	-0.4	351.3	225.9	-4.1	221.8
NET CHARGES RELATING TO CLAIMS		-6,820.7	166.1	-6,654.6	-5,090.3	255.2	-4,835.0
a	Amounts paid	-7,853.4	313.2	-7,540.2	-5,555.8	167.6	-5,388.2
b	Change in claims provision	866.2	-142.5	723.7	357.3	141.4	498.7
c	Changes in recoveries	166.3	-4.6	161.7	108.0	-53.8	54.2
d	Changes in other technical provisions	0.2	0.0	0.2	0.3	0.0	0.3
Life business							
NET PREMIUMS		6,816.0	-22.0	6,794.1	4,433.9	-21.7	4,412.2
NET CHARGES RELATING TO CLAIMS		-7,668.2	14.4	-7,653.9	-5,550.0	16.1	-5,533.9
a	Amounts paid	-6,600.4	35.9	-6,564.5	-5,635.9	27.1	-5,608.8
b	Change in provision for payable amounts	-9.5	1.8	-7.7	151.6	2.1	153.7
c	Change in mathematical provisions	-1,893.3	-23.3	-1,916.6	-61.4	-13.1	-74.5
d	Change in technical provisions where the investment risk is borne by policyholders and arising from pension fund management	849.4	0.0	849.4	236.6	0.0	236.6
e	Changes in other technical provisions	-14.5	0.0	-14.5	-241.0	0.0	-241.0

Investment income and charges

	Amounts in €m	Interest	Other income	Other costs	Realised gains	Realised losses	Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total gains and losses	Total gains and losses
								Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment		31/12/2013	31/12/2012
Balance on investments		2,276.0	343.7	-202.1	841.4	-306.0	2,953.1	339.2	0.5	-827.3	-142.4	-630.0	2,323.2	2,310.0
a	Arising from investment property		92.9	-65.7	6.8	-0.3	33.6	0.0	0.3	-52.8	-60.5	-113.0	-79.4	-24.5
b	Arising from investments in subsidiaries, associates and interests in joint ventures		11.3	-4.6	0.0	0.0	6.7	0.0	0.0		-1.9	-1.9	4.9	-14.4
c	Arising from investments held to maturity	107.5	0.0	0.0	0.5	0.0	107.9	0.0	0.0	0.0	0.0	0.0	107.9	99.7
d	Arising from loans and receivables	595.4	0.0	-0.1	31.4	-40.4	586.4	0.0	0.2	-507.5	-6.8	-514.1	72.3	493.1
e	Arising from available-for-sale financial assets	1,396.4	76.2	-10.1	646.6	-136.0	1,973.1	0.0	0.0	-73.1	-73.1	-146.2	1,826.9	1,158.0
f	Arising from financial assets held for trading	15.3	46.1	-89.9	58.8	-103.2	-72.9	160.0		-49.7		110.3	37.4	12.5
g	Arising from financial assets at fair value through profit or loss	161.6	117.3	-31.7	97.3	-26.0	318.4	179.2		-144.3		34.9	353.3	585.7
Balance on sundry receivables		10.2	0.0	0.0		0.0	10.1					0.0	10.1	3.4
Balance on cash and cash equivalents		10.7	0.0	-0.4		0.0	10.3					0.0	10.3	5.1
Balance on financial liabilities		-340.1	1.8	-38.7	2.2	-0.9	-375.7	16.8	0.0	-24.9	0.0	-8.2	-383.9	-456.7
a	Arising from financial liabilities held for trading	0.0	1.8	0.0	0.1	-0.2	1.7	16.8		-1.3		15.5	17.1	1.9
b	Arising from financial liabilities at fair value through profit or loss	0.0	0.0	-36.9	0.0	0.0	-36.9	0.0		-23.6		-23.6	-60.6	-148.7
c	Arising from financial liabilities	-340.1		-1.8	2.1	-0.6	-340.5	0.0	0.0	0.0		0.0	-340.5	-309.9
Balance on payables		-5.9		0.0		0.0	-5.9				0.0	0.0	-5.9	-5.8
Total		1,950.8	345.5	-241.2	843.6	-306.8	2,591.9	356.0	0.5	-852.2	-142.4	-638.1	1,953.8	1,856.0

Details of insurance business expenses

	Amounts in €m	Non-Life business		Life business	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012
Gross commissions and other acquisition costs		-2,021.2	-1,428.9	-185.4	-125.3
a	Acquisition commissions	-1,423.2	-966.5	-120.2	-73.0
b	Other acquisition costs	-409.1	-282.0	-56.3	-43.9
c	Change in deferred acquisition costs	7.4	16.9	3.4	2.6
d	Collection commissions	-196.2	-197.4	-12.4	-11.1
Commissions and participation in profits received from insurers		110.2	77.5	5.3	3.9
Investment management expenses		-29.8	-23.8	-33.3	-22.2
Other administrative expenses		-421.2	-278.6	-105.9	-75.7
Total		-2,362.0	-1,653.8	-319.4	-219.2

Details of other consolidated comprehensive income

	Amounts allocated		Adjustments from reclassification to the Income Statement		Other changes		Total changes		Income tax		Balance	
Amounts in €m	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Other profit components without reclassification to the Income Statement	5.4	-14.8	0.0	0.0	0.0	0.0	5.4	-14.8	0.3	6.6	10.5	5.1
Reserve deriving from variations in equity of investees	6.1	0.0	0.0	0.0	0.0	0.0	6.1	0.0	0.0	0.0	6.1	0.0
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
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 and losses and adjustments relating to defined benefit plans	-0.9	-15.6	0.0	0.0	0.0	0.0	-0.9	-15.6	0.3	6.6	-17.3	-16.5
Other items	0.2	0.9	0.0	0.0	0.0	0.0	0.2	0.9	0.0	0.0	1.0	0.9
Other profit components with reclassification to the Income Statement	387.0	1,155.4	-130.2	265.4	0.0	0.0	256.8	1,420.8	-231.5	-571.7	498.2	241.3
Translation reserve	2.1	5.7	0.0	0.0	0.0	0.0	2.1	5.7	0.0	0.0	7.8	5.7
Gains or losses on available-for-sale financial assets	351.6	1,175.4	-130.2	265.4	0.0	0.0	221.4	1,440.8	-215.6	-584.5	522.1	300.7
Gains or losses on cash flow hedges	33.3	-25.7	0.0	0.0	0.0	0.0	33.3	-25.7	-15.8	12.8	-31.7	-65.1
Gains or losses on hedges of a 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
Reserve deriving from variations 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
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
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OTHER COMPREHENSIVE INCOME/(EXPENSE)	392.4	1,140.6	-130.2	265.4	0.0	0.0	262.3	1,406.1	-231.2	-565.2	508.7	246.4

Details of reclassified financial assets and their effects on the income statement and comprehensive income

Amounts in €m

Categories of financial assets subject to reclassification		Type of asset	Amount of reclassified assets in 2013 at the reclassification date	Carrying amount at 31/12/2013 of reclassified assets		Fair value at 31/12/2013 of reclassified assets		Reclassified assets in 2013		Reclassified assets up to the end of 2013		Reclassified assets in 2013		Reclassified assets up to the end of 2013	
from	to			Reclassified assets in 2013	Reclassified assets up to the end of 2013	Reclassified assets in 2013	Reclassified assets up to the end of 2013	Profit or loss recognised in profit or loss	Profit or loss recognised in other comprehensive income	Profit or loss recognised in profit or loss	Profit or loss recognised in other 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
at FV through P or L	Loans and receivables	debt securities			482.3		410.5				0.2			27.5	0.1
at FV through P or L	Loans and receivables	other fin. instruments													
Available for sale	Loans and receivables	debt securities			924.9		872.3								68.8
Available for sale	Loans and receivables	other fin. instruments													
at FV through P or L	Available for sale	equity instruments								-0.2	0.1			-0.2	0.1
at FV through P or L	Available for sale	debt securities													
at FV through P or L	Available for sale	other fin. instruments													
at FV through P or L	Investments held to	debt securities													
at FV through P or L	Investments held to	other fin. instruments													
Available for sale	Investments held to	debt securities													
Available for sale	Investments held to	other fin. instruments													
Total					1,407.2		1,282.8			-0.2	0.3			27.3	69.0

Assets and liabilities valued at fair value on a recurring and non-recurring basis: breakdown by fair value level

		Level 1		Level 2		Level 3		Total	
	Amounts in €m	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Assets and liabilities valued at fair value on a recurring basis									
Available-for-sale financial assets		37,708.0	34,068.5	733.4	794.9	1,492.5	1,784.8	39,933.9	36,648.2
Financial assets at fair value through profit or loss	Financial assets held for trading	264.4	246.5	196.7	186.4	108.7	146.0	569.8	578.8
	Financial assets at fair value through profit or loss	6,172.5	5,291.0	1,152.6	2,327.1	1,892.2	2,397.9	9,217.3	10,016.1
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets valued at fair value on a recurring basis		*44,144.9*	*39,606.0*	*2,082.7*	*3,308.5*	*3,493.4*	*4,328.6*	*49,721.0*	*47,243.1*
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	9.0	28.7	458.5	574.0	4.5	17.6	472.0	620.3
	Financial liabilities at fair value through profit or loss			505.8	483.6	1,079.0	1,064.9	1,584.8	1,548.6
Total liabilities valued at fair value on a recurring basis		*9.0*	*28.7*	*964.3*	*1,057.6*	*1,083.5*	*1,082.5*	*2,056.8*	*2,168.9*
Assets and liabilities valued at fair value on a non-recurring basis									
Non-current assets held for sale or disposal groups									
Liabilities associated with disposal groups									

Details of changes in financial assets and liabilities at level 3 at fair value on a recurring basis

Amounts in €m	Available-for-sale financial assets	Financial liabilities at fair value to the Income Statement		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value	
		Financial assets held for trading	Financial assets at fair value through profit or loss				Financial liabilities held for trading	Financial liabilities at fair value through profit or loss
Opening balance	1,784.8	146.0	2,397.9				17.6	1,064.9
Acquisitions/Issues	302.7	3.4	204.7				0.0	
Disposals/Repurchases	-502.7	-18.5	-625.9				-12.6	
Repayments	-20.3	-12.0	-19.3					
Profit or loss recognised through profit or loss	-50.2	-11.5	-71.1				1.8	
- of which unrealised gains/losses	*-56.6*	*-11.5*	*-71.5*				*1.8*	
Profit or loss recognised in other comprehensive income	-3.4		0.5					
Transfers to level 3	31.2	0.0	3.8					
Transfers to other levels	-63.5	-0.5						
Other changes	13.9	1.8	1.6				-2.2	14.1
Closing balance	1,492.5	108.7	1,892.2				4.5	1,079.0

Assets and liabilities not valued at fair value: breakdown by fair value level

	Carrying amount		Fair Value							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Assets										
Investments held to maturity	2,932.9		2,524.9		477.8		42.1		3,044.7	
Loans and receivables	16,299.7		10.7		4,314.5		12,427.5		16,752.7	
Investments in subsidiaries, associates and interests in joint ventures	188.8						188.8		188.8	
Investment property	2,869.8						2,968.8		2,968.8	
Property, plant and equipment	1,383.3						1,426.0		1,426.0	
Total assets	23,674.6		2,535.6		4,792.3		17,053.2		24,381.1	
Liabilities										
Other financial liabilities	13,984.6		1,282.0				12,697.1		13,979.2	

Statement on the Consolidated Financial Statements

(in accordance with Article 81-ter of Consob Regulation 11971/1999)

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

1. The undersigned, Carlo Cimbri, as Chief Executive Officer, and Maurizio Castellina, as Manager in charge of financial reporting of Unipol Gruppo Finanziario S.p.A., hereby certify, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998;

   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the administrative and accounting procedures for preparation of the consolidated financial statements for the year 2013.

2. The assessment of the adequacy of the administrative and accounting procedures for preparing the consolidated financial statements for the year ended 31 December 2013 is based on a process defined by Unipol Gruppo Finanziario S.p.A., inspired by the COSO Framework (Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organisations of the Treadway Commission and, as regards the IT component, by the COBIT Framework (Control OBjectives for IT and related technology), unanimously recognised as the reference standards for the implementation and evaluation of internal control systems.

3. It is also certified that:

   3.1. the consolidated financial statements at 31 December 2013:

   – were drafted in compliance with the International Accounting Standards recognised in the European Community in accordance with EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002, and Legislative Decree no. 38/2005, Legislative Decree no. 209/2005 and the applicable ISVAP provisions, regulations and circulars;

   – correspond to the book results and accounting records;

   – are suitable to provide a true and fair view of the equity, economic and financial situation of the issuer and of the consolidated companies;

   3.2. the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer and the group of consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Bologna, 20 March 2014

The Chief Executive Officer

Carlo Cimbri

The Manager in charge of financial reporting

Maurizio Castellina

(signed on the original)

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 Issuers' Regulation)

Amounts in €k

Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	284
Total Unipol Gruppo Finanziario			284
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	2,947
Attestation services	PricewaterhouseCoopers S.p.A.	Subsidiaries	522
Other services	PricewaterhouseCoopers S.p.A.	Subsidiaries	350
Other services: tax services	TLS Associazione Professionale di Avvocati e Commercialisti	Subsidiaries	21
Total subsidiaries			3,840
Grand total			4,124

(*) the fees do not include recharged expenses and any non-deductible VAT

Independent Auditors’ Report

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 39 OF 27 JANUARY 2010

To the Board of Directors of
Unipol Gruppo Finanziario SpA

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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 2013. 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 2012 financial year. As explained in the notes to the financial statements, the Directors have restated certain comparative information as at 31 December 2012 when compared to the information that had been audited by us with report issued on 25 April 2013. The procedures applied in restating the comparative information and the related disclosures included in the notes to the financial statements, have been examined by us for the purpose of expressing our opinion on the consolidated financial statements for the year ended 31 December 2013.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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3 In our opinion, the consolidated financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2013 are 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; accordingly, they have been prepared clearly and they give a true and fair view of the consolidated financial position, the consolidated financial performance and the consolidated cash flows of Unipol Group for the year then ended.

4 The Directors of Unipol Gruppo Finanziario SpA are responsible for the preparation of the Board of Directors' Report and the Corporate Governance and Share Ownership Report available in Unipol Gruppo Finanziario SpA web-site section *"Corporate Governance"*, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Board of Directors' Report and of 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 the 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 Boards 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 the 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 2013.

Milan, 7 April 2014

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.

Unipol Gruppo Finanziario S.p.A.

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Share capital
€3,365,292,408.03 fully paid-up
Bologna Business Register,
Tax and VAT No. 00284160371
R.E.A. No. 160304
Parent of the Unipol Insurance Group
Entered in the Register of Insurance
Groups – No 046

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