# UnipolSai Assicurazioni
2013 Consolidated
Financial Statements

UnipolSai
ASSICURAZIONI

# 2013 CONSOLIDATED FINANCIAL STATEMENTS

## MAIN EVENTS IN 2013

- **15 January 2013**: IVASS announced the launch of authorisation procedures with effect from 28 December 2012 regarding the merger by incorporation of Premafin, Unipol Assicurazioni and Milano Assicurazioni into Fondiaria-SAI. On 25 July 2013, on conclusion of the investigation procedure, IVASS released its authorisation for the merger;

- **28 January 2013**: in accordance with Article 2501-quater, first paragraph of the Civil Code, the proposal of merger by incorporation into Fondiaria-SAI S.p.A of Premafin Finanziaria S.p.A. - Holding di Partecipazioni, Unipol Assicurazioni S.p.A. and Milano Assicurazioni S.p.A., approved by the Board of Directors of the participating Companies in the merger on 20 December 2012, was filed at the registered office of the Company and published on the website of the Company in the "Integration Plan Unipol – Fondiaria-SAI" section.

- **14 March 2013**: the Ordinary Shareholders' Meeting of Fondiaria-SAI S.p.A., called at the request of the ad acta Commissioner Mr. Matteo Caratozzolo and meeting in second call, approved by a 99.96% majority of ordinary shareholders represented at the meeting the pursuit of the corporate responsibility action against those indicated in the Report prepared for the Shareholders' Meeting by the ad acta Commissioner and published in accordance with law.
  Similarly, the Ordinary Shareholders' Meeting of Milano Assicurazioni S.p.A. approved, by a 99.79% majority of ordinary shareholders represented at the meeting, the pursuit of the corporate responsibility action against those indicated in the Report prepared for the Shareholders' Meeting by the ad acta Commissioner and published in accordance with law.

- **26 March 2013**: the Class A Special Savings Shareholders' Meeting of Fondiaria-SAI S.p.A. approved the actions necessary to contest the motions passed by the Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A. of 27 June 2012;

- **17 April 2013**: CONSOB requested that, pursuant to Article 114, paragraph 5, of Legislative Decree No. 58/98, Fondiaria-SAI issue a press release outlining the reasons why the Board of Directors of the Company, in the consolidated financial statements approved on 20 March 2013, did not apply the provisions of IAS 8 relating to the comparative figures for the 2011 consolidated financial statements in order to correct the errors noted by CONSOB and contained in Decision No. 18430 of 21 December 2012. For further information, reference should be made to the 2012 Consolidated Financial Statements, "Integration to the 2012 consolidated financial statements following CONSOB request of 17 April 2013, Protocol No. 13032789";

- **29 April 2013**: the Shareholders' Meeting of Fondiaria-SAI S.p.A. appointed the Board of Directors for the three financial years 2013, 2014 and 2015, i.e. until the Shareholders' Meeting called to approve the financial statements for 2015. Fabio Cerchiai was also appointed as Chairman of the Company, according to the proposal drawn up by Premafin HP S.p.A. At its meeting of 28 May 2013, the Board of Directors formally verified possession of the requirements of independence of the Directors qualifying themselves as such, and appointed other corporate officers and members of the board committees;

- **28 June 2013**: Fondiaria-SAI S.p.A. and its direct and indirect subsidiaries Milano Assicurazioni S.p.A., Saifin Saifinanziaria S.p.A. and SIAT S.p.A. - as part of the share capital increase of RCS Mediagroup S.p.A. approved by the Shareholders' Meeting of 30 May 2013 - fully exercised their 6,003,185 option rights on post-conversion shares held, of which 5,777,150 shares restricted by the Consultation and Lock-up Shareholders' Agreement on ordinary RCS Mediagroup S.p.A. shares and 226,035 shares not covered by that Agreement;

- **30 July 2013**: the Ordinary Shareholders' Meeting of Fondiaria-SAI S.p.A., meeting in second call, approved by a 99.99% majority of ordinary shareholders represented at the meeting the pursuit of the corporate responsibility action against certain former directors and statutory auditors, as proposed by the Board of Directors in the Report prepared for the Shareholders' Meeting and published in accordance with law;

- **30 July 2013**: in reference to the remainder of the period 2013-2018, the Shareholders' Meeting also approved the voluntary termination of the audit assignment granted originally to Reconta Ernst & Young S.p.A., and at the same time the transfer of the audit assignment for 2013-2021 to PricewaterhouseCoopers S.p.A., the main independent audit firm of the Unipol Group, with terms and conditions as indicated in the explanatory report of proposals to the Shareholders' Meeting, this too made public in accordance with law;

- **9 October 2013**: Fondiaria-SAI S.p.A. and its subsidiaries Milano Assicurazioni S.p.A. and Finsai International S.A. successfully completed the disposal of 23,114,386 ordinary Mediobanca S.p.A. shares held by the sellers, equal to around 2.68% of the share capital. The forward contracts previously signed on other shares held were subsequently settled in the first half of November 2013;

- **9 October 2013**: the information document on the merger, prepared by Fondiaria-SAI S.p.A., Premafin Finanziaria S.p.A. - Holding di Partecipazioni, Milano Assicurazioni S.p.A. and Unipol Assicurazioni S.p.A. in accordance with Article 70, paragraph 6, CONSOB Regulation no. 11971 of 14 May 1999, as amended, was made available with the related attachments;

- **25 October 2013**: the Extraordinary Shareholders' Meetings of Unipol Assicurazioni S.p.A., Fondiaria-SAI S.p.A. and Premafin Finanziaria S.p.A. – Holding di Partecipazioni approved the merger by incorporation of Premafin, Unipol Assicurazioni and Milano Assicurazioni into Fondiaria-SAI;

- **26 October 2013**: the Extraordinary Shareholders' Meeting of Milano Assicurazioni S.p.A. approved the merger by incorporation of Premafin, Unipol Assicurazioni and Milano Assicurazioni into Fondiaria-SAI;

- **28 October 2013**: by vote in favour representing 97.82% of savings capital present, in accordance with Article 146, paragraph 1b), Italian Legislative Decree no. 58 of 24 February 1998, the Special Savings Shareholders' Meeting of Milano Assicurazioni approved the resolution carried by the Extraordinary Shareholders' Meeting of Milano Assicurazioni regarding the merger;

- **31 October 2013**: the resolutions carried by the Extraordinary Shareholders' Meeting and Special Savings Shareholders' Meeting of Milano Assicurazioni (held on 26 and 28 October 2013), and the Extraordinary Shareholders' Meeting of Premafin (held on 25 October 2013) approving the merger by incorporation of Premafin Finanziaria, Unipol Assicurazioni and Milano Assicurazioni into Fondiaria-SAI were registered in the Company Registration Offices in Milan and Bologna, respectively;

- **4 December 2013**: Antonino D’Ambrosio resigned from office as Statutory Auditor of Fondiaria-SAI, Milano Assicurazioni and Premafin Finanziaria;

- **24 December 2013**: Consob issued its judgment of equivalence on the updated Information Document;

- **31 December 2013**: the deed of merger was signed regarding the merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin Finanziaria into Fondiaria-SAI. As a result of the merger, Fondiaria-SAI will change its company name to UnipolSai Assicurazioni S.p.A.

# 2013 CONSOLIDATED FINANCIAL STATEMENTS

# CORPORATE BOARDS UNIPOLSAI S.p.A.

## BOARD OF DIRECTORS

| | |
|---|---|
| Fabio Cerchiai* | *Chairman* |
| Pierluigi Stefanini* | *Vice Chairman* |
| Carlo Cimbri* | *Chief Executive Officer* |
| Francesco Berardini | |
| Milva Carletti | |
| Lorenzo Cottignoli | |
| Ernesto Dalle Rive | |
| Ethel Frasinetti | |
| Vanes Galanti | |
| Giorgio Ghiglieno | |
| Massimo Masotti | |
| Maria Rosaria Maugeri | |
| Maria Lillà Montagnani | |
| Maria Antonietta Pasquariello | |
| Marco Pedroni | |
| Nicla Picchi | |
| Barbara Tadolini | |
| Francesco Vella | |
| Mario Zucchelli | |
| | |
| Roberto Giay | *Secretary of the Board and the Executive Committee* |

## BOARD OF STATUTORY AUDITORS

| | |
|---|---|
| Giuseppe Angiolini | *Chairman* |
| Sergio Lamonica | *Statutory Auditor* |
| Giorgio Loli | *Statutory Auditor* |
| Maria Luisa Mosconi | *Alternate Auditor* |
| Giovanni Rizzardi | *Alternate Auditor* |

## AUDIT FIRM
PricewaterhouseCoopers S.p.A.

## JOINT REPRESENTATIVE OF THE CLASS “A” SAVINGS SHAREHOLDERS
Dario Trevisan

* *Members of the Executive Committee*

## JOINT REPRESENTATIVE OF THE CLASS "B" SAVINGS SHAREHOLDERS

Giuseppe Dolcetti

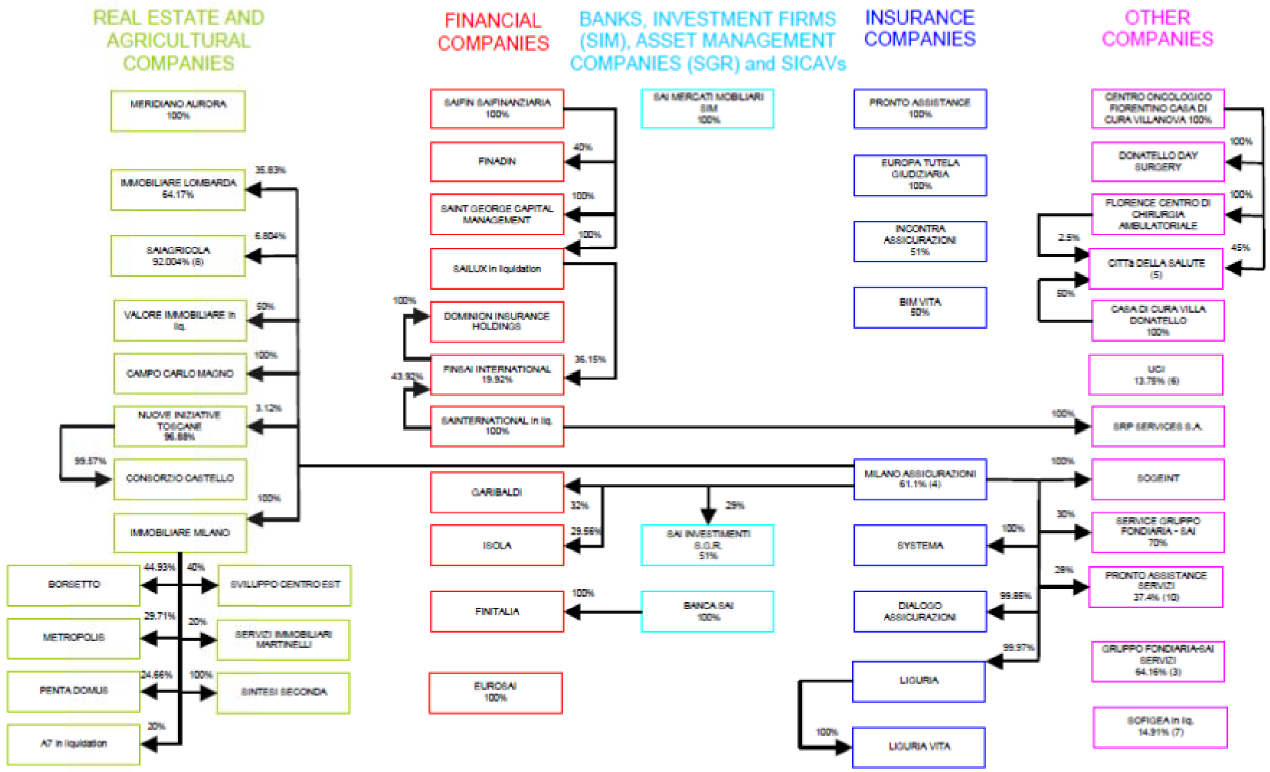
## EXECUTIVE RESPONSIBLE

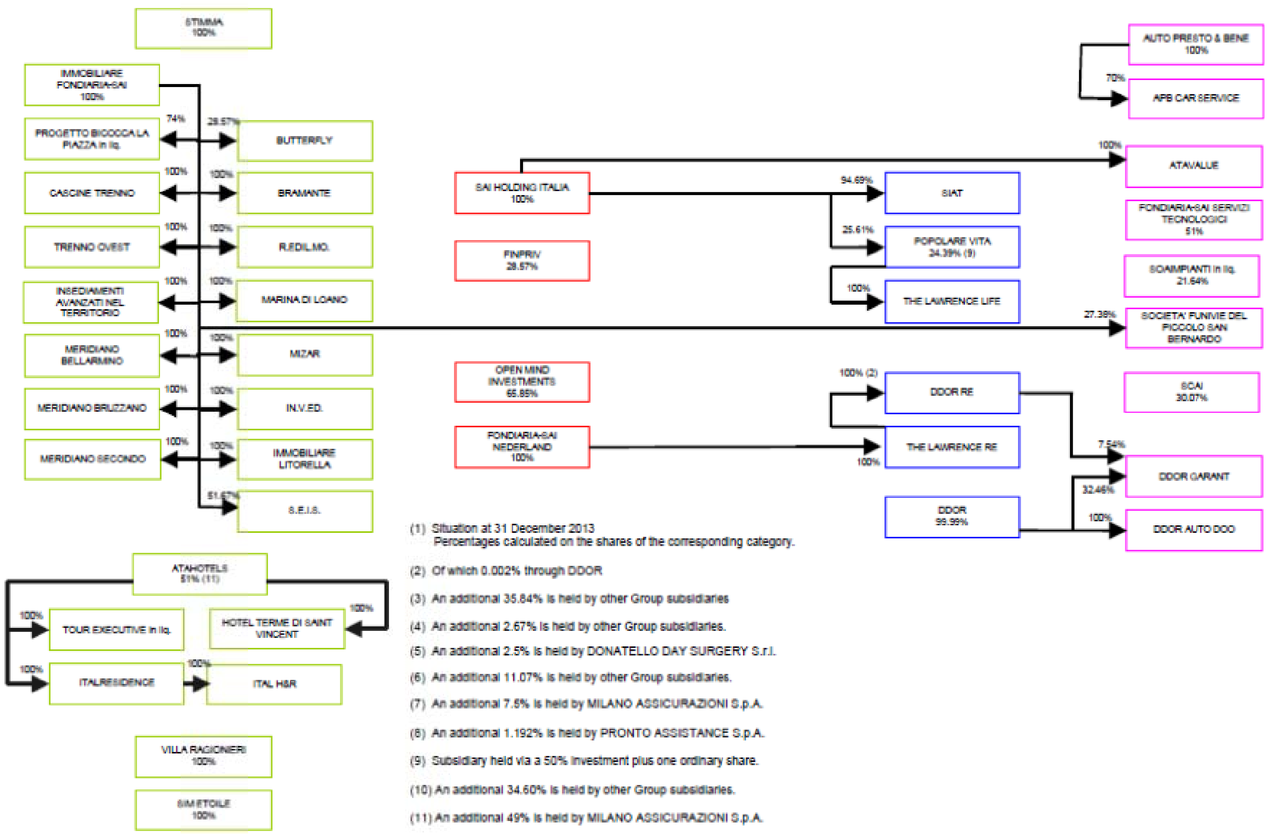
*for the preparation of the corporate accounting documents*

Maurizio Castellina

# SUBSIDARIES, ASSOCIATED COMPANIES AND OTHER SIGNIFICANT HOLDINGS

# SUBSIDIARIES AND ASSOCIATES(1)






(1) Situation at 31 December 2013
Percentages calculated on the shares of the corresponding category.

(2) Of which 0.002% through DDOR

(3) An additional 35.84% is held by other Group subsidiaries

(4) An additional 2.67% is held by other Group subsidiaries.

(5) An additional 2.5% is held by DONATELLO DAY SURGERY S.r.l.

(6) An additional 11.07% is held by other Group subsidiaries.

(7) An additional 7.5% is held by MILANO ASSICURAZIONI S.p.A.

(8) An additional 1.192% is held by PRONTO ASSISTANCE S.p.A.

(9) Subsidiary held via a 50% investment plus one ordinary share.

(10) An additional 34.60% is held by other Group subsidiaries.

(11) An additional 49% is held by MILANO ASSICURAZIONI S.p.A.

# *OTHER SIGNIFICANT HOLDINGS (1)*

**FINANCIAL COMPANIES AND BANKS**

RCS
5.651% (2)

**OTHER COMPANIES**

ALERION
4.956% (3)

INDUSTRIA E INNOVAZIONE
4.548% (4)

(1) Situation at 31/12/2013
Percentages calculated on shares of the corresponding category.

(2) 3.775% investment held directly and 1.876% held indirectly.

(3) 1.514% investment held directly and 3.442% held indirectly.

(4) 2.274% investment held directly and 2.274% held indirectly

# Directors' Report
# at 31 December 2013

## Introduction

On 6 January 2014, following registration of the deed of merger with the relevant company registration offices of Bologna, Milan and Turin on 2 January 2014, UnipolSai Assicurazioni, the company resulting from the merger of Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI, became officially operative.

The accounting and tax effects of the merger are instead backdated to 1 January 2014.

The merger of these historic companies, among the leaders in the Italian insurance panorama in terms of brand, tradition, expertise and experience, was the final move in the plan to integrate the Unipol and Premafin/Fondiaria-SAI groups launched at the beginning of 2012.

Fondiaria-SAI consolidated operations in 2013 therefore featured a series of extraordinary events, principally related to the integration plan.

With the establishment of UnipolSai Assicurazioni, listed on the stock exchange from 6 January 2014, the new organisation of the Unipol Group became final, which as a result of the figures of the new company takes on the dimensions of a national champion and, at the same time, joins the ranks of the top ten insurance groups in Europe.

Under the control of the parent, Unipol Gruppo Finanziario (also listed on the stock exchange), UnipolSai operates on the market through seven divisions: Unipol, La Fondiaria, Sai, Milano, Nuova MAA, SASA and La Previdente.

# OPERATIONAL PERFORMANCE

The Income Statement at 31 December 2013 records consolidated profit of €417m compared to a consolidated loss of €800m at 31 December 2012.
The Comprehensive Income Statement reports a profit of €520m (€138m at 31/12/2012).

## Consolidated Income Statement

| (in €K) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Net premiums | 9,650,144 | 9,967,235 | (317,091) |
| Net charges relating to claims | 8,379,217 | 9,357,554 | (978,337) |
| Net commissions | 1,679 | 8,062 | (6,383) |
| Net income from investments | 1,108,586 | 325,546 | 783,040 |
| Net income from financial instruments at fair value through profit or loss | 142,516 | 544,681 | (402,165) |
| Operating expenses | 1,609,424 | 1,698,317 | (88,893) |
| Other income and charges | (262,141) | (722,437) | 460,296 |
| **Net profit (loss) for the year before taxes** | **652,143** | **(932,784)** | **1,584,927** |
| Income taxes | (234,352) | 131,362 | (365,714) |
| **Net profit (loss) for the year after taxes** | **417,791** | **(801,422)** | **1,219,213** |
| **Profit (loss) from discontinued operations** | **(1,237)** | **1,825** | **(3,062)** |
| **Consolidated profit (loss)** | **416,554** | **(799,597)** | **1,216,151** |
| **Profit (loss) for the year attributable to non-controlling interests** | **86,760** | **(49,880)** | **136,640** |
| **Profit (loss) for the year attributable to the Group** | **329,794** | **(749,717)** | **1,079,511** |

*Pursuant to CONSOB Communication No. DEM/6064293 of 28 July 2006 and CESR recommendation (CESR/05-178b) in relation to alternative performance indicators, it is reported that the key indicators utilised in this report are in line with best market practices, the principal academic theories and financial analysis practices. Where indicators are utilised which are not in accordance with the requisites stated, the necessary information is provided in order to understand the basis of the calculations utilised.*

The main factors are illustrated below:

- the positive technical result in the Non-Life insurance sector was consolidated, with a combined ratio vs. retained business now below 100%, i.e. standing at 96.3% compared to 104.2% last year. With regard to direct business, this indicator stands at 96.1% (105.4% at 31/12/2012).
  Given the decline in premiums, particularly in the Motor insurance sector, the positive performance in terms of claims reported and the corresponding reduction in frequency overlap;

- a good performance was recorded in premiums written in the Life class (+8.4%), driven mainly by the bancassurance SPV, Lawrence Life;

- premiums written by companies operating through traditional channels also rose, confirming a renewed faith in the Group, accompanied by an equally significant decrease in redemptions;

- a positive financial management performance. As reported in greater detail later in this report, as a result of the Bank of Italy statutory amendments introduced by Decree Law no. 133 of 30 November 2013, converted to Law no. 5 of 29 January 2014, a capital gain of €150m was realised, subject to substitute tax of 12%

amounting to €18m (with a subsequent positive impact on the Income Statement by €132m). Based on these measures, the Supervisory Authority was authorised to increase its capital through the use of statutory reserves in the sum of €7,500,000,000. Following this increase, the capital is represented by newly-issued registered shares for €25,000 each;

- the reporting of a significant tax liability for the period, indicative of the recoverability (along with that recognised to equity reserves) of deferred tax assets recorded in the previous year's financial statements.

In this context:

- the **consolidated result** for the period is positive for €417m (a loss of €800m at 31/12/2012). The non-controlling interests' share amounts to €87m and is attributable to positive contributions from Milano Assicurazioni and Popolare Vita;

- the **Non-life insurance sector** reports a pre-tax profit of €413m, showing a net improvement over the pre-tax result at 31 December 2012 (-€565m). Contributing to this is the technical result for the sector which was highly positive (€236m) compared to a technical result of -€240m at 31 December 2012.
  Premiums written in the Motor sector continue to show a significant decline (around 13%) due to a series of factors, including the difficult reference economic context, selection activity in progress and the abolition of the tacit renewal for Motor TPL contracts, which led to a more prudential approach to the management of invoicing processes. This is offset by a considerable drop in claims reported and in frequency.
  The General classes show a much more limited decline (-3.5%), considering that the portfolio restructuring action had already begun in the previous two-year period and that the decrease is affected by the recession in Italy that makes expansion of insurance cover by households and business particularly difficult.
  The sector result is also influenced by €40m in impairment of AFS financial instruments (€126m at 31/12/2012): of this amount, €10.4m refers to impairment of the investment in Alitalia - Compagnia Aerea Italiana S.p.A.
  It should be remembered that at 31 December 2012 the Non-Life sector result was affected by the recognition of impairment losses on investment property for €103m (for the current year such write-downs amounted to €10m) and impairment of intangible assets for €100m (none this year).
  The 2013 result for the sector also benefits from capital gains realised on AFS financial instruments for €165m (€30m at 31/12/2012), of which €50m referring to the investment in the Bank of Italy;

- the **Life insurance sector** reports a pre-tax profit of €360m compared to a loss of -€35m at 31 December 2012.
  The business performance was positive (+8.4%) due to the contribution recorded for Class I business (+16%), whereas the trend in redemptions continues to slow compared to 2012.
  The financial management result improved compared to 31 December 2012, also as a result of the impact of higher net gains on AFS financial instruments recorded during the period (€190m at 31/12/2013, of which €100m relating to the investment in the Bank of Italy, versus €12m at 31/12/2012).
  The period impact of impairment losses on AFS financial instruments was much more limited (€15m vs. €58m at 31/12/2012);

- the **Real Estate sector** reports a pre-tax loss of €69m (loss of €237m at 31/12/2012), negatively affected by impairment of investment property for €27m (€177m at 31/12/2012) and depreciation of investment property essentially in line with those of the previous year (€29m at 31/12/2013; €30m at 31/12/2012). In particular, the further value reductions in property recorded during the period were largely attributable to the Port of Loano initiative (through the subsidiary Marina di Loano), for which the measurement model used at year end was updated. Given the persisting stagnation in this segment, no gains were recorded and, in addition to cost controls, management operations focused on the restructuring and rationalisation of existing assets characterised by specific initiatives which do not require immediate gains, such as the Castello Area in Florence or the aforementioned Port of Loano;

- the **Other Activities sector** which includes the companies operating in the financial and asset management sectors, reports a pre-tax loss of €51m (-€95m at 31/12/2012).
  The negative results are attributable to the continued structural losses of Centro Oncologico Fiorentino and Atahotels, added to which is the negative result of Sainternational S.A. in liquidation following the write-down of RCS shares held;

- **operating expenses** amount to €1,609m (€1,698m at 31/12/2012), with an approximate 5% decrease essentially due to the decrease in acquisition commissions as a result of the contraction in Non-life premiums written;

- excluding the contribution of financial instruments at fair value through profit or loss, the **total net income from investments** amounted to €1,103m (€344m at 31/12/2012). This amount comprises €898m in interest income (€824m at 31/12/2012), €42m in other net income (€66m at 31/12/2012) and net gains to be realised on securities and real estate assets for €369m (€63m at 31/12/2012).
  The balance of valuation gains and losses was negative by approx. €157m (€549m at 31/12/2012). Interest expense amounting to €49m (€60m at 31/12/2012) refers almost entirely to financial debt.
  The balance of valuation items includes €56m (€188m at 31/12/2012) adjustments on available-for-sale financial instruments, €68m (€73m at 31/12/2012) depreciation of investment property and €39m impairment of investment property (€280m at 31/12/2012);

- the contribution of **financial instruments at fair value through profit or loss** was positive at €143m (€545m at 31/12/2012). This account includes the net income from financial assets where the risk is borne by the policyholders (positive for €197m although offset by the correlated increase in net charges relating to Life sector claims) and the adjustment to the fair value of financial instruments belonging to the sector. Net of the Life policyholders' share, this account is negative essentially due to losses realised on hedging derivatives, in turn offset by gains on the underlying securities;

- **net income from investments in subsidiaries, associates and joint ventures** were positive at €6m (-€19m at 31/12/2012);

- **other revenues and other costs** amounted to a charge of €262m (a charge of €722m at 31/12/2012). The balance includes technical and non-technical income and charges not classifiable elsewhere, in addition to amortisation/depreciation other than on investment property, non-recurring income and expenses and net changes in the provisions for risks and charges. The account includes amortisation and depreciation on intangible assets and property, plant and equipment for €40m (€55m at 31/12/2012) and the expense relating to the Solidarity Fund from the merger agreement of 18 December 2013 for €73m.
  Lastly, it should be remembered that the figure at 31 December 2012 included write-downs for €86m of receivables due from the Im.Co. - Sinergia Group and €268m impairment of intangible assets (€10m at 31/12/2012);

- the **income taxes for the year** were negative for a total of €234m and include the reversal of deferred tax assets associated with the significant reabsorption of tax losses realised in previous years in accordance with tax regulations;

- **net profit (loss) from discontinued operations** includes the result of the subsidiary Saint George Capital Management S.A. At 31 December 2012 this included €2m as proceeds from disposal of the investment in IGLI S.p.A.

### Comprehensive Income Statement

The Comprehensive Income Statement is summarised as follows:

| (in €K) | **31/12/2013** | **31/12/2012** |
|---|---|---|
| Consolidated profit (loss) | 416,554 | (799,597) |
| Other Comprehensive Income Statement items | 102,969 | 937,884 |
| **Total Comprehensive Income** | **519,523** | **138,287** |
| of which: | | |
| Group | 401,055 | (37,053) |
| Non-controlling interests | 118,468 | 175,340 |

## Premiums written

The consolidated premiums written amounted to €9,707m compared to €10,033m in 2012, a decrease of 3.25%.

The results are summarised in the table below:

| (€m) | **31/12/2013** | **31/12/2012** | **% Change** |
|---|---|---|---|
| **DIRECT PREMIUMS** | | | |
| Non-Life Sector | 5,789 | 6,417 | (9.79) |
| Life Sector | 3,914 | 3,611 | 8.39 |
| Total direct premiums | 9,703 | 10,028 | (3.24) |
| **INDIRECT PREMIUMS** | | | |
| Non-Life Sector | 3 | 4 | (25.00) |
| Life Sector | 1 | 1 | - |
| Total indirect premiums | 4 | 5 | (20.00) |
| **TOTAL** | **9,707** | **10,033** | **(3.25)** |
| of which: | | | |
| Non-Life Sector | 5,792 | 6,421 | (9.80) |
| Life Sector | 3,915 | 3,612 | 8.39 |

**Income Statement by activity sector**

(in €K)

| | | Non-Life | | Life | | Real Estate | | Other | | Inter-segment eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| 1.1 | Net premiums | 5,742,690 | 6,364,206 | 3,907,454 | 3,603,029 | 0 | 0 | 0 | 0 | 0 | 0 | 9,650,144 | 9,967,235 |
| *1.1.1* | *Gross premiums written* | *6,063,559* | *6,665,585* | *3,914,958* | *3,611,582* | | | | | | | 9,978,517 | 10,277,167 |
| *1.1.2* | *Premiums ceded to reinsurers* | *-320,869* | *-301,379* | *-7,504* | *-8,553* | | | | | | | -328,373 | -309,932 |
| 1.2 | Commission income | 0 | 0 | 1,137 | 2,562 | | | 18,722 | 23,372 | -11,866 | -10,511 | 7,993 | 15,423 |
| 1.3 | Income and charges from financial instruments at fair value through profit or loss | *-51,584* | *-12,517* | 194,511 | 557,133 | -1,578 | -2,798 | 1,167 | 2,863 | 0 | 0 | 142,516 | 544,681 |
| 1.4 | Income from investments in subsidiaries, associates and joint ventures | *191* | *615* | 7,605 | 0 | 18 | 26 | 2 | 0 | 0 | 0 | 7,816 | 641 |
| 1.5 | Income from other financial instruments and investment property | 515,036 | 413,450 | 868,893 | 703,787 | 50,313 | 55,825 | 62,478 | 56,510 | -45,961 | -47,913 | 1,450,759 | 1,181,659 |
| 1.6 | Other revenues | 442,538 | 448,505 | 50,873 | 69,195 | 21,564 | 20,762 | 634,264 | 637,098 | -685,796 | -673,418 | 463,443 | 502,142 |
| **1** | **TOTAL REVENUES AND INCOME** | **6,648,871** | **7,214,259** | **5,030,473** | **4,935,706** | **70,317** | **73,815** | **716,633** | **719,843** | **-743,623** | **-731,842** | **11,722,671** | **12,211,781** |
| 2.1 | Net charges relating to claims | -4,076,681 | -4,999,313 | -4,302,536 | -4,358,241 | 0 | 0 | 0 | 0 | 0 | 0 | -8,379,217 | -9,357,554 |
| *2.1.2* | *Amounts paid and changes in technical provisions* | *-4,246,119* | *-5,296,257* | *-4,309,767* | *-4,363,772* | | | | | | | -8,555,886 | -9,660,029 |
| *2.1.3* | *Reinsurers' share* | *169,438* | *296,944* | *7,231* | *5,531* | | | | | | | 176,669 | 302,475 |
| 2.2 | Commission expenses | 0 | 0 | -699 | -1,777 | | 0 | -5,615 | -5,584 | | 0 | -6,314 | -7,361 |
| 2.3 | Expenses from investments in subsidiaries, associates and joint ventures | -300 | -12,836 | 0 | 0 | -166 | -2,089 | -1,661 | -4,642 | | -1 | -2,127 | -19,568 |
| 2.4 | Expenses from other financial instruments and investment property | -175,296 | -435,331 | -68,234 | -147,662 | -91,879 | -245,514 | -22,020 | -22,857 | 9,567 | 14,178 | -347,862 | -837,186 |
| 2.5 | Operating expenses | -1,334,484 | -1,407,374 | -202,640 | -203,474 | -189 | -196 | -313,250 | -315,448 | 241,139 | 228,175 | -1,609,424 | -1,698,317 |
| 2.6 | Other costs | -649,156 | -924,804 | -96,760 | -259,325 | -47,140 | -63,386 | -425,445 | -466,554 | 492,917 | 489,490 | -725,584 | -1,224,579 |
| **2** | **TOTAL COSTS AND CHARGES** | **-6,235,917** | **-7,779,658** | **-4,670,869** | **-4,970,479** | **-139,374** | **-311,185** | **-767,991** | **-815,085** | **743,623** | **731,842** | **-11,070,528** | **-13,144,565** |
| | **NET PROFIT (LOSS) FOR THE YEAR BEFORE TAXES** | **412,954** | **-565,399** | **359,604** | **-34,773** | **-69,057** | **-237,370** | **-51,358** | **-95,242** | **0** | **0** | **652,143** | **-932,784** |

# ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2013

## International economic overview

In 2013 economic growth at global level and international trading proceeded at a moderate pace, with particular indications of strengthening at the end of the third quarter when production accelerated in the more advanced countries, showing trends differentiated from those of emerging countries. The increase became stronger in China (+7.8% compared to the same period of the previous year), driven by investment support measures and by exports that began in the summer. At year end, global economic growth steadied at just under 3%.

Vice versa, the increase in domestic product instead remained moderate in India (+4.8%) despite the strong depreciation of the rupee and the recovery in agricultural production. Brazil's GDP slowed to 2.2%, whilst Russia continued to stagnate.

In Japan, the economy accelerated in the fourth quarter, backed by exports and by a temporary increase in consumption, particularly durables, brought about by the increase in indirect taxes planned for April 2014.

**Table 1 – Economic outlook**
**(% change on preceding year)**

| ITEMS | OECD | | | Consensus Economics | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2013 | 2014 |
| GDP | | | | | |
| World | 2.7 | 3.6 | 3.9 | - | - |
| Advanced countries | | | | | |
| Euro Area | (0.4) | 1.0 | 1.6 | (0.4) | 1.0 |
| Japan | 1.8 | 1.5 | 1.0 | 1.8 | 1.6 |
| United Kingdom | 1.4 | 2.4 | 2.5 | 1.4 | 2.5 |
| United States | 1.7 | 2.9 | 3.4 | 1.7 | 2.6 |
| Emerging countries | | | | | |
| Brazil | 2.5 | 2.2 | 2.5 | 2.3 | 2.3 |
| China | 7.7 | 8.2 | 7.5 | 7.7 | 7.5 |
| India (1) | 3.0 | 4.7 | 5.7 | 4.6 | 5.4 |
| Russia | 1.5 | 2.3 | 2.9 | 1.6 | 2.3 |
| **World trade (2)** | **3.0** | **4.8** | **5.9** | **-** | **-** |

*Source: OCSE, Economic Outlook No. 94, November 2013*
*Consensus Economics, December 2013; Bank of Italy (Economic Bulletin No.1/January 2013)*
*(1) Consensus Economics forecasts refer to the fiscal year, starting in April of the year indicated*
*(2) Goods and services*

Based on the latest OECD forecasts, after the 2.7% decline in 2013, in 2014 global growth should recover to 3.6%. Business is expected to grow by 2.9% in the United States and by 2.4% in the United Kingdom, slowing to 1.5% in Japan. Except for Brazil, the product performance is expected to be stronger than 2013 also in the main emerging economies.

**USA**
In particular, the agreed 2014-2015 budget reduced uncertainty over the public finance decisions of the United States, allowing a rise of 4.1% year-on-year in American GDP (2.5% at 30/06/2013) despite the continued

presence of risks associated with the debt ceiling, which after its suspension in October 2013 will be under discussion again in February 2014.
In the fourth quarter of 2013 further positive signals emerged for US growth. In addition to the growing employment trend, which began last summer, are an acceleration in consumption and a further drop in the unemployment rate to stand at 6.7% in December (from 7.9% recorded at the start of 2013).

**Euro Area**
In the Euro Area, on the other hand, the modest recovery - reflecting a moderate consumer price trend - remains fragile. The Governing Council of the European Central Bank further cut official rates in November, strongly stating that they will remain at levels equal to or lower than the current rates for an "extended" period, as long as growth remains weak and until inflation forecasts prove stable.
In the third quarter of 2013, GDP in the Euro Area rose by 0.1% compared to the second quarter, drawing support from the increase in consumption (up 0.1%), in inventories and in gross fixed capital investments (0.5%).

With particular reference to Italy, sustained by exports and changes in inventories, the downward trend in GDP came to a halt in the third quarter of 2013.
Inflation in Italy has continued to fall, dropping to 0.7% in December.

## The Italian economy

The prolonged drop in Italian GDP halted in the third quarter of 2013, breaking the gradual decline that began in 2011, even if the decrease in consumption (-0.2%), slower than in previous quarters, was associated with a contraction in investments in capital goods (-1.2%) after the marked upturn in spring and the stabilising of construction investments.

**Table 2 – GDP and principal components [(1)]**
(% changes compared to the previous year)

| ITEMS | 2012 Q4 | 2012 [(2)] | 2013 Q1 | 2013 Q2 | 2013 Q3 |
|---|---|---|---|---|---|
| GDP | (0.9) | (2.5) | (0.6) | (0.3) | - |
| Total imports | (2.0) | (7.4) | (0.5) | (0.7) | 2.0 |
| Domestic demand [(3)] | (1.5) | (5.3) | (0.4) | (0.7) | 0.3 |
| National consumption | (0.6) | (3.8) | (0.4) | (0.4) | (0.2) |
| Household spending | (0.8) | (4.2) | (0.5) | (0.5) | (0.2) |
| Other spending [(4)] | - | (2.6) | 0.1 | - | - |
| Gross fixed capital investments | (1.7) | (8.3) | (2.9) | - | (0.6) |
| construction | (1.2) | (6.4) | (4.0) | (0.9) | - |
| other assets | (2.1) | (10.4) | (1.7) | 1.0 | (1.2) |
| Changes in inventories [(5)] | (0.7) | (0.7) | 0.5 | (0.4) | 0.6 |
| Total exports | (0.1) | 2.0 | (1.2) | 0.7 | 0.7 |
| Net foreign demand [(6)] | 0.5 | 2.9 | (0.2) | 0.4 | (0.4) |

*Source: ISTAT and the Bank of Italy (economic bulletin No. 1/2014).*
(1) *Quantity at linked prices; seasonally adjusted data and adjusted for work days.*
(2) *Data not adjusted for the number of work days.*
(3) *Includes the change in inventories and goods of value.*
(4) *Public administration and non-profit institutions serving households.*
(5) *Includes goods of value. Contributions to GDP growth on the previous period; percentage points.*
(6) *Contributions to GDP growth on the previous period; percentage points.*

The persisting weakness in domestic demand, affected by job market fragility and the weak performance of disposable income, is counterbalanced by a more positive industrial scenario.
At the end of November, Italian industrial production recorded its first annual growth after 26 months of uninterrupted decline, with an increase of 1.4%. With reference to the main industrial groupings, the seasonally adjusted index recorded only one negative change in November, i.e. in the consumer goods segment (-1.1%), whereas increases were recorded in the energy (+1.3%), intermediate goods and capital goods sectors (both +0.9%).
Unfortunately, however, at the end of 2013 industrial production fell by 3% year-on-year compared to 2012, and in December alone again dropped by 0.7% compared to the same month of the previous year.

Lastly, note the new monthly increase in Italian car registrations, which continues the growth trend already recorded for the last month in December 2013 (+1.4% mom). The Ministry of Transport announced that in January 2014 car registrations were forecast to increase by 3.24%, corresponding to 117,802 new vehicles.

## The insurance sector

Total premiums written in the Non-Life and Life Classes by Italian companies and by representatives in Italy of non-EU companies in the first nine months of 2013 amounted to around €86.2bn (€75.6bn at 30/09/2012), an increase of approx. 14% on the same period of 2012.
The Non-Life portfolio, which totalled approx. €24bn, decreased by approx. 4.8%, accounting for 27.8% of the total portfolio (33.3% in the same period of 2012). Life insurance premiums amounted to approx. €62.2bn, an increase of over 23%, with an impact on the overall Non-Life and Life portfolio of 72.2% (66.7% in the same period of 2012).

Between the end of 2012 and November 2013, Fitch Ratings' counterparty risk rating for Italian insurance issuers remained unchanged.

According to the rating agency, the mid-term scenario would be affected by the still numerous elements of tension, such as:

- persisting strong sovereign risk, as Italian insurers still hold consistent quantities of government and corporate bonds in their portfolios, mostly hedged by their reserves. Consequently the Euro Area debt crisis continues to be considered a risk factor for credit quality;
- the slowing of prices in the Motor sector, with an increase in Non-Life premiums that remains weak and conditioned by Motor TPL tariff pressure (mainly of a regulatory nature) in addition to the strongly competitive environment characterising the commercial classes;
- low profitability of the Non-Life sector, with a marginal deterioration in technical profitability in 2014 given the various forms of pressure on tariff trends, together with the stronger frequency of claims expected to result from an improvement in the macroeconomic climate. The overall combined ratio should in any event remain well below 100%;
- volatility in Life class profitability due to the strong exposure of portfolios to Italian government bonds in a scenario already affected by pressure on profitability from the new low-interest rate contracts.

Despite the slight improvement compared to December 2012, associated with stabilisation of the outlook, in November 2013 Fitch continued to assign a negative outlook for 2014 to the Italian insurance segment.

## Changes to the regulatory framework

With reference to the principal regulatory norms concerning the Italian insurance market in 2013, the following information is provided.

**Direct compensation**

From 1 January 2014 the direct compensation flat rates were amended, as established by the Ministerial Technical Committee (Article 13 of Presidential Decree No. 254/2006), based on the segmentation criteria identified by Ministry of Economic Development Decree of 11 December 2009. These will remain in force until application of the new criterion to be established by IVASS, pending implementation of the provision introduced by Article 29, Decree Law no. 1 of 24 January 2012 containing "Urgent provisions for competition, infrastructure development and competitiveness", converted to Law no. 27 of 24 March 2012.

In this regard, the structure of the flat rates remained unchanged compared to 2012.

In particular:

- a **single flat rate - CARD CID** for minor driver injury and for damage to the insured vehicle and the transported goods, for the larger vehicle types distinguished between "motorcycles and mopeds" and "vehicles other than motorcycles and mopeds". The single flat rate for damage to property only is different according to three macro-areas;

- a **flat rate for each passenger - CARD CTT** for personal injury and property damage, differentiated by vehicle type as indicated above. The flat rate takes into consideration the application of excess envisaged by the CARD agreement.

For the 2014 flat rate, analysis of the statistical figures provided by CONSAP showed a time series data trend that is steady over time, and the presence of certain figures able to provide a suitable representation of the phenomenon, both in terms of the quantity of readings available and of the claim duration of the various time series.
The 2014 flat rates were determined from the average reference costs used for the previous year's flat rates, calculated by taking into account the average cost trend of 2007-2011 generations. Changes in the average costs emerging from CONSAP statistics for 2011, 2012 and - to a more limited extent - 2013, were then taken into consideration. In this way it was possible to take into account the effects of the introduction of new regulations on "microlesioni" (minor injuries).

For claims made from 1 January 2014, compensation between companies will be subject to the following rates:

1. **CID flat rate for motor vehicles** (vehicles other than motorcycles and mopeds):
   - Area 1: € 2,171
   - Area 2: € 1,850
   - Area 3: € 1,593

2. **CID flat rate for motorcycles and mopeds**:
   - Area 1: € 3,964
   - Area 2: € 3,500
   - Area 3: € 3,191

The breakdown of the provinces between regional areas differs according to motorcycles and motor vehicles.

3. **CTT flat rate for passengers in motor vehicles**: For damage of an amount equal to or less than the ceiling of €5,000 suffered by third parties as passengers in motor vehicles, a flat rate of €32,990 will be applied, with a total excess of €500. In cases where the damage to passengers transported in motor vehicles is greater than €5,000, the payout will comprise the flat rate of €2,520, plus the differential between the damage actually compensated and the €5,000 ceiling, minus an excess of 10%, up to a maximum of €20,000, to be calculated on the amount of the compensation.

4. **CTT flat rate for passengers on motorcycles and mopeds:** For damage of an amount equal to or less than the ceiling of €5,000 suffered by third parties as passengers on motorcycles and mopeds, a flat rate of €3,700 will be applied, with a total excess of €500. In cases where the damage to passengers transported on motorcycles and mopeds is greater than €5,000, the payout will comprise the flat rate of €3,650, plus the differential between the damage actually compensated and the €5,000 ceiling, minus an excess of 10%, up to a maximum of €20,000, to be calculated on the amount of the compensation.
   Claims made in prior years are still subject to the flat rates established by the Ministerial Technical Committee for each of the years taken into consideration by the applicable resolutions.

**IVASS**
Note that on 1 January 2013, IVASS (Insurance Oversight Authority) took over all the powers, functions and duties of ISVAP.
The creation of IVASS, in accordance with Decree Law No. 95 of 6 July 2012 (Urgent provisions for the review of public expenditure with continuity of citizen services) converted into Law No. 135 of 7 August 2012, was undertaken in order to ensure the full integration of insurance supervisory activities through a closer linking with banking supervision.

IVASS is headed by the General Director of the Bank of Italy.
The Authority operates on the basis of the principles of organisational, financial and accounting autonomy, in addition to those of transparency and prudence, to ensure the stability and correct functioning of the insurance system and the protection of consumers.

**Anti-money laundering/Anti-terrorist financing: adequacy of controls and the centralised data archive**
On 3 April 2013 the Bank of Italy adopted a new measure on anti-money laundering/anti-terrorist financing in relation to data held on the centralised data archive (AUI). The AUI is a data archive, set up and management through IT systems, which holds centralised data and information acquired from mandatory identification and registration processes, in accordance with the principles and methods envisaged in the Anti-money Laundering Decree and in Bank of Italy instructions.

The measure entered into force on 1 January 2014 and applies to contracts signed and transactions performed with effect from that date.

**Home insurance**
In July 2013 IVASS published its Measure on home insurance, implementing Article 22, paragraph 8, Decree Law no. 179 of 18 October 2012 containing urgent measures for country growth. From 1 September 2013, through their insurance company's web site, consumers taking out an insurance policy can request activation of a reserved area with secure access where they can view their insurance position in real time, verify their insurance cover, learn the redemption value of their life policy or the performance value of insurance products with financial

content, view and download the certificate of claims experience for their Motor TPL policy and receive certain periodic notices from the insurer.

The IVASS Measure outlines the contents of areas reserved for customers and the levels of transparency, leaving to individual companies the freedom to make additional functions available to customers, for example the option of paying insurance premiums online.

**Decrease in tax deductions on Life policies**

Decree Law no. 102 of 31 August 2013, on "Urgent provisions on IMU tax, other property taxes, support for housing and local finance policies, and on the earnings supplement fund (CIG) and the treatment of pensions", envisages a maximum threshold for tax relief on premiums, reduced from the current €1,291.14 to €630 for 2013 and to €230 for 2014 and thereafter.

The provision applies to policies against the risk of premature death, permanent disability of more than 5% and long-term care, i.e. the risk of loss of self-sufficiency in everyday life. In addition, the provision affects contracts signed or renewed before 2001, which offer 2.5% tax relief on premiums.

The provision was later amended and approved with a change to €530 as the maximum relief for 2014 on premiums for life and accident insurance policies signed or renewed by the end of 2000, which the Decree Law had reduced to €230.
With effect from the same tax year the "premiums only" ceiling on the risk of non self-sufficiency returns to €1,291.14.

The regulation is financed through suppression of the deductibility of the portion of Motor TPL premiums devolved to the Italian National Health Service. The cut in tax relief to €630 for 2013 therefore remains confirmed.

**Insurance stickers**

The Ministry for Economic Development Decree no. 110 of 9 August 2013 allowed definition of the implementing rules of the Liberalisation Decree (Decree Law 1/2012), with entry into force from 18 October 2013. With a 2-year inception, the printed Motor TPL insurance stickers no longer need to be displayed. During any road checks by police, they will instead refer to a centralised policy database updated in real time.
The provision was launched with the aim of reducing the number of cases of fraud, and to speed up and automate road traffic checks.

**Mortgages**

At the end of September 2013 the European Parliament approved the plan for the European Mortgages Directive, initiated with the aim of standardising regulation of the market at European level for the first time.
The directive harmonises all pre-contractual information through a standardised information sheet for consumers, ensuring that assessment of the mortgage application gives precedence to the relationship of trust between bank and customer, introduces a "re-thinking" period of 7 days pre- and post-contract and also gives the borrower the option of early settlement. In this case, the Member State has to decide on the fee charged in such a way that the cost of such a decision does not weigh upon other consumers.

Low-cost housing mortgages and those granted on council housing are excluded from these regulations.
Included among the new regulations is a ban on linking a mortgage to other products such as insurance.

**Motor TPL, new measures envisaged in Decree Law 145/2013**

Decree Law no. 145 of 23 December 2013 (published in Official Gazette no. 300 of 23 December 2013), in force from 24 December 2013, marks a step forward to the installation of black boxes as standard in vehicles. The package also introduces the opportunity for companies to propose a range of policy discounts to their customers: in exchange the customers commit to binding clauses.

One of the measures included is the option for insurance companies to propose the signing of contracts that envisage the installation of electronic devices that monitor vehicle activity. If the insured allows such a device to be installed, the installation, uninstallation, replacement and portability costs will be borne by the company, which at the time of signing of the contract will have to apply a significant reduction to the premium. For a contract signed with a new customer, on first-time application the reduction of the premium cannot be less than 7% of the sum of Motor TPL premiums collected in the region by the same company in the previous twelve months, divided by the number of policyholders in that region.

On expiry of a contract and signing of a new insurance contract between the same parties, the extent of the premium reduction - on first-time application - cannot in any event be less than 7% of the premium applied to the policyholder in the previous year. If one of the vehicles in an accident is fitted with a black box, the results from the device will fully qualify as proof in civil proceedings of the events in question, unless the party against which such proof is filed can demonstrate that the device did not work properly.

In addition to the reduction in insurance premium as a result of installation of a black box, Decree Law no. 145 of 23 December 2013 also envisages a reduction in:

- compensation for damage in a specific form. Each year the insurance company decides whether to make use of the option to compensate damages to its policyholders and third parties in a specific form. In such cases, approved repair companies must be used. The policyholder can in any event request that repairs are performed by his preferred repairs mechanic, subject to filing of the related invoice, who will receive the amount due directly from the insurance company. A company intending to adopt this option must inform IVASS (the Insurance Oversight Authority) by 20 December each year (by 30 January for 2014). If instead it plans to compensate damages by equivalent, the policyholder must be informed at the time of signing of the contract. Compensation in a specific format offers the right to a reduction of at least 5% in the premium. In certain areas where insurance fraud is more frequent, areas identified by the Ministry for Economic Development based on three criteria set by the decree (number of claims reported, total reimbursements, number of fraud cases ascertained by judicial authorities), the reduction cannot be less than 10%;
- non-assignability of the right to compensation for damages. This ban triggers a need to block “fraudulent” arrangements between the assignor (the injured party) and the assignee, consisting in the transfer of a receivable (the right to compensation for damages), the extent of which is “fictitiously” inflated at the time of invoicing the work completed. This regulatory action ensures that the receivable can be assigned only with consent from the insurance company. If the company does not agree to the assignment, however, the policyholder has the right to a reduction in the premium of not less than 4%;
- acceptance of the contractual clause (which insurance companies must propose by law), under which medical-health services are provided following an accident, must be implemented by professionals remunerated directly by the companies and listed on the companies’ websites. In such cases, the premium reduction cannot be less than 7%. For all cases envisaged and for each of them, companies that do not apply the premium reduction will incur a fine, applied by IVASS, ranging from a minimum of €5,000 to a maximum €40,000. Furthermore, the policyholder will be entitled to the premium reduction.

Lastly, the regulatory package envisages compulsory reporting and transparency, first and foremost through publication on the company's website, in disclosures to IVASS and to the Ministry for Economic Development or in notices to be provided to the policyholder at the time of signing the contract, the infringement of which is punishable by a fine (of between €1,000 and €10,000).

The information that must be provided by the company, on a case-by-case basis, is the extent of the premium reduction applied, compulsory notification to the contracting party of the intention not to apply the option envisaged by law (i.e. installation of the black box, compensation in specific form, ban on assignment of the right to compensation). This obligation is highly innovative in terms of transparency and of portability between insurance companies.

With regard to combating insurance fraud, in order to achieve more effective prevention and to combat fraudulent conduct, the measures introduced on witness statements to claims become particularly important. The principle is sanctioned according to which, except with regard to findings stated in reports by police called to the scene of the accident, witnesses must be identified in the claim reported or in the claim for compensation. Any identification at a later stage will result in the witness statement being inadmissible. Furthermore, in proceedings where the judge finds himself in the presence of persons who in the last three years have been witness in at least three claims proceedings for road accidents, the judge must inform the appropriate Public Prosecutor's Office. This allows further investigation, in particular to verify the reliability of the witness and to adopt any coercive measures. Monitoring and control powers are envisaged for IVASS regarding compliance with all the provisions, on which the Authority will report to Parliament. The measures approved by the Government introduce a deadline for filing claims for compensation. Longer deadlines are also envisaged for compensation proceedings. In particular, an insurance company's availability period to inspect damaged property referred to in the claim for compensation is extended from 5 to 10 days. Lastly, the special procedure (suspension of deadlines for completing proceedings, filing of claims against the injured party) envisaged if findings confirm the existence of significant grounds to fear that fraudulent phenomena also extends to other fraud indicators, e.g. the findings from electronic devices (such as a black box) fitted in cars.

**Urgent provisions concerning IMU tax, sale of public property and the Bank of Italy**

Decree Law no. 133 of 30 November 2013, on "Urgent provisions concerning IMU tax, sale of public property and the Bank of Italy" (the "IMU-Bankitalia Decree"), converted with amendments to Law no. 5 of 29 January 2014, increased the 2013 payment on account for IRES and IRAP taxes to 130% for banks, financial companies and insurance companies, postponing the payment deadline to 10 December. An additional IRES tax of 8.5% was introduced for the tax year in progress at 31 December 2013, payable by the insurance companies, banks, financial companies and the Bank of Italy. A payment on account was introduced for banks and financial intermediaries of 100% of taxes calculated on assets under administration. Lastly, the decree amends the Statute of the Bank of Italy, envisaging a share capital increase of up to €7.5bn through the use of statutory reserves, with the issue of new shares for €25,000 each to replace those issued previously. Investors must register the new shares at the same value, applying substitute tax on income taxes and IRAP to the resulting capital gain.

**Solvency II: recent regulatory changes**

Recent difficulties in the process of drawing up and approving the details of the new Solvency II project regulations have resulted in postponement of its entry into force, via preparation of the "Omnibus II Directive" which was approved at the plenary session of the European Parliament in March this year. This Directive makes significant amendments to Directive 2009/138/EC, "Solvency II", including a series of transitional measures, with a view to considering the possibility of a "soft launch" of the new European supervisory framework. Following the agreement reached on 13 November 2013 between the European Parliament, European Council and European Commission on the Quick Fix 2 Directive, on 18 December the Official Gazette of the European Union published

Directive 2013/58/EU, which establishes the entry into force of Solvency II from 1 January 2016 and its transposition to Member State law from 31 March 2015.

On 27 September 2013 the EIOPA published the final Guidelines for the pre-entry into force phase of Solvency II, addressed to the Supervisory Authorities of individual Member States, which are nevertheless not necessarily required to apply them in accordance with the "comply or explain" principle envisaging the adoption or an explanation for non-adoption. The Authorities must then submit a progress report to the EIOPA from 28 February 2015 in reference to 2014. At local level, transposition of the preparatory phase guidelines by IVASS is currently pending. In January 2014 IVASS launched a public consultation on provisions it intends to adopt under the terms of the new European supervisory regulations. The Guidelines in question aim to facilitate the standardised early introduction of Solvency II, focusing initial efforts on certain specific issues such as: governance, Own Risk and Solvency Assessment, the pre-application phase for Internal Models and Reporting to the Supervisory Authority.

# Non-Life Insurance Sector

# THE NON-LIFE INSURANCE MARKET

As regards total premiums written in the Non-Life and Life Classes by Italian companies and by representatives in Italy of non-EU companies, in the first nine months of 2013 these amounted to around €86.2bn (€75.6bn at 30/09/2012), an increase of approx. 14% on the same period of 2012.

The Non-Life portfolio, which totalled approx. €24bn, decreased by approx. 4.8%, accounting for 27.8% of the total portfolio (33.3% in the same period of 2012). Life insurance premiums amounted to approx. €62.2bn, an increase of over 23%, with an impact on the overall Non-Life and Life portfolio of 72.2% (66.7% in the same period of 2012).

In particular, the premium portfolio of the Motor vehicle TPL classes and the Maritime TPL classes totalled approx. €12.3bn (-6.2% on the first nine months of 2012), with a 51.2% impact on Non-Life premiums (52% in the same period of 2012) and 14.2% on total premiums (17.3% in the first nine months of 2012).

Among the other Non-Life classes, those with the highest premiums written were Accident with 8.3% (8% in 2012), Land Vehicles with 7.4% of total Non-Life classes (7.6% in the first nine months of 2012), General TPL with 7.6% (7.3% in 2012), Property with 7.4% (6.9% in 2012), Health with 5.8% (5.7% in 2012), and Fire and Natural Elements with 5.8% (5.5% in 2012).

The analysis by distribution channel continues to highlight the large proportion of premiums written through brokerage agencies, amounting to approx. 81.2% of the Non-Life portfolio (82% in the same period of 2012) and 86.4% of the Motor TPL classes (87.4% in the corresponding period of 2012).

The ACEA (European Automobile Manufacturers' Association) has pointed out that, with a 13.3% increase at the end of December, the European Union has seen a monthly increase in new car registrations higher than that of December 2009 (+16.6%), despite 2013 overall being the worst year since 1995 with a total of 11.8 million new cars registered.

In Italy the market showed a slight upturn only in December (+1.4%), whilst recording a 7.1% decline in annual terms. Among the other major markets, Germany declined by 4.2% yoy, Spain grew by 3.3% and France dropped by 5.7%.

## Operational performance

Fondiaria-SAI's consolidated total premiums amounted to €5,792m compared to €6,421m in 2012, a decrease of 9.8%.
The direct premiums written amounted to €5,789m compared to €6,417m in 2012 (down 9.8%).

## Premiums written

The breakdown of the gross premiums written by class is shown below:

| (in €K) | 31/12/2013 | 31/12/2012 | % Chg. | Percentage 2013 | Percentage 2012 |
|---|---|---|---|---|---|
| Accident & Health | 580,347 | 586,922 | (1.1) | 10.0 | 9.1 |
| Marine, aviation and transport insurance | 133,009 | 127,166 | 4.6 | 2.2 | 2.0 |
| Fire and Property | 774,387 | 804,988 | (3.8) | 13.4 | 12.5 |
| General TPL | 444,097 | 479,295 | (7.3) | 7.7 | 7.5 |
| Credit & Bonds | 60,942 | 80,995 | (24.8) | 1.1 | 1.3 |
| General pecuniary losses | 43,374 | 48,602 | (10.8) | 0.7 | 0.8 |
| Legal expenses | 21,421 | 17,283 | 23.9 | 0.4 | 0.3 |
| Assistance | 82,317 | 72,502 | 13.5 | 1.4 | 1.1 |
| **TOTAL OTHER NON-LIFE** | **2,139,894** | **2,217,753** | **(3.5)** | **36.9** | **34.6** |
| Motor vehicle TPL | 3,167,530 | 3,632,225 | (12.8) | 54.7 | 56.5 |
| Motor vehicles – other classes | 481,573 | 567,272 | (15.1) | 8.3 | 8.8 |
| **TOTAL MOTOR** | **3,649,103** | **4,199,497** | **(13.1)** | **63.0** | **65.3** |
| **TOTAL DIRECT PREMIUMS** | **5,788,997** | **6,417,250** | **(9.8)** | **99.9** | **99.9** |
| **INDIRECT PREMIUMS** | **3,194** | **3,557** | **(10.2)** | **0.1** | **0.1** |
| **TOTAL NON-LIFE SECTOR** | **5,792,191** | **6,420,807** | **(9.8)** | **100.0** | **100.0** |

The 12.8% decrease in Motor vehicle TPL premiums written essentially confirms the figures emerging throughout 2013. This overall decrease in premiums recorded in 2013, is due, for more than a half, to the portfolio contraction in terms of the number of policies and, for the remainder, to the drop in single premiums per contract.
Though marginally, this definitely indicates that more incisive continuation of the restructuring policies for multi-claim portfolios, still added to by the constant drop in registrations which in 2013 saw a 7.1% decrease (decrease of 19.87% in 2012). Domestic household demand is being squeezed by increases in almost all car related costs, but particularly fuel and road tolls - and within a prolonged recession.

The effect of Motor TPL tariffs from September 2012, December 2012, June 2013 and October 2013 appear to be driven by the lower tariff versions, affecting the good customers making up most of the portfolio and, more intensively, affecting new business, added to which is the effect of the portfolio bonus slippage.
These tariff versions, in line with strategic guidelines and previously defined action, have the objective of recovering profitability without neglecting the safeguarding of the portfolio and stronger competition on the market, in order to reduce the tariff mutuality, taking into account regulatory changes and competitive dynamics, focusing the analysis on client risk and on their increasingly higher or lower profitability.
Specifically, these tariffs focused on considerably improving tariff competitiveness and the quality and structure of the portfolio by means of increased selectivity throughout the country.

With a view to recovering profitability, the review of the technical and commercial policies on contracts continued until at least mid-2013 in an attempt to reduce the proportion of the contracted portfolio, both in terms of the reduced number of policies and the relative and absolute decrease in discounts, whilst also seeking to redistribute agency discounts.

However, the rapid and constant change in the motor insurance scenario, which again in 2013 and for the foreseeable future continues to suggest a general improvement in technical indicators, associated with the

persistent crisis resulting in a generally lower number of vehicles on the road, generates a stronger, growing competitiveness among all the various market players.
In this respect, the set objective therefore, through greater application of discounts in various forms, to the detriment of an average premium depression, is that of further improvement product competitiveness, always in line with a view to optimised selection of risks, targeting new, potential customers through development action, and existing customers through retention action.

Consequently, in the light of action already implemented, in the last few months a slowing of the decline in the portfolio has been recorded in terms of the number of policies, which as a forecast value will become more incisive during 2014, with the aim of consolidating portfolio stability. However, this will result in a strict correlation with stronger unit price decrease, continuing to show a drop in premium volumes for which containment efforts will be made in order to optimise management of the portfolio.

The review also continues of the technical and commercial policies relating to vehicle fleets, particularly to consolidate and recover profitability in both the Motor TPL and Land Vehicle Classes, even to the detriment of a reduction in the fleet portfolio.

The **Land Vehicles Class** premiums written continued to contract (-15.1%) due to the continued reduction in new vehicle registrations and due to the further deterioration of the economic crisis which gradually erodes employment levels, with negative impacts on disposable income, affecting the take up of the Vehicle guarantees. The reduction was also due partly to the specific sales policies of carmakers, which continue to offer insurance packages with warranties covering such aspects as fire, theft and assistance included in the purchase price of the car. Lastly, also affecting this class were the restructuring policies applied by the company on the multi-claim portfolio.

In relation to the **Other Non-Life Classes**, the decrease of 3.5% relates to the withdrawal from unprofitable portfolios and classes, particularly in the corporate risks sector, which during the previous year was affected by a major restructuring in terms of the property and casualty segments. The economic effects of these operations, involving high-claim contracts among agency and broker networks, have affected 2013 results, particularly premiums, with effects forecast especially in the next few years with regard to claims. In the current difficult economic context, the underwriting policy continues to employ prudent criteria and is principally focused on the retail sector and on small-medium sized enterprises which operate in historically profitable sectors and regions.
The monitoring of contracts in the Public Bodies sector also continued, in particular concerning the monthly verification of technical performances, with greater attention focused on the health sector, with a close eye on performances - in addition to the correct execution of contracts, introducing in a timely manner reform/discontinuation actions where necessary.
The retail sector remained steady whilst the corporate sector recorded a decline, mainly due to the negative outlook of the company rating (which led to the loss of Large Risks, creating problems for international brokers subject to their domestic security markets) and to the strong portfolio restructuring action, along with differentiated performances which were also the result of the difficult economic scenario. The positive results of the Legal Expenses and Assistance classes are counterbalanced in particular by the still negative performance of the General TPL class, with special reference to the corporate portfolio, and of the Credit & Bonds, Fire and Property classes.

The **premiums ceded** amounted to €319m (€293m in 2012).

**Gross technical provisions** amounted to €11,603m (€12,522m in 2012) and the ratio to premiums written was 200.3% (195.0% in 2012).

**Operating expenses**, excluding those strictly related to investment management, totalled €1,324m (€1,397m in 2012), a decrease of approx. 5%. The impact on premiums recorded a slight increase from 22% in 2012 to 23% this year.

## Claims paid and reported

Claims reported in 2013 decreased by 7.1% compared to 2012.
In the Motor TPL Class the claims reported numbered 522,667, down 15.1% on the previous year, and taking into account the reduction in premiums written and the overall improvement in the domestic market this confirms the actions implemented to recover profitability. The claims paid in the year, gross of outward reinsurance, totalled €4,778m, a decrease of 5.3% on the €5,048m recorded at 31 December 2012.

A breakdown of the claims reported and paid on direct Italian business, including the expenses directly attributable to the claim and indirect expenses relating to the settlement structure are shown below:

| | Claims paid (€K) | | | Claims reported by year (Number) | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **% Chg.** | **2013** | **2012** | **% Chg.** |
| Accident | 180,731 | 199,763 | (9.53) | 66,359 | 69,445 | (4.44) |
| Health | 135,556 | 156,209 | (13.22) | 271,690 | 280,230 | (3.05) |
| Railway | - | 12 | - | - | - | - |
| Aviation | 5,539 | 1,829 | 202.84 | 15 | 87 | (82.76) |
| Maritime | 19,262 | 35,357 | (45.52) | 561 | 744 | (24.60) |
| Transported goods | 14,266 | 19,651 | (27.40) | 2,743 | 4,138 | (33.71) |
| Fire and other natural elements | 287,820 | 244,017 | 17.95 | 57,380 | 63,717 | (9.95) |
| Property | 260,236 | 265,355 | (1.93) | 157,742 | 156,773 | 0.62 |
| Aviation TPL | 818 | 606 | 34.98 | 16 | 49 | (67.35) |
| Maritime TPL | 4,428 | 6,686 | (33.77) | 395 | 432 | (8.56) |
| General TPL | 493,803 | 432,973 | 14.05 | 81,235 | 89,996 | (9.73) |
| Credit | 207 | 92 | 125.00 | 5 | - | |
| Bonds | 62,646 | 63,074 | (0.68) | 2,919 | 3,471 | (15.90) |
| Pecuniary losses | 17,670 | 14,698 | 20.22 | 4,939 | 4,356 | 13.38 |
| Legal expenses | 2,982 | 2,563 | 16.35 | 1,946 | 1,628 | 19.53 |
| Assistance | 22,331 | 23,811 | (6.22) | 144,482 | 127,921 | 12.95 |
| **TOTAL OTHER NON-LIFE** | **1,508,295** | **1,466,696** | **2.84** | **792,427** | **802,987** | **(1.32)** |
| Motor TPL | 2,946,269 | 3,223,228 | (8.59) | 522,667 | 615,962 | (15.15) |
| Land Vehicles | 323,767 | 358,100 | (9.59) | 223,202 | 236,885 | (5.78) |
| **TOTAL MOTOR** | **3,270,036** | **3,581,328** | **(8.69)** | **745,869** | **852,847** | **(12.54)** |
| **TOTAL NON-LIFE SECTOR** | **4,778,331** | **5,048,024** | **(5.34)** | **1,538,296** | **1,655,834** | **(7.10)** |

As regards the Motor TPL Class, the claims settled also include the expense incurred for the management of the claims as "Manager" (non-fault claims) under the new direct compensation system, net of sums recovered as a flat rate from the CONSAP clearing house.
The Motor TPL claims reported listed in the table refer to events in which our policyholder is liable.

The number of Motor TPL claims reported managed by the Fondiaria-SAI Group totals 505,872 (-14.6%).

The principal technical indicators of the last two years are shown below:

| **TECHNICAL RATIOS** (%) | **2013** | **2012** |
|---|---|---|
| Loss ratio | 70.99 | 78.55 |
| Expense ratio | 23.05 | 21.96 |
| **Combined operating ratio** | **94.04** | **100.51** |
| OTI ratio (*) | 1.85 | 3.26 |
| **Combined ratio** | **95.89** | **103.77** |
| **Reserve ratio (**)** | **200.31** | **195.03** |

*(*) Includes the balance of the other technical accounts.*
*(**) Gross technical provisions/premiums*

In relation to direct business only, the following main technical indicators are reported:

| | **2013** | **2012** |
|---|---|---|
| Loss ratio | 70.1 | 79.4 |
| Expense ratio | 24.1 | 22.9 |
| **Combined operating ratio** | **94.2** | **102.3** |
| OTI ratio (*) | 1.9 | 3.1 |
| **Combined ratio** | **96.1** | **105.4** |

*(*) Includes the balance of the other technical accounts.*

Among the principal factors in the improvement in claims/premiums ratio are:

- for the Motor TPL class, the further drop in claims reported during the year compared to a more limited decline in the portfolio, alongside the improved position of claims settled and minor revaluations in the cost of prior year claims following conclusion of the annual inventorying process, led to a reduction of approx. 7.8 points in the loss ratio. For open positions, particularly relating to serious and large claims, more aggressive settlement policies than in the past continued during the year with the aim of a faster clearance of prior year claims, both in relation to partial settlements and in relation to mortality claims.
- for the General TPL Class, the same considerations on settlement policy apply as for the Motor TPL class;
- the results trend for the various TPL classes remains satisfactory.

The **consolidated technical balances** of the direct Italian premiums in the main classes are shown below:

| (in €K) | **2013** | **2012** | **Change** |
|---|---|---|---|
| Motor TPL | 210,651 | (40,027) | 250,678 |
| Land vehicles | 62,365 | 110,513 | (48,148) |
| Other Non-life classes | 27,774 | (285,884) | 313,658 |
| **TOTAL DIRECT NON-LIFE SECTOR** | **300,790** | **(215,398)** | **516,188** |

In the Motor TPL Class, current operating performance was strong, with a satisfactory decrease in claims reported (-15.1% for policyholder claims and -14.6% for claims handled), despite a reduction in premiums written of 12.8%.
This overall decrease in premiums recorded in 2013, more than half of which due to the portfolio contraction in terms of the number of policies and, for the remainder, to the deterioration in single premiums per contract.
Though marginally, this definitely indicates that more incisive continuation of the restructuring policies for multi-claim portfolios, still added to by the constant drop in registrations which in 2013 saw a 7.1% decrease (decrease of 19.87% in 2012). Domestic household demand is being squeezed by increases in almost all car related costs, but particularly fuel and road tolls - and within a prolonged recession.

With a view to recovering profitability, the review of the technical and commercial policies on contracts continued until at least mid-2013 in an attempt to reduce the proportion of the contracted portfolio, both in terms of the reduced number of policies and the relative and absolute decrease in discounts, whilst also seeking to redistribute agency discounts.

In 2012 the corporate sector portfolio was affected by a major restructuring in terms of the property and casualty segments. The economic effects of these operations, involving high-claim contracts among agency and broker networks, have affected 2013 results, particularly premiums, with effects forecast especially in the next few years with regard to claims. This, particularly for the Casualty sector and given an immediate decrease in receipts due to cancellation of the contract, the guarantee operations (late claims) have to be concluded before also benefiting from the reduction in claims.

## New products

As part of the produce redefinition, during 2013 some significant product initiatives were launched, which are summarised below:

- **"Auto Intelligente" insurance product development** The Auto Intelligente insurance product (motor policy combined with satellite technology) was enhanced in October with the option of two new types of electronic device. The product is available on three levels - Supereasy, Full and Top - designed to satisfy the respective needs of those interested only in Motor TPL (mileage and accidents), those wishing to protect themselves and their car (with the added service of searches for a stolen vehicle) and lastly for those wishing to use the car in maximum safety (the device also acts as a GPS anti-theft device with automatic call-up to the Security Ops Room). The option was also extended to paying the annual premium in 10 or 11 instalments through an interest-free loan.

- **"FullQuote" motor insurance tool**. This quote tool is available on the website www.unipolsai.it, offering fully comprehensive motor insurance quotes also with Land Vehicle Class guarantees and giving the immediate, transparent option of paying the premium in monthly instalments via an interest-free loan.
  By entering the registration number, date of birth and the annual mileage, potential customers can immediately receive a number of customised proposals. The Company's IT system, in fact, links to the Ania Databases and Quattroruote's Infocar Data to capture all the information necessary for the requested quote.
  Based on the input data, up to three recommended quotes are displayed, also including Land Vehicle Class guarantees.
  - Motor TPL: our "basic" product, offering Motor TPL insurance with the minimum cover required by law and the Repairs format which envisages the use of repairs centres of the Auto Presto&Bene circuit;
  - Medium: including the "Supereasy" formula of Auto Intelligente insurance, compact third-party fire, additional Compact Pecuniary Losses and Class guarantees, compact Road Assistance, Legal Expenses and compact Driver Accident cover;
  - Large: including the "Full" formula of Auto Intelligente insurance, new-for-old Fire and Theft, VIP third-party fire, additional Compact Pecuniary Losses guarantees, additional Class guarantees, additional VIP and Global Road Assistance guarantees.

  All the recommended proposals can be customised, allowing potential customers complete freedom to choose the product characteristics and guarantees.

- **Review of the Presto&Bene Motor policy** The Presto&Bene Motor policy is reserved for customers stating a wish to claim compensation in a specific form, and in December was subject to two actions: the first relating to the Motor TPL guarantee and the second to the Glass guarantee:
  - Motor TPL: The change introduced allows a customer suffering damages the option of arranging vehicle repairs by his trusted repairs mechanic if the approved repairs centre is located over 20km from the scene of the accident. Except in this last case, if the obligation assumed is violated and therefore if an invoice for "off circuit" repairs is presented, the customer loses the right to a reduction in the Motor TPL premium and will have the right to settlement of the claim but with a 10% decrease in the related amount due to cover damages suffered by the Company as a result of the higher cost of repairs deriving from the use of centres other than those recommended.

- Glass: The new formula of the contractual clause for this guarantee envisages that “In the event of a loss affecting the Glass Breakage Guarantee, the Policyholder shall use the auto repairs centre indicated by the Company. In this case, the costs incurred to repair or replace the glass shall remain the liability of the Company:
    - in full, even if this exceeds the amount indicated in the policy, when a “Myglass” auto repairs centre is used (for further information, visit www.myglasscristalli.it);
    - up to the amount indicated in the policy if the auto repairs centre indicated by the Company is on the Auto Presto&Bene circuit. This will be the case when it is not possible to indicate a “Myglass” centre.

  If the Policyholder should violate the obligation by arranging glass repair or replacement at an auto repairs centre other than that indicated by the Company, and requests reimbursement of the expense incurred, the Policyholder shall be liable for the excess of €150.00 per claim on the amount settled under the terms of the contract”.

- **Automatic invoicing of Driver Accident, Legal Expenses and Road Assistance** A sales campaign began in December for the purchase of “Driver Accident/Compact”, “Legal Expenses” and “Road Assistance” guarantees when confirming payment of the Motor TPL premium. The campaign also envisages particularly convenient terms for customers that the Company could risk losing, i.e. those whose ID characteristics earmark them as potentially subject to attention from competitors or are particularly open to market offers.

With regard to the RETAIL price list, the following major initiatives were implemented in 2013:

- **Reform swing for 2013 Home insurance policies** Reform of the home insurance portfolio continued in the fourth quarter of 2013 in relation to off-catalogue products with a view to offering promotional guarantees and discounts to transfer the risks to the Retail Più Casa Classic product currently marketed.

- **Upselling of 2013 Home policies** The proposal to raise the insured amounts of existing policies was confirmed, against an adjustment proportionately lower than the policy premium. This initiative - active from June - was designed to offer improved insurance cover to customers not currently able to invest funds in signing new policies.

- **Earthquake coverage on home/building and commercial products** In the fourth quarter the offer of Earthquake risk coverage continued on the products Retail Più Casa Classic, Retail Più Fabbricati Classic and Retail Più Commercio Classic, with the automated issue of the extension attachment by the agencies.

- **Reform swing for 2013 Accident policies** The restructuring continued of the older policies in its portfolio, which involve regulatory/tariff conditions that are no longer in line with current practice; it has promoted its Retail Più Infortuni Classic catalogue product by offering special discounts.

- **Upselling of 2013 Accident policies** In the fourth quarter, the proposal - launched in July - to raise the insured amounts of existing policies was continued, against an adjustment proportionately lower than the policy premium and guarantees expanded to cover catastrophes. This initiative was designed to offer improved insurance cover to customers not currently able to invest funds in signing new policies.

- **Upselling of 2013 Commercial/Trade/Industry policies** Also in the fourth quarter, the proposal to raise the insured amounts of existing policies was confirmed, against an adjustment proportionately lower than the policy premium. This initiative - launched in August - was designed to offer improved insurance cover to customers not currently able to invest funds in signing new policies.

## Anti-insurance fraud activities relating to Motor TPL business

Action to prevent and combat insurance fraud is a consolidated activity and represents an integral aspect of the Company's core business. The results of this activity, in addition to achieving a positive direct impact on the Company's financial statements, also produce deterrent effects on the proliferation of such crimes, consequently also benefiting customers.

With regard to combating fraud, in 2012 Decree Law no. 1 of 24 January 2012, converted to Law no. 27 of 24 March 2012, and Decree Law no. 179 of 18 October 2012, converted to Law no. 221 of 17 December 2012, were issued.

Decree Law 1/2012 led to the issue by IVASS (formerly ISVAP) of Regulation no. 44 of 9 August 2012, which envisages the preparation and submission to this Authority of an annual report containing the information necessary to assess the efficiency of processes, systems and individuals with a view to guaranteeing company organisation adequacy in meeting the objective of preventing and combating fraud in the Motor TPL class.

The same Decree Law requires that insurance companies indicate an estimate of the reduction in claims costs resulting from confirmed fraud findings in the report or notes to the annual financial statements, as well as publishing these on their website or in another suitable format.

Pursuant to Article 30, paragraph 2, Decree Law 1/2012 the estimate of the reduction in claims costs deriving from such activity is approx. €25.6m.

This estimate comprises the sum of reserves/budgets for claims, subject to anti-fraud investigation, defined as without follow-up in 2013 regardless of the year they were generated.

In relation to the major insurance companies of the Fondiaria-SAI consolidation, key financial information relating to 2013 is summarised in the table below:

| (in €K) | PREMIUMS WRITTEN | % CHG. | INVESTMENTS | GROSS TECHNICAL PROVISIONS | RESULT |
|---|---|---|---|---|---|
| **NON-LIFE INSURANCE SECTOR** | | | | | |
| INCONTRA ASSICURAZIONI S.p.A. | 40,576 | (0.57) | 105,684 | 123,510 | 983 |
| DDOR NOVI SAD ADO | 63,894 | (2.94) | 35,393 | 58,572 | 175 |
| DIALOGO ASSICURAZIONI S.p.A. | 22,851 | (19.53) | 37,292 | 50,251 | (1,304) |
| EUROPA TUTELA GIUDIZIARIA S.p.A. | 1,278 | (11.77) | 13,695 | 5,198 | 378 |
| LIGURIA ASSICURAZIONI S.p.A. | 173,041 | (15.74) | 356,415 | 393,431 | 2,052 |
| MILANO ASSICURAZIONI S.p.A. (*) | 2,433,888 | (10.95) | 4,519,028 | 5,059,662 | 63,600 |
| PRONTO ASSISTANCE S.p.A. | 72,033 | 14.68 | 14,577 | 861 | 3,257 |
| SIAT S.p.A. | 137,590 | 3.56 | 123,563 | 267,592 | 2,064 |
| THE LAWRENCE RE LTD | 78,821 | (41.90) | 252,139 | 322,254 | (1,288) |

*(*) consolidated data of the Non-life sector*

## DIALOGO ASSICURAZIONI S.p.A.
### Share Capital €8,831,774
### (Indirect holding 99.85%)

The Company operates in the placement, through the call centre and Internet channels, of motor insurance products and Personal and Wealth protection.
During the year, gross premiums written amounted to €22.8m, decreasing 19.7% compared to 2012 (€28.4m), amid a difficult economic environment, lower advertising expenditure and an underwriting policy which seeks to balance to the best degree possible the average premium with the frequency and the average claims cost, therefore improving the portfolio quality.
The claims reported during the year fell by 26.7% and the underwriting performance, despite remaining negative, shows a considerable improvement from the loss of €8.4m recorded in the previous year to a negative balance of €2.1m for the current year, mainly due to the improved current year claims/premiums ratio.

The contribution of the company to the consolidated result was a loss of approx. €1.3m (loss of €2.9m at 31/12/2012).

# DDOR NOVI SAD ADO
## Share capital RSD 2,579,597,280
## (Direct holding 99.99%)

The slight economic and financial recovery of Euro Area countries towards the end of 2013 has not yet triggered a permanent inversion of the trend to strengthen the economies in SE Europe and in Serbia, despite recording an estimated year-end growth in Serbian GDP of 2.4%, with an inflation rate dropping to 2.3% and a relatively stable local currency (the RSD has lost only 0.8% of its value against the Euro, compared to an 8.7% loss in 2012). 2013 also saw growth in agricultural production (after the strong decline suffered in 2012 because of drought), currency market stability which remained under control through a strong rise in exports (+25.6%) and an increase in long-term government loans in foreign currency. Unfortunately these initial signs of growth were not sufficient to solve the problem of high unemployment (+20%) and low average wages (around €385 per month net).

As regards a more in-depth analysis of the social and cultural environment in Serbia, the approach to the insurance segment is not particularly positive. Insurance cover is still widely considered complex, difficult to understand and probably unnecessary, in addition to being seen as a cost rather than a risk management tool.

The Company reorganisation that began in the last few years has also offered a strengthening of its ability to face the recent economic challenges and the strong competition in the segment, continuing to provide excellent customer service, with a balanced premium portfolio as a result of prudent underwriting, which confirm DDOR Novi Sad ADO's leadership in the Serbian insurance market and its position as third in the national rankings with an estimated market share of around 13% (approx. 13.6% at the end of 2012).

Unfortunately, however, the difficult economic conditions have not allowed the Company to improve its technical profitability, despite the substantial stability of its gross premiums written which at the end of 2013 were recorded as approx. €69.1m.

In particular, with reference to the technical account profitability of the Non-life classes, the combined ratio has reached 106.8% (104.2% in 2012). As regards claims, performances in the agricultural insurance sector were negatively impacted by the catastrophic weather conditions that affected the country from April to June 2013 (with an impact on payments of approx. €1.9m), partly offset by a consistent drop in Motor TPL claims, keeping the loss ratio essentially stable (at 60.9% at the end of 2013, compared to 60.1% in 2012).Operating expenses increased to 45.9% of the expense ratio (44.1% at the end of 2012). On the other hand, the Motor TPL combined ratio improved (95.9% vs. 96.5% at the end of 2012), as a result of the portfolio review strategy.

At 31 December 2013, the Company reported a loss of approx. €1.2m (profit of €0.6m at 31/12/2012) as a result of the adjustment of claims provisions, write-downs of receivables as required under local law and the depreciation of investment property.

## LIGURIA ASSICURAZIONI S.p.A.
### Share Capital €36,800,000
### (Indirect holding 99.97%)

The result at 31 December 2013 (IAS compliant as regards consolidated financial reporting) was a profit of €2.0m (loss of €43.7m in the previous year).

Premiums written in 2013 amounted to €173.0m, compared to €205.4m at 31 December 2012 (-15.8%). In particular, a 20.1% decrease was reported by the Motor TPL class, 18.5% by the Land Vehicles class and 6.3% by Other Non-Life classes.

The decreases were affected by the continued portfolio clean-up action and the closure of points of sale with non-profitable performances, together with the renewed competitiveness of the sector, particularly the Motor classes. Note also the reduction in premiums of active agencies only at 31 December 2013, excluding agencies that have closed or been released, of 7.5% (11.8% in the Motor classes).

With regard to technical performance, a significant improvement was seen in the development of current-generation claims managed in the Motor TPL class and in the main indicators in general:

- claims reported fell by 24.2%;
- the impact of re-opened claims on new claims fell from 31.0% in 2012 to 19.6% in 2013;
- the frequency decreased from 6.6% in 2012 to 6.0% in 2013;
- the average cost of claims paid reduced slightly (-0.6%);
- the impact of injury claims decreased from 24.5% in 2012 to 19.8% in 2013.

As regards the development of prior year claims a negative run-off of €13.2m was recorded in claims managed, compared to €87.1m at 31 December 2012. Also performing well were the late claims, with a slight sufficiency of approx. €1.0m. The clearing house balance for the year essentially stood at break-even.

Taking into account the class-related commission costs and expense, the impact of which is in line with that of the same period in 2012, the net technical result for the Motor TPL class, including the share of profits on investments transferred from the non-technical account, was positive by €4.6m (negative by €61.3m at 31/12/2012).

In the Land Vehicle class, reported claims fell by 4.6% and the net technical result of direct business was positive at €1.0m (positive at €2.4m in the previous year).

In the Other Non-Life classes, where reported claims also fell by 3.0%, a negative performance was recorded, mainly attributable to the Bonds and General TPL classes, the performance of which was affected by the negative developments of certain major claims arising in 2013, and with regard to the Bonds class by a late claim of a significant amount. Consequently, the net technical result of direct business in the Other Non-Life classes was a loss of €8.6m (loss of €11.5m at 31/12/2012).

Overall, the net technical result for all the Non-Life classes was a loss of €2.7m (loss of €70.3m at 31/12/2012).

## MILANO ASSICURAZIONI S.p.A.
### Share Capital €373,682,600
### (Direct holding 61.10%, Fondiaria-SAI consolidated holding 63.39%)

The Group closed 2013 with a net profit of €143.9m (IAS compliant), compared to the €216m loss of the previous year.

More specifically:

- the Non-Life sector reports a pre-tax profit of €126.1m, compared to the 2012 loss of €226.3m. The clear discontinuity derives mainly from the technical performance, which reported a total combined ratio of 97.3% compared to 106.7% in the previous year.
  The improvement is attributable first of all to the Motor TPL class, which benefited from the restructuring policies adopted, and to the improved market context, closing with a positive technical balance. In particular, with regard to claims for the year, the number reported decreased by 9.5%, with a reduction in frequency. The performance of previous years' claims continues to call for prudent reservation criteria, but the impact on the income statement - despite remaining negative - is a distinct improvement on 2012, also as a result of the strengthening of reserves recognised in the previous financial statements.
  The Land Vehicles class also reported a highly positive technical result, albeit lower than that of 2012, due to the drop in business volume, also caused by the current economic crisis that makes the placement of additional motor insurance cover difficult, and due to current year claims which, though remaining favourable, increased compared to the previous year.
  With regard to Other Non-Life classes, note that General TPL reported a significant reduction in losses, though current year claims remained high and previous years' claims still call for prudent reservation criteria to be applied.
  Satisfactory results were achieved however by the Accident, Health, Transported Goods, Fire, Legal Expenses and Assistance classes;
- the Real Estate sector reports a pre-tax loss of €13.6m, much lower than the 2012 loss of €67.7m, essentially due to the reduced impact of asset write-downs by the subsidiary real estate companies. In particular, the 2013 result is attributable to Immobiliare Milano S.r.l. with a pre-tax loss of €10.4m and to Fondo Immobiliare Athens with a €2.5m loss, mainly due to the impairment loss on the hotel complex "Petriolo Spa Resort".
- Asset and financial management recorded total net income of €309m, a net improvement on the €105.5m recorded at 31 December 2012.
- the operating expenses in the non-life insurance sector amounted to €524.6m, with an impact on net premiums of 21.7% (20.7% at 31/12/2012). In the Life insurance sector, operating expenses amounted to €30.1m, with a percentage on net premiums of 7.7% (7.9% at 31/12/2012).

With reference to the financial statements prepared in accordance with Italian GAAP, 2013 reported a profit of €163.6m compared to a loss of €82.9m in 2012.

The key elements of the income statement during the reporting period can be summarised as follows:

- the technical result in the Life insurance sector reported a profit of €64.3m, up on the €52.3m profit of 2012. The improved result is mainly attributable to the greater differential between the total financial income recorded and the policyholders' share and, more specifically, the different economic impact of the valuation of investments which, as is known, does not affect returns from special life class management as it is still borne in full by the Company.
  In any event, the profitability finds support in a policy portfolio largely characterised by traditional type products, whose technical composition is - through the selection of demographic and financial parameters - focused on the guarantee of a satisfactory margin. The products offered, for the quality and the wide range available, satisfy all needs of customers, both in terms of savings (pension and non) and in terms of investments in relation to fulfilling security and protection needs.
- the Non-Life class technical account closed with a profit of €165.4m compared to a loss of €61.7m in 2012, showing a clear discontinuity with the recent past as a result of the effect of the return to a positive technical management result and following the good financial management performance, which allowed allocation to the non-life technical account of net income for €62.8m (zero in the previous year as the financial management result was negative overall because of the significant value adjustments on investments).
  With regard to technical management, the combined ratio shows a net improvement, falling from 103.2% in 2012 to 96.4 in the year under review, and the technical balance reports a profit of €104m compared to the €60.2m loss of the previous year.
  In particular, the Motor TPL class benefited from the restructuring policies adopted and the improved market context which, after years of losses, returned to a positive technical balance (€58.7m). Compared to the claims/premiums ratio for the year, which remains more or less in line with that of 2012, the claims reported decreased by 13.8% with a reduction in frequency. The performance of previous years' claims continues to call for prudent reservation criteria, but the impact on the income statement - despite remaining negative - is a distinct improvement on 2012, also as a result of the strengthening of reserves recognised in the previous financial statements.
  The Land Vehicles class also reported a highly positive technical result, albeit lower than that of 2012, essentially due to the drop in business volume (caused by the current economic crisis that makes the placement of additional motor insurance cover difficult) and due to current year claims which, though remaining favourable, increased compared to the previous year.
  With regard to Other Non-Life classes, note that General TPL reported a significant reduction in losses, though current year claims remained high and previous years' claims still call for prudent reservation criteria to be applied. Satisfactory results were achieved however by the Accident, Health, Transported Goods, Fire, Legal Expenses and Assistance classes.
- the Asset and Financial Management recorded total net income of €306.4m, against net income of €152.5m in 2012;
- other administration expenses, net of technical and asset-related allocations, amount to €85.9m, essentially in line with the previous year (+0.8%), against a reduction in personnel costs and higher overheads, attributable to costs deriving from the cancellation of certain contracts with external suppliers which will lead to significant benefits in future years.

Premiums written in 2013 totalled €2,588.4m, a contraction of approx. 9.4% on the previous year (€2,855.4m).

With reference only to the direct business – comprising almost the total portfolio, premiums written amounted to €2,583.2m, of which €2,198.6m in the Non-Life insurance sector (-10.4% compared to 2012) and €384.6m in the Life insurance sector, recording a decrease of approx. 8.5%.

Among direct premiums written in the Non-Life insurance sector, Motor premiums amount to €1,466m and decreased 12.8% while the Other Classes report a reduction of 5.4%, with premiums of €732.6m.
The performance of premiums written in the Motor TPL class (-12.2%) indicates the continuation of restructuring action undertaken.
For the Land Vehicles class, the contraction in premiums (-16.9% on 2012) was principally due to the difficult economic environment, making the insertion of accessory guarantees in the motor policies more difficult.

Direct premiums written in the Life insurance sector amounted to €384.6m, up 4.8% on 2012.

Indirect premiums amounted to €5.2m, compared to €33.7m in 2012. The decrease essentially derives from contracts processed and accepted in the quota share of Motor TPL risks in relation to the subsidiaries Dialogo Assicurazioni and Systema Assicurazioni, wound up at the end of 2012 and therefore no longer operative in the current year. The reinsurance premiums accepted remained negligible following the decision taken in the past to discontinue underwriting in the inward reinsurance market with companies outside the Group.

## SIAT SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A.
### Share Capital €38,000,000
### (Indirect holding 94.69%)

The operational performance for 2013, compared to that of the previous year, showed a considerable improvement, with a pre-tax profit of €4.3m (IAS compliant), against the €3.5m recorded in 2012.

In brief, contributions to this improved result came mainly from:

- the technical component (before assignment of the share of profit on investments from the non-technical account) reported an increase in profit (from €0.9m in 2012 to €1.3m in 2013).
- overall administration expenses, before the allocation to the technical segment, report a further significant reduction attributable to lower personnel costs;
- investment-related income and charges (also on property) which report a limited decrease, mainly due to owned property restructuring costs that cannot be capitalised;
- for other net revenues (costs) a balance not unlike that of the previous year was reported.

Gross premiums amounted overall to €129.8m, a decrease compared to the €144.7m recorded the previous year.
Premiums written in the Goods sector decreased compared to the same period last year, also as a result of the still unfavourable economic scenario (particularly regarding the domestic component).
Furthermore, premiums were negatively affected by the weakness of the US Dollar (the currency in which a large part of the Transport business is undertaken, particularly in the "Hulls" class) against the Euro, with an exchange rate at 31 December 2013 of 1.3791 compared to 1.3194 at 31 December 2012.
These premiums relate solely to the "Transport" sector, in that the business classified in the Motor and General Classes, based on the breakdown by class in the financial statements, relates only to this sector.
The Transport Classes reported a very small number of particularly serious claims.

In relation to claims paid, the total (€118.5m) changed little compared to 2012 (€124.8m) and refers principally to the Hulls class.
At the same time, release of the incoming claims provision has continued and overall appears sufficient.

# Life Insurance Sector

# THE LIFE INSURANCE MARKET

In the first nine months of 2013 total premiums in the Life insurance sector increased by over 23% (to around €62.2bn), accounting for 72.2% of the total Non-Life and Life portfolio (66.7% in the same period of 2012).

In particular, Class I (Whole and term life insurance) with approx. €46.7bn recorded an increase of approx. 26.3% on the same period of 2012; Class III (Unit linked/index-linked policies) with approx. €12bn, increasing by 22.7% compared to the first nine months of 2012; and Class V (Capitalisation insurance) totalled approx. €2.4bn, up 16%. These Classes account respectively for 75.1%, 19.3% and 3.9% of Life premiums (respectively 73.3%, 19.4% and 4.1% in the same period of 2012). In relation to the remaining Classes, Class VI premiums (Pension funds with approx. €0.9bn) accounts for approx. 1.5% of Life premiums (2.9% in the first nine months of 2012).

Premiums written through bank and postal branches accounted for 60.4% of the Life portfolio (a strong increase compared to the 50.9% of the same period in 2012). These were followed by the financial promoters (16.9% compared to 22.5% in the first nine months of 2012), mandated agents (12.8% compared to 14.3% in the first nine months of 2012), in-house agents (8.7% compared to 10.6% at 30/9/2012), brokers (1.1% compared to 1.3% in the first nine months of 2012) and the other forms of direct sales (0.2% compared to 0.4% in the same period in 2012).

In November 2013, the new Life business (individual policies) of the Italian and non-EU companies, including supplementary single premiums, was €5bn (+16.6% compared to the same month of 2012).

## Supplementary pensions in Italy

Our company’s supplementary pension scheme offers many functions, regarding:

- pure pensions, with the aim of allowing each employee a quality of life suited to his needs, also after retirement;
- insurance, for the long-term enhancement of savings, allowing part of income to be transferred to the future and at the same time mitigate the risks associated with individual savings plans;
- welfare, to ensure that all elderly individuals receive at least the minimum level of income;
- redistribution, transferring wealth from current to future generations.

Whilst the welfare and redistribution functions are based on social justice principles, and are therefore entrusted to the State which finances them at least in part through taxation and public expenditure, the pensions and insurance functions are instead based on an individual’s capacity to generate income from employment. For this reason they can be absolved by the State (through the public welfare system) or by the private sector, particularly the financial markets (through supplementary pension schemes).

Supplementary pensions play a highly diversified role in the different economies. The importance of the "second pillar", in fact, appears to be inversely associated with the extent of services offered by the public component. In countries where the public system has offered generous services thus far, the supplementary system is less well-developed, whereas it plays a significant role in economies in which public pensions offer more limited services.

The reform of the Italian pensions system forms part of a more extensive renewal of the pension systems affecting all EU member states. It should be remembered that, from 1 January 2007, an employee subscribing to compulsory pension schemes is required to decide on how his post-employment benefits should be allocated.

Seven years after this reform the scale of subscriptions to supplementary pension schemes appears to be unsatisfactory. In June 2013 the subscribers to supplementary pension schemes numbered approx. 6 million, almost double the 3.1 million of 2006. The rate of employees' subscription to supplementary pensions, calculated as a ratio of subscribers to numbers employed, however, is only a little over 25%. The average age of subscribers is 44.6 years, compared to 42 for the total employed. Only 18% of Italian employees under 35 years of age are registered with a form of supplementary pension plan. Over a period of almost ten years the pension funds have offered a return only slightly higher than that of post-employment benefits.

**Table 3 - Supplementary pensions in Italy. Subscription to supplementary pensions.**
(year-end data; provisional for 2013)

| | **December 2013 (1)** | **September 2013 (1)** | **June 2013 (1)** | **March 2013 (1)** | **December 2012** | **December 2013/2012 % Chg.** |
|---|---|---|---|---|---|---|
| Traded pension funds | 1,950,904 | 1,956,121 | 1,959,197 | 1,964,148 | 1,969,771 | (1.0) |
| *of which: LDSP* | *1,787,429* | *1,794,770* | *1,800,131* | *1,807,688* | *1,813,998* | *(1.5)* |
| Open pension funds | 984,611 | 965,878 | 958,146 | 942,279 | 913,913 | 7.7 |
| *of which: LDSP (2)* | *454,505* | *448,201* | *446,467* | *443,433* | *435,273* | *4.4* |
| "New" IPPs | 2,121,495 | 2,020,109 | 1,959,859 | 1,868,727 | 1,777,024 | 19.4 |
| *of which: LDSP (2)* | *1,314,643* | *1,253,859* | *1,216,240* | *1,159,566* | *1,101,193* | *19.4* |
| "Old" IPPs | 534,000 | 534,000 | 534,000 | 534,000 | 534,816 | - |
| *of which: LDSP (2)* | *178,000* | *178,000* | *178,000* | *178,000* | *178,139* | - |
| Pre-existing pension funds | 659,000 | 659,000 | 659,000 | 659,000 | 659,920 | - |
| *of which: LDSP* | *632,000* | *632,000* | *632,000* | *632,000* | *632,902* | - |
| **Total pensions (3)** | **6,223,716** | **6,108,759** | **6,043,407** | **5,941,372** | **5,828,674** | **6.8** |
| *of which: LDSP (3)* | *4,366,446* | *4,306,644* | *4,272,206* | *4,220,068* | *4,160,898* | *4.9* |

*Source: COVIP – La previdenza complementare. Principali dati statistici al quarto trimestre 2013 – gennaio 2014. (The supplementary pension. Principal statistics in the fourth quarter 2013 – January 2014).*
*LDSP: private sector employees*

(1) *The "old" IPPs and the pre-existing pension funds are not subject to reporting during the year. The data indicated is based on figures from the end of the previous year.*
(2) *It is assumed that all employee subscribers belong to the private sector.*
(3) *FONDINPS is included in the total. This excludes duplications due to subscribers who subscribe to both the "new" and "old" IPPs, amounting to around 63,000 individuals at the end of 2012, of which 37,000 are employees.*

## Operational performance

The pre-tax result of the sector was a profit of €359m (loss of €35 at 31/12/2012). 2013 as a whole saw a recovery in premiums written, particularly driven by the bancassurance channel.
Note the significant decrease in outflows for redemptions, payments and maturities.
The financial assets for the sector show highly positive results compared to the previous year.
A significant increase was reported in net capital gains realised on AFS financial instruments (approx. €190m, compared to €12m at 31 /12/2012) and the impact of value adjustments on AFS financial instruments has reduced (€15m compared to €58m at 31 /12/2012).
It should be remembered that last year the sector was affected by impairment losses on intangible assets for €159m (none at 31/12/2013).

**Premiums written** amounted to €3,915m compared to €3,612m, an increase of 8.4%. The direct premiums written amount to €3,914m, again an increase of 8.4%.

The total premiums in the sector also include €44m (€44m in 2012), on investment contracts which may not be included in application of IFRS 4 and therefore recorded according to the deposit accounting technique.

A breakdown of the premiums written by class is shown below:

| (in €K) | **31/12/2013** | **31/12/2012** | **% Change** |
|---|---|---|---|
| I - Whole and term life insurance | 2,564,225 | 2,212,377 | 15.9 |
| III – Unit linked/index-linked policies | 1,062,141 | 1,142,007 | (7.0) |
| IV - Health insurance | 685 | 388 | 76.8 |
| V - Capitalisation insurance | 287,395 | 256,175 | 12.2 |
| **TOTAL DIRECT PREMIUMS** | **3,914,446** | **3,610,947** | **8.4** |
| **INDIRECT PREMIUMS** | **512** | **635** | **(19.4)** |
| **TOTAL LIFE CLASSES** | **3,914,958** | **3,611,582** | **8.4** |

Total premiums written by bank branches amounted to €2,666m and represent 68.1% of the total direct premiums written. The contribution of the subsidiary Popolare Vita is significant and remains in line with the figure for the previous year. The **premiums ceded** amounted to €8m (€9m in 2012).

**Gross technical provisions** amounted to €21,180m (€21,136m at 31/12/2012).

**Sums paid** amounted to €4,597m (€6,475m in 2012).

The breakdowns by Class and type for direct-premium Life payments are given below:

| (€m) | Claims | Redemptions | Maturity | Total 2013 | Total 2012 |
|---|---|---|---|---|---|
| I. Whole and term life insurance | 97.5 | 1,413.4 | 719.7 | 2,230.6 | 2,253.8 |
| III. Unit linked/index-linked policies | 33.8 | 1,127.3 | 904.4 | 2,065.5 | 3,494.3 |
| IV. Health insurance | - | 0.7 | 0.1 | 0.8 | 0.1 |
| V. Capitalisation insurance | 2.5 | 239.5 | 55.8 | 297.8 | 723.2 |
| | **133.8** | **2,780.9** | **1,680.0** | **4,594.7** | **6,471.4** |

Total operating expenses in 2013, excluding the investment management expenses, amounted to €189m, a decrease of -4.1% (€198m at 31/12/2012). The percentage on premiums therefore increased from 5.47% in 2012 to 4.84% this year.

With reference to some operating indicators in the sector the returns on the principal Segregated Funds of the Fondiaria-SAI consolidated companies are shown below:

| | 2013 | 2012 |
|---|---|---|
| Press | 3.54 | 3.60 |
| Nuova Press 2000 | 3.41 | 3.60 |
| Fonsai RE | 3.81 | 4.02 |
| Fondivita | 3.82 | 2.46 |
| Fondicoll (*) | 4.06 | 4.18 |
| VIVA | 4.36 | 4.23 |
| Milass RE | 3.82 | 4.01 |
| 3A | 3.87 | 3.59 |
| Popolare Vita (*) | 3.24 | 3.39 |
| Fondo Liguria | 3.86 | 3.66 |

*(*) For these Segregated Funds the year ended at 30/9/2013 therefore the return reported in the table has already been certified.*

## Annual Premium Equivalent and New business

For example, some values relating to the new premiums written, determined according to the Supervisory Authority are shown below:

| (in €K) | Class I | Class III | Class IV | Class V | Class VI | Total | 2012 | % Chg. |
|---|---|---|---|---|---|---|---|---|
| Bim Vita S.p.A. | 22,165 | 64,507 | - | - | 907 | 87,579 | 71,147 | 23.10 |
| Fondiaria-SAI S.p.A. | 299,146 | 1,652 | 494 | 34,612 | 805 | 336,709 | 281,074 | 19.79 |
| Liguria Vita S.p.A. | 16,391 | - | - | 121 | - | 16,512 | 12,928 | 27.72 |
| Milano Assicurazioni S.p.A. | 161,164 | 329 | 30 | 21,837 | 695 | 184,055 | 167,837 | 9.66 |
| Popolare Vita S.p.A. | 1,443,504 | 2,069 | - | 4,733 | - | 1,450,306 | 1,513,997 | (4.21) |
| The Lawrence Life | - | 950,622 | - | - | - | 950,622 | 723,176 | 31.45 |
| **TOTAL** | **1,942,370** | **1,019,179** | **524** | **61,303** | **2,407** | **3,025,783** | **2,770,159** | **9.23** |

New premiums written, in terms of annual premium equivalent, or APE, are calculated based on the sum of the new business annual premiums and 10% of the single premiums. For the Fondiaria-SAI consolidation, this is calculated both under IAS/IFRS, therefore excluding the contracts processed under the deposit-accounting method, and under Italian rules, i.e. taking into consideration all new business in the sector, including investment contracts not covered by IFRS 4. The results of these calculations are provided below.

| (€m) | 31/12/2013 | 31/12/2012 | % chg |
|---|---|---|---|
| **IAS/IFRS standards** | **373.0** | **331.3** | **12.6** |
| Traditional Insurance Companies | 109.2 | 94.2 | 15.9 |
| Bancassurance | 263.8 | 237.1 | 11.3 |
| | | | |
| **Italian GAAP** | **374.4** | **333.2** | **12.4** |
| Traditional Insurance Companies | 110.4 | 95.9 | 15.1 |
| Bancassurance | 264.0 | 237.3 | 11.3 |

## Life insurance premiums by class

With reference to the amount of direct and indirect premiums recorded the composition by class and by company is shown below.
The line shows the entire amount of the premium relating to each contract, as reclassified for the preparation of the IFRS consolidated financial statements.

The table also includes investment contracts which may not be included in application of IFRS 4 and therefore recorded according to the deposit accounting technique.

### Type of business

| (€m) | | | 2013 | | | |
|---|---|---|---|---|---|---|
| | Fondiaria-SAI | Milano Ass.ni | Popolare Vita | BIM Vita | Other companies | Total by type |
| Insurance contracts | 209 | 112 | 51 | 104 | 956 | 1,432 |
| Investment contracts with discretional participation features | 636 | 266 | 1,532 | 28 | 22 | 2,484 |
| Investment contracts without discretional participation features | 30 | 7 | 1 | 6 | - | 44 |
| Service contracts (IAS 18) | - | - | - | - | - | - |
| **Total by Company** | **875** | **385** | **1,584** | **138** | **978** | **3,960** |

| (€m) | Fondiaria-SAI | Milano Ass.ni | 2012<br>Popolare Vita | BIM Vita | Other companies | Total by type |
|---|---|---|---|---|---|---|
| Insurance contracts | 284 | 176 | 462 | 94 | 728 | 1,744 |
| Investment contracts with discretional participation features | 514 | 183 | 1,145 | 6 | 19 | 1,867 |
| Investment contracts without discretional participation features | 30 | 7 | 1 | 6 | - | 44 |
| Service contracts (IAS 18) | - | - | - | - | - | - |
| **Total by Company** | **828** | **366** | **1,608** | **106** | **747** | **3,655** |

## Individual Life Insurance

In 2013 customers tended to favour Segregated Funds, as they feature a guaranteed minimum return and investment protection.

The distribution performances of the product categories are summarised as follows:

- for the single premium products, the Segregated Fund-linked products reported a significant increase, which offset last year's distribution success of the Valore Certo product;
- for the recurring premium products, OPEN GOLD and OPEN RISPARMIO both reported a highly positive result;
- for variable annual premium products, there was a slight decrease in the three segment products, OPEN PIU', OPEN BRAVO and OPEN FULL;
- the Term Life sector reported a significant increase in premium volumes and in the number of new policies written.

The supplementary pension sector, implemented through Individual Pension Plans, in 2013 saw a substantial increase in volumes compared to 2012.

## Collective Life Insurance and Pension Funds

With regard to the Collective Insurance and Pension Funds sector, 2013 closed with an overall balance in premiums written compared to last year.

If on the one hand the capitalisation products for use in company cash flow management show an increase in production, on the other hand the traditional life insurance segment has declined in the last twelve months.

In the supplementary pension segment, the Open Pension Funds created by the Company and the traditional portfolio of the Pre-Existing Pension Funds reported an overall contraction compared to the previous year. Whilst the Open Pension Funds result remained similar to that of last year, the Pre-Existing Pension Funds segment decreased in terms of premium volumes, also due to the changes in national contracts referring to our customers.

The post-employment benefits based products (TFR and TFM) recorded a decrease in premiums due to the still difficult economic climate and the regulatory obligations imposed by the legislature (allocation of TFR to supplementary pension forms rather than to the INPS Treasury Fund for companies with over 50 workers) to the extent that these products cannot fulfil their potential.

The pure risk coverage sector reported a slight decrease in premiums compared to 2012.

The performance in 2013 of the subsidiaries is summarised in the table below:

| (in €K) | PREMIUMS WRITTEN | % CHG. | INVESTMENTS | PROVISIONS | RESULT |
|---|---|---|---|---|---|
| **LIFE INSURANCE SECTOR** | | | | | |
| BIM VITA S.p.A. | 131,975 | 32.12 | 567,080 | 493,227 | 1,509 |
| DDOR NOVI SAD ADO | 5,214 | 0.41 | 14,802 | 14,811 | (1,419) |
| LIGURIA VITA S.p.A. | 21,670 | 13.38 | 133,009 | 126,830 | 1,394 |
| MILANO ASSICURAZIONI S.p.A. (*) | 399,262 | 5.47 | 3,735,623 | 3,388,977 | 93,781 |
| POPOLARE VITA S.p.A. | 1,583,193 | (1.50) | 6,709,986 | 6,424,557 | 48,897 |
| THE LAWRENCE LIFE ASSURANCE CO LTD | 950,614 | 31.44 | 3,124,995 | 3,046,854 | 13,653 |
| THE LAWRENCE RE LTD | 10,108 | (15.05) | 14,999 | 8,619 | 1,279 |

*(*) consolidated data of the Life sector*

# MILANO ASSICURAZIONI S.p.A.

## Share Capital €373,682,600

## (Direct holding 61.10%, Fondiaria-SAI consolidated holding 63.39%)

At consolidated level, the Life insurance sector closed 2013 with a pre-tax profit of €117.6m (€13.3m profit in 2012) recording a significant improvement over the previous year. The improvement is mainly due to the greater differential between total financial income achieved and the policyholders' share, and more specifically from the lower valuation losses and the profits realised on the investment in the Bank of Italy, as reported in further detail in the section on asset and financial management.

In any event, the profitability of the sector finds support in a policy portfolio largely characterised by traditional type products, whose technical composition is - through the selection of demographic and financial parameters - focused on the guarantee of a satisfactory margin.

With particular reference to the financial statements prepared according to Italian GAAP, premiums written in the Life insurance sector amounted to €384.6m, an increase of 4.8% on 2012.

The technical result in the Life insurance sector reported a profit of €64.2m, up on the €52.3m profit recorded in the previous year. The improved result is mainly attributable to the greater differential between the total financial income recorded and the policyholders' share and, more specifically, the different economic impact of the valuation of investments which, as is known, does not affect returns from special life class management as it is still borne in full by the Company.
In any event, the profitability finds support in a policy portfolio largely characterised by traditional type products, whose technical composition is - through the selection of demographic and financial parameters - focused on the guarantee of a satisfactory margin. The products offered, for the quality and the wide range available, satisfy all needs of customers, both in terms of savings (pension and non) and in terms of investments in relation to fulfilling security and protection needs.

The technical provisions of direct premiums written at year end amounted to €3,238.2m, a decrease of 2.1% on the €3,308.8m of the previous year. The technical provisions relating to the "Class C portfolio" (which excludes the contracts with investment risk borne by the policyholders) amounted to €3,144.3m (€3,159.1m in the previous year) and almost entirely related to Segregated Funds contracts. The Class D provisions, concerning products with financial risk borne by the policyholders, amounted to €93.9m, of which €32.5m relating to index-linked products, €35m unit-linked products related to internal funds or mutual investment funds and €26.4m relating to the Open Pension Fund of Milano Assicurazioni.

## POPOLARE VITA S.p.A.
### Share Capital €219,600,005
### (Direct holding 24.39%, Fondiaria-SAI consolidated holding 50%)

The figures in the financial statements at 31 December 2013 (IAS compliant for consolidated financial reporting) show a profit of approx. €49m (profit of around €70.9m at 31/12/2012).

During the year the Company continued to pursue its objective of strengthening its market position on the savings and supplementary pension products, also identifying specific commercial initiatives.

In terms of premiums written, gross premiums recorded amount to €1,583.2m (€1,607.4m at 31/12/2012).

Life payments made total €2,118.9m (€1,722.8m at 31/12/2012).

Operating expenses amount to €69.2m (€69.7m at 31/12/2012), of which 62.3% acquisition expenses and 37.7% administration expenses.

The total volume of investments reached a total of approx. €6,713.8m (down on the volume at 31/12/2012 of €7,308.3m).

Gross technical provisions amount to €6,424.8m (€6,794m at 31/12/2012).

The solvency margin calculated on separate financial statement figures at 31 December 2013 shows a solvency ratio of 147.3% (Non-life classes) and 201.5% (Life classes).

The distribution network of the company consists of 1,890 bank branches belonging to the Banco Popolare Group and, in relation to post-sales only, 32 branches of Credito Emiliano, 40 branches of Caripe and 5 branches of Banca Popolare di Mantova.

The placement of Popolare Vita products in 2014 is expected to continue in line with the volumes forecast in the “2012-2014 Industrial Plan”, with focus principally on Class I traditional and pension products and a progressive return to Class III and multi-class products.

## THE LAWRENCE LIFE ASSURANCE CO. LTD
### Share Capital €802,886
### (Indirect holding 100%, Fondiaria-SAI consolidated holding 50%)

The Company reported profit for the year at 31 December 2013 (IFRS compliant for consolidated financial reporting) of approx. €13.7m, a decrease of 7.4% on the IFRS-compliant result of €14.8m at 31 December 2012.

In 2013, the Company reported premiums written of €950.6m, almost entirely concerning insurance contracts, through two issues of unit-linked products of a 5-year duration (approx. €724m in 2012).

At 31 December 2013 total investments of the Insurance Company amounted to €3,125m (€2,993m at December 2012), of which €3,028m (€2,893m at December 2012) were Class D investments.

# Reinsurance

## Non-Life Reinsurance

For 2013, the placement of all portfolio transfers were through Unipol Gruppo Finanziario companies except for the Aviation classes, which were placed directly on the international market by the individual companies.
The reinsurance policy is principally orientated towards transfers on a non-proportional basis of the protection of the individual or cumulative risks deriving from a single event for the Classes Fire, Accident, Theft, General TPL, Motor Vehicle TPL and Land Vehicles while on a proportional basis for the Classes Credit and Hail. In relation to the Classes Transport, Aviation, Bonds and Technological Risks, the structure based on proportional agreements and covering excess claims was confirmed.
The structure of coverage ceded on the international market, composed of the sum of the various portfolios of individual companies, limited reinsurance costs despite the increased exposure. This situation, together with the results reported, allows for an excellent level of guarantee on solvency, particularly important in the presence of extensive catastrophe coverage, for example Accident and Property.
The subsidiary SIAT placed on the reinsurance market the protection relating to the Transport sector operating as reinsurer of the companies, with a mixed structure based on proportional agreements and excess claims coverage.
The subsidiary Liguria Assicurazioni, following the guidelines issued by the Parent Company, placed the Transport Classes through SIAT, while Group programmes were utilised for the other sectors, except for the Assistance class which is not ceded in reinsurance and is therefore protected through separate programmes for each company.
In specific cases, where there was a lower priority, specific underlying programmes were placed.
With regard to inward reinsurance, the data at 31 December 2013 include all the optional business and the acceptances by the Group companies and the data at 31 December 2012 include all other types of agreements. Net of the relative reinsurance and following prudential recognition in previous financial statements, the equilibrium of the result of the overall portfolio is confirmed.

## Life Reinsurance

The reinsurance programme, as in previous years, consists of a proportional agreement in excess: The retentions vary according to the arrangements of the individual ceding companies. The subsidiary The Lawrence RE reinsures this portfolio and obtains coverage on the international market through a non-proportional structure for the specific risks and a Stop Loss protection on the retained risk.
The retentions continue to be limited for subsidiaries and associates, especially when compared to the total capacity provided.

## Ratings of the Reinsurers’ Share of Technical Provisions and Current Account Receivables

The table below shows the breakdown of the reinsurers’ share of technical provisions and current account receivables by category according to the Standard & Poor’s rating. 90.07% of the reinsurers’ share and 92.24% of receivables were placed with AA and A rated reinsures while 8.50% of the reinsurers’ share and 5.48% of receivables were placed with BBB/BB/B rated reinsurers.

(in €K)

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Provisions | | Receivables | | Provisions | | Receivables | |
| RATING | Amount | Percent. | Amount | Percent. | Amount | Percent. | Amount | Percent. |
| AAA | - | - | - | - | - | - | - | - |
| AA | 314,742 | 42.44 | 43,084 | 43.78 | 361,349 | 44.76 | 29,151 | 45.02 |
| A | 353,229 | 47.63 | 47,699 | 48.46 | 376,930 | 46.69 | 30,003 | 46.34 |
| BBB | 61,832 | 8.34 | 5,129 | 5.21 | 57,561 | 7.13 | 3,548 | 5.48 |
| BB | 731 | 0.10 | 249 | 0.25 | 2,099 | 0.26 | 135 | 0.21 |
| B | 420 | 0.06 | 24 | 0.02 | 565 | 0.07 | 78 | 0.12 |
| NR | 10,701 | 1.43 | 2,235 | 2.27 | 8,800 | 1.09 | 1,835 | 2.83 |
| **Total** | **741,655** | **100.00** | **98,420** | **100.00** | **807,304** | **100.00** | **64,750** | **100.00** |

# Real Estate Sector

The third quarter of 2013 once again reported a contraction in the real estate sector, albeit slower. In spite of the slowing rate of decline, the changes remain negative and bring the absolute value of total transactions to the lowest value since 2004.

As illustrated in the table below, which shows purchase/sale volumes and the respective trend changes, a negative figure was seen in all sectors. The strongest contractions were reported in the non-residential and office segments, which with 1,935 NNTs (Number of Normalised property unit Transactions) show the greatest decrease, -11.7%, followed by the production sector with 1,983 transactions and a 9.4% downturn, and lastly by the commercial segment with -8.2% from 4,978 NNTs. With 91,051 homes purchased and sold in Q3 2013, the residential sector reports a 5.1% decline, confirming the slowing rate of decline seen since the start of the year. A similar performance was seen in the adjacent properties sector, mostly for residential use, which with 71,807 NNTs reports a loss of 6.6%.

The purchase supply and demand performance was slower in the luxury and central areas, with a similar trend seen in the residential leasing segment. The market is one of minimal demand, but is able to meet contractual commitments.

**Table 4 - NNTs (Number of normalised property unit transactions) - quarterly figures and % yoy trend changes**

| **NNTs** | **Q3 2012** | **Q4 2012** | **Q1 2013** | **Q2 2013** | **Q3 2013** |
|---|---|---|---|---|---|
| Residential | 95,989 | 118,205 | 94,503 | 108,618 | 91,051 |
| Offices | 2,191 | 3,192 | 2,378 | 2,343 | 1,935 |
| Commercial | 5,420 | 7,753 | 5,957 | 6,409 | 4,978 |
| Production | 2,188 | 3,183 | 2,147 | 2,214 | 1,983 |
| Adjacent property | 76,910 | 99,116 | 77,475 | 88,555 | 71,807 |
| Other | 31,161 | 38,911 | 29,755 | 34,678 | 27,908 |
| **Total** | **213,860** | **270,359** | **212,215** | **242,817** | **199,661** |
| (% chg) | **Q3 11-12** | **Q4 11-12** | **Q1 12-13** | **Q2 12-13** | **Q3 12-13** |
| Residential | (26.8) | (30.5) | (14.2) | (9.3) | (5.1) |
| Offices | (27.6) | (25.6) | (9.2) | (10.6) | (11.7) |
| Commercial | (29.7) | (23.0) | (8.7) | (2.7) | (8.2) |
| Production | (25.8) | (17.1) | (5.9) | (6.5) | (9.4) |
| Adjacent property | (24.8) | (29.4) | (12.9) | (7.5) | (6.6) |
| Other | (24.5) | (29.2) | (16.5) | (3.8) | (10.4) |
| **Total** | **(25.8)** | **(29.6)** | **(13.8)** | **(7.7)** | **(6.6)** |

*Source: Real estate market performance in Q3 20,– OMI 21/11/2013 (Real Estate Market Observatory, Italian Inland Revenue)*

A decline in the real estate market is forecast for the end of 2013 (with sales/purchases numbering 407k, -8.3%), though the decrease will be less than that recorded at the end of 2012 and should lose its intensity over the next few quarters, with a property price adjustment which - though it began late compared to the drop in purchases/sales - will also continue in the next two years. The repricing will be significant in all segments in 2014, becoming more limited in 2015.

The OMI, managed by Nomisma using 13 major Italian cities as reference, envisages that though real estate operator opinions will remain negative for the first 6 months of 2014, the second wave of the recession that began in 2011 should have come to an end. Therefore even if 2014 is not forecast to see a significant improvement, from 2015 onwards the start of a recovery is more feasible and should be stronger in the non-residential segment than in housing.

With reference to the corporate market, Nomisma points out that Italy has shown timid signs of recovery. The impact on continental investments has risen from 1.4% in 2012 to 2.3% in 2013. From Observatory figures it emerges that in 2013 the Italian corporate investment market has recorded an upturn compared to 2012, halting the dramatic collapse that began at the end of 2011. At the end of 2013 the volume of institutional property transactions should reach €3.3bn, representing just short of double the investments made last year. The percentage of foreign investments has risen to account for no less than 73% of the market.

Positive signs were also seen in terms of mortgages. The trends in home purchase loans increased 2.8% yoy, and is the only household credit segment to show a positive trend. Limiting the analysis to loans to households only, in the first half of 2013 the extent of loans to consumer households fell by around €3bn compared to the previous half year.

# OPERATIONAL PERFORMANCE

The results of the real estate sector include **Immobiliare Fondiaria-SAI** and **Immobiliare Milano**, the subsidiary **Nit S.r.l.** and other minor companies, as well as the **Tikal R.E.** and **Athens R.E.** Closed Real Estate Funds.

The key data for the real estate sector are summarised below:

| (in €K) | **2013** | **2012** |
|---|---:|---:|
| Profits realised | - | 670 |
| **Total revenues** | **70,317** | **73,815** |
| Interest expense | 3,837 | 4,812 |
| **Total costs** | **139,374** | **311,185** |
| | | |
| **Result before taxes** | **(69,057)** | **(237,370)** |

| (in €K) | **2013** | **2012** |
|---|---:|---:|
| Investment property | 988,711 | 1,044,749 |
| Financial liabilities | 172,438 | 175,521 |

The result before taxes was a loss of €69m (€237m in 2012).

The factors which impacted the result are impairments and depreciation of approx. €57m (€221m at 31/12/2012). It should be remembered that the previous year suffered the effects of the bankruptcy of Im.Co-Sinergia of €11m relating to the project in the Castello Area through the subsidiary Nit and the real estate project S. Pancrazio Parmense through Immobiliare Fondiaria-SAI.

The key financial highlights of the principal operating subsidiaries in the sector are set out below:

| (in €K) | REVENUES | % CHG. | COST OF PRODUCTION | RESULT |
|---|---:|---:|---:|---:|
| **REAL ESTATE SECTOR** | | | | |
| IMMOBILIARE LOMBARDA S.p.A. | 14,529 | (8.70) | 21,041 | (6,754) |
| IMMOBILIARE FONDIARIA-SAI S.r.l. | 13,568 | 49.59 | 38,291 | (21,622) |
| IMMOBILIARE MILANO S.r.l. | 9,486 | 11.06 | 19,906 | (10,427) |
| NUOVE INIZIATIVE TOSCANE S.r.l. | 4 | (86.62) | 1,419 | (1,415) |
| TIKAL R.E. FUND | 23,172 | (17.16) | 40,870 | (13,600) |

**Real estate operations**

In 2013, revenues from real estate sales amounted to €28.2m. The main Fondiaria-SAI real estate operations were:

- Turin, Via Gramsci, 15/Soleri, 2 / Gobetti, 19: unit sales of a residential building for €11.8m;
- Milan, Via Fiori Chiari, 24/a: unit sales of a residential building for €2.8m;
- Florence, Via Benivieni, 1/3: unit sales of a residential building for €1.9m;
- Florence, Viale Matteotti, 54: unit sales of a residential building for €0.8m;
- Turin, Piazza Castello, 153: sale of office units for €5.2m;

other unit sales as offices/commercial/residential, owned by Fondiaria-SAI and Milano Assicurazioni, for €5.7m.

Preliminary sales agreements were also signed for a total of €28.2m, of which:

- Turin, Via Gramsci, 15/Soleri, 2/Gobetti, 19: residential units - sale price €0.9m;
- Turin, Corso Dante, 119: residential units - sale price €1.9m;
- Milan, Viale Boezio 20 - 014013: BNP PARIBAS, preliminary date of 22 May 2013 - sale price €25.0m - building for use as hotel accommodation.

Also note that during the year the agricultural estate Fattoria del Cerro in Montepulciano was sold by Fondiaria-SAI to SaiAgricola for a total of €23.8m.

## IMMOBILIARE FONDIARIA-SAI S.r.l.
### Share Capital €20,000.
### (Direct holding 100%)

The company has been operational since 1 October 2009, following the partial non proportional spin-off of Immobiliare Lombarda which allocated a spun-off asset portfolio of €409m comprising property, shareholdings in subsidiary and associated companies, cash and cash equivalents and financial debt.

In 2013, in which activities centred on management of the real estate portfolio together with the management of investments held in other companies in the real estate sector, the company reports a loss of approx. €20.4m (loss of €19.3m in 2012). The negative result is largely attributable to value adjustments made on investments in real estate companies.

The contribution to the 2013 consolidated result was a loss of €21.6m (loss of €31.7m in 2012) and was principally due to the write-down of property for approx. €11.5m based on independent experts' valuations.
During the year, revenues and income at consolidated level of approx. €13.6m were recorded, versus costs for €38.3m and taxes of €3.1m.

The principal cost items at consolidated level concerned:

- service costs of approx. €10.5m, of which €1m relating to maintenance costs on buildings owned, €1.9m consultancy, €3.7m consortium-related expenses and other capitalised costs on tangible assets, €1.7m utilities and operating expenses and €0.6m personnel-related costs;
- impairments on some buildings for approx. €10.3m;
- depreciation on owned buildings for €6.5m;
- write-downs on receivables for approx. €1.3m;
- other operating expenses for approx. €3m, mainly referring to taxes, of which €1.7m IMU and €0.4m urbanisation charges;
- personnel costs for approx. €1.1m, use of third-party assets for €0.6m and €0.8m in purchases;
- interest on bank loans of approx. €2.3m;
- provisions for risks of approx. €1.8m.

At 31 December 2013 the property recorded in the accounts as "land and buildings" amounted to approx. €66.2m. The real estate assets include property for residential, office and commercial use, and land.

## IMMOBILIARE MILANO ASSICURAZIONI S.r.l.
### Share Capital €20,000.
### (Indirect holding 100%)

The company has been operational since 1 October 2009, following the partial non proportional spin-off of Immobiliare Lombarda which allocated a spun-off asset portfolio of €241.9m comprising property, shareholdings in subsidiary and associated companies, cash and cash equivalents and financial debt.

In 2013, activities centred on the management of the real estate portfolio together with the management of investments held in other companies in the real estate sector.
The company reported a loss of approx. €10.5m compared to a loss of €41m in 2012.

The negative result is largely attributable to value adjustments made on real estate assets and to allocations to provisions for risk and write-downs on receivables.

The contribution to the 2013 consolidated income statement was a loss of €10.4m (loss of €50.6m in 2012) and is principally due to the write-down of property based on independent experts' valuations.

There were no purchase or sale transactions involving buildings or land, and during the year consolidated revenues and income were reported for approx. €9.5m against costs of €19.9m.

The principal cost items at consolidated level concerned:

- service costs of approx. €4.2m, of which €1.8m relating to maintenance costs on buildings owned, €1.3m consultancy and €0.8m utilities and property management costs;
- other operating expenses for approx. €3.2m, mainly referring to taxes, of which €2.7m IMU;
- impairments on some buildings for approx. €1.4m;
- depreciation on owned buildings for €6.3m;
- write-downs on receivables for approx. €1.3m;
- provisions for risks of approx. €3.3m.

At 31 December 2013 the property amounted to €201.5m. The real estate assets include property for residential, office and commercial use, land and building land.

## FONDO IMMOBILIARE ATHENS R.E. FUND
### (Indirect holding 100%)

This property fund was created in 2009 and is managed by the subsidiary SAI Investimenti SGR S.p.A. The fund owns two property complexes, both rented to Atahotels S.p.A.
The contribution to the consolidated result in 2013 was a loss of €2.5m, particularly due to impairments on property complexes owned.

## FONDO IMMOBILIARE TIKAL R.E. FUND
### (Direct holding 59.65%, Fondiaria-SAI consolidated holding 82.06%)

This property fund was created in 2004 and is managed by the subsidiary SAI Investimenti SGR S.p.A.. The fund owns 14 property complexes.
The contribution to the consolidated result in 2013 was a loss of €13.6m, particularly due to impairments on property complexes owned.

# PROPERTY DEVELOPMENT PROJECTS AND REAL ESTATE HOLDINGS

The principal initiatives in progress are:

## "Porta Nuova" project

Fondiaria-SAI is involved in a joint venture with the US Group HINES concerning a real estate re-development project for the "Porta Nuova" area of Milan, broken down into the independent projects **Porta Nuova Garibaldi** (in which Fondiaria-SAI participates through its subsidiary Milano Assicurazioni), **Porta Nuova Varesine** (which in addition to the participation of Fondiaria-SAI directly, also involves the subsidiary Immobiliare Milano Assicurazioni) and **Porta Nuova Isola** (in which Fondiaria-SAI participates through its subsidiary Milano Assicurazioni), envisaging the construction of new office blocks, residential units and hotels, as well as the creation of a central park with cultural and exhibition areas.

The area of the **Porta Nuova Garibaldi** project is located in Milan, between Corso Como, Piazzale don Sturzo and Via Melchiorre Gioia and provides for the development of approx.: 85,000 sq. metres of total floorspace, of which approx 51,000 sq. metres for office use, 20,000 sq. metres for exhibition use, 10,000 sq. metres for commercial use and 4,000 sq. metres for residential development.

At 31 December 2013 the project was more or less completed with handover of the office buildings to the tenants, including the towers in Piazza Gae Aulenti as the new headquarters of the Unicredit Group and the opening of new stores including Esselunga and Feltrinelli.

The area of the **Porta Nuova Varesine** project is in Milan, between Via M. Gioia, Viale Liberazione, Via Galileo and Via Vespucci and provides for the development of approximately: 42,000 sq. metres total surface area for office use, 31,000 sq. metres for residential use and 9,000 sq. metres for retail use. In 2013, construction work completed on the three office towers and work continued on the project's residential component.

The Urban Redevelopment Project, called **Porta Nuova Isola**, concerns the area between Via Confalonieri and Via De Castillia. The project concerns the construction of approx. 29,000 sq. metres of total flooring area (tfa), of which approx. 22,000 for residential use (with approx. 1,000 for social housing), 6,300 sq. metres for office use and approx. 650 sq. metres for local retail. Residential construction continued in 2013 and the office building was completed, for which lease contracts were signed with Google Italia and the Pandora Group.

At the centre of the new block, a green area will be developed which will also connect with the urban parks planned for the Porta Nuova Garibaldi Project.

## Metropolis S.p.A. in liquidation

The Company, incorporated in 2005, is 29.71% held by Immobiliare Milano Assicurazioni in partnership with Baldassini-Tognozzi Costruzioni Generali S.p.A. (“BTP”), Consorzio Etruria, Cosimo Pancani S.p.A., Servizi e Promozioni s.r.l. and the Chamber of Commerce of Florence hold 50% of the share capital of Società Manifattura Tabacchi, owner of the former Manifattura Tabacchi real estate complex in Florence.
The remaining part of the share capital is held by Fintecna Immobiliare (100% held by Fintecna S.p.A., in turn entirely held by the Ministry for the Economy and Finance).
The redevelopment of the Manifattura Tabacchi Complex, within the Structural Plan agreed with the Board of the Municipality, establishes for recovery actions with partial demolition and reconstruction.

In 2012, after the placing under liquidation and start of administration procedures by BTP, Consorzio Etruria and Servizi e Promozioni shareholders and given that the entire ownership structure was no longer able to meet the Company’s financial needs, the Shareholders’ Meeting of Metropolis approved the winding-up of the company and its placing under voluntary liquidation, with appointment of the liquidator of the company, conferring upon him all ordinary and extraordinary administration powers with the exception of the power to sell the investment in MT - Manifattura Tabacchi S.p.A. for which prior authorisation of the Shareholders’ Meeting is necessary.

In 2013, in order to best promote the investment in MT - Manifattura Tabacchi S.p.A., the only asset held by Metropolis S.p.A., the urban-administrative planning procedure required for launch of the real estate project continued.
During the year Immobiliare Milano Assicurazioni did not make any further payments in favour of the investee. Consequently the values of the investment and of the loans are equal to zero, against the write-downs made in 2011.

## Progetto Alfiere S.p.A.

In 2005, Immobiliare Fondiaria SAI S.r.l., through the company Progetto Alfiere S.p.A. in which it has a 19% interest, in partnership with Lamaro Appalti S.p.A., Fondo Beta, Met Development S.p.A. (formerly Maire Engineering S.p.A.), Eurospazio S.r.l. and Astrim S.p.A., purchased 50% of the share capital of Alfiere S.p.A., owner of the property complex “Torri dell’EUR”, located in Rome. The remaining part of the share capital is held by Fintecna Immobiliare (100% held by Fintecna S.p.A., in turn entirely held by the Ministry for the Economy and Finance).

During 2013 further analysis were made on a better evaluation of the initiative which resulted in the shareholders of the company Alfiere evaluating either the possibility of conferring the building to a real estate fund managed by a third party asset management company or its redevelopment into offices (current use) with the research of potential operators. Specifically, negotiations have begun with several parties in order to reach a satisfactory binding offer.

In 2013 Immobiliare Fondiaria SAI S.r.l. made no payments by way of shareholder loans.

## Sviluppo Centro Est S.r.l.

Immobiliare Milano Assicurazioni S.r.l. holds 40% of Sviluppo Centro Est S.r.l. The company was incorporated with shareholders Lamaro Appalti S.p.A. (40%) and Co.Ge.San S.p.A. (formerly I.TER S.r.l.) (20%) for the purchase of a 50% holding of Quadrante S.p.A. and the shareholder loan from Fintecna S.p.A. (holder of the remaining 50%).

This company, which sold its investment in Quadrante in August 2012, is currently in liquidation.

## Penta Domus S.p.A.

After the subscription in January 2013 of an unoptioned part of the share capital increase approved at the end of 2012, the shareholders Immobiliare Milano Assicurazioni S.r.l., Codelfa S.p.A. and Zoppoli&Pulcher became holders of 24.32% each and Maire Engineering S.p.A. and IMATO S.r.l. in liquidation an interest of 13.52% each.

In 2006, the Company acquired a 49% holding in Cinque Cerchi S.p.A., a company which between 2007 and the beginning of 2008 purchased a part of the “Spina 3” district of Turin, with total potential building surface area of approx. 114,000 sq. metres.

All construction work was completed in September-October 2013 on the first building lot of approx. 18,000 sq. metres of residences, of which approx. 4,000 sq. metres social housing, including the first lot of related urbanisation works. The construction refers to two buildings of approximately 215 residential units, in addition to parking spaces, garages and underground storage areas.

At year end, sales agreements had been signed for approximately 24% of the residences (51 out of a total of 215 units, including 14 already notarised).

In 2013, approx. Euro 0.6 million was paid as subscription of the un-opted share capital.

## Butterfly AM S.a.r.l.

The Group has a 28.57% holding in the Company.

The Company owns 126,223 units in the ”Beta Close Real Estate Investment Fund”, set up and managed by Idea Fimit Sgr, which during the year continued to manage the real estate portfolio owned by the fund with a view to improving lease profitability of the individual assets and to continuing the search for potential buyers.

## Merger by incorporation of subsidiaries by Immobiliare Fondiaria Sai S.r.l.

On 21 June the Board of Directors of Immobiliare Fondiaria SAI approved the plan to merge the following 100% subsidiaries into Immobiliare Fondiaria SAI S.r.l. (the "merging entity"):

- Carpaccio S.r.l.;
- Pontormo S.r.l.;
- Nuova Impresa Edificatrice Moderna S.r.l. (N.I.E.M.);
- Masaccio S.r.l.;
- Meridiano Primo S.r.l., subject to approval from the respective corporate boards.

The plan guidelines were approved by the Board of Directors of the parent company Unipol Gruppo Finanziario S.p.A. on 9 May 2013 and, to the extent of its responsibility, by the Board of Directors of the direct subsidiary Fondiaria-SAI S.p.A. on 28 May 2013.

In line with the overhead cost cutting targets, the plan pursues the rationalisation of the Unipol Insurance Group organisation by integrating the companies with no significant economic content or assets, the corporate purpose of which - in today's overall Group context - can be considered no longer valid as they are not included in the strategic planning of real estate segment activities, development projects for such activities or, in any event, for reasons of economic rationality. The resources and business activities of the merged companies will therefore be concentrated in the main Group operating structures, reducing operating and administration expenses.

It should be remembered that for this operation the financial statements at 31 December 2012 were taken as reference and, as the companies are 100% subsidiaries of the merging entity Immobiliare Fondiaria Sai S.r.l., the simplified merger process was adopted, without the need for share exchanges, directors' report and expert report, and the company shares held by the merging entity were replaced by the assets and liabilities of the merged entities.

In regulatory terms, by letter dated 6 June 2013 Unipol informed IVASS of the merger plan pursuant to Article 9, ISVAP Regulation no. 15 of 20 February 2008, declaring the operation's ability to substantially change the extent and/or organisation of the Unipol Insurance Group and its classification as a Group restructuring operation.

The merger was not subject to IVASS approval, pursuant to ISVAP Regulation 14/2008, as no insurance companies are involved.

On 17 October 2013 the shareholders' meetings of

- Carpaccio S.r.l.;
- Pontormo S.r.l.;
- Nuova Impresa Edificatrice Moderna S.r.l. (N.I.E.M.);
- Masaccio S.r.l.;

- Meridiano Primo S.r.l.;

approved the merger by incorporation into Immobiliare Fondiaria Sai S.r.l.

On 18 October 2013 the shareholders' meeting of Immobiliare Fondiaria Sai S.r.l. approved the merger by incorporation of its 100% subsidiary real estate companies as mentioned above.

On 3 December, on reaching the 60-day deadline for registration of the resolutions with the relevant company registration offices and open to challenge by creditors pursuant to Article 2503 of the Civil Code, the deed of merger was signed with accounting and tax effects backdated to 1 January 2013 and legal effects from 17 December 2013, the date of the final entry of the merger deed of 17 December in the Company Registration Office as prescribed by the Civil Code.

## Return of amounts subscribed from Immobiliare Milano Assicurazioni S.r.l.

In previous years Milano Assicurazioni S.p.A. had made a series of payments to Immobiliare Milano Assicurazioni S.r.l. for future capital increases, totalling approx. €190m. Considering that the total amount paid in exceeded the company's economic and equity needs, on 21 June the Board of Directors and then the shareholders' meeting of Immobiliare Milano Assicurazioni resolved to reimburse these capital payments to Milano Assicurazioni S.p.A. in the sum of €25m.

# Other Activities Sector

## Asset Management

After achieving the positive result of €5.5bn in the final quarter of 2013, the asset management sector recorded a year-end funding balance for 2013 of €62.5bn. This positive figure, the best seen in the last thirteen years, was due to inflows to open funds of €46.5bn (of which €10.7bn Italian and €35.8bn foreign) and €16bn originating from portfolio management. Of the latter, particularly significant were insurance management (€11.2bn) and pensions (€4.7bn).

2013 was a record year for the assets, remaining steady at over €1,332bn. Assets invested in portfolio management represent approx. 55% of total assets under management (€731bn) whilst assets held as managed savings represent the remaining 45%, approx. €601bn. In the open funds segment the main contributors to funding were the flexible products (€27.6bn), bonds (€12.5bn), balanced funds (€6.6bn) and equities (€5.4bn).

**Table 5 – Asset Management Industry: summary at December 2013**

| (€m) | NET FUNDING | | | ASSETS MANAGED | | | |
|---|---|---|---|---|---|---|---|
| | Q4 2013 | Q3 2013 | year to date | December 2013 | % | September 2012 | % |
| **TOTAL** | **5,461** | **16,331** | **62,556** | **1,332,436** | **100.0** | **1,291,623** | **100.0** |
| **Managed savings** | **6,479** | **7,037** | **46,631** | **601,493** | **45.1** | **575,982** | **44.6** |
| Open funds | 6,406 | 7,001 | 46,516 | 558,294 | 41.9 | 532,898 | 41.3 |
| Closed funds | 73 | 36 | 115 | 43,199 | 3.2 | 43,083 | 3.3 |
| **Administered savings** | **(1,018)** | **9,294** | **15,924** | **730,943** | **54.9** | **715,641** | **55.4** |
| GPF retail | 564 | 472 | 1,141 | 23,156 | 1.7 | 22,206 | 1.7 |
| GPM institutional | (429) | (190) | 622 | 75,116 | 5.6 | 74,194 | 5.7 |
| Pension fund management | (220) | 1,290 | 4,704 | 62,547 | 4.7 | 61,451 | 4.8 |
| Insurance product management | 685 | 7,807 | 11,208 | 499,058 | 37.5 | 486,292 | 37.6 |
| Other | (1,617) | (85) | (1,751) | 71,067 | 5.3 | 71,498 | 5.5 |

*Source: Assogestioni (Asset Management Monthly Map, December 2013)*

## Consumer credit

In the first nine months of 2013 the consumer credit market showed many fragile elements. Among the most important of these are the weakness of household budgets, which continued to fuel a prudent approach to spending decisions, limiting the demand for loans, and the fragmentation of the financial markets, the needs to strengthen capital and the difficult process of recovery suffered by certain funding channels which still affect lending supply. Lending to households, in both the consumer credit and mortgages segments, therefore continued to decline (by 5.6% and 8.9%, respectively), albeit to a lesser extent than in 2012.

The retail lending observatory established by Prometeia, in partnership with CRIF (see vol. 35, December 2013), forecast a further deterioration in credit quality due to the persisting fragility of the job market.

For the next few years we can expect to see that household credit will still be conditioned by the weak macroeconomic context and by operating restrictions, though slowly improving, resulting in modest growth rates and a higher degree of risk than in the past. The overall household credit market will see a return to growth in 2014, but at a significant pace only from 2015.

## OPERATIONAL PERFORMANCE

The sector includes Fondiaria-SAI consolidated companies operating in the banking and hotel industries, and in sectors other than insurance and real estate.
The pre-tax loss was around €51m (loss of €95m at 31/12/2012).

The poor performance is due to:

- the continued losses of Atahotels, which reported a loss of €25m compared to €44m in the previous year;
- the loss of Centro Oncologico Fiorentino Casa di Cura Villanova S.r.l. for €13m compared to a loss of approx. €17m in 2012. Note that in operating terms, the directors continued to lend importance to the internal reorganisation and to all the support service contracts.

The 2013 performance of the main Fondiaria-SAI consolidated companies in the banking and asset management sector are summarised below in accordance with IAS/IFRS criteria:

| (in €K) | **BROKERAGE MARGIN** | **% CHG** | **RESULT** |
|---|---|---|---|
| **OTHER ACTIVITIES SECTOR** | | | |
| BANCASAI S.p.A. | 30,837 | 6.61 | 2,350 |
| SAINVESTIMENTI SGR S.p.A. | 4,172 | (15.58) | 1,480 |

The results of the other companies in the sector are reported below:

| (in €K) | **2013 RESULT** | **2012 RESULT** | **Change** |
|---|---|---|---|
| **OTHER ACTIVITIES SECTOR** | | | |
| ATAHOTELS S.p.A. | (24,164) | (35,287) | 11,123 |
| CENTRO ONCOLOGICO FIORENTINO VILLANOVA S.r.l. | (11,728) | (14,427) | 2,699 |
| FINITALIA S.p.A. | 3,760 | 2,297 | 1,463 |
| FINSAI INTERNATIONAL S.A. | 4,990 | 1,457 | 3,532 |
| FONDIARIA NEDERLAND B.V. | 162 | 358 | (196) |
| SAIAGRICOLA S.p.A. | (12,774) | (206) | (12,567) |
| SAI HOLDING ITALIA S.p.A. | 19,138 | 23,770 | (4,632) |
| SAIFIN - SAIFINANZIARIA S.p.A. | (499) | 1,023 | (1,522) |
| SAILUX S.A. | 67 | 517 | (449) |
| SAINTERNATIONAL S.A. in liquidation | (2,554) | (4,674) | 2,120 |

## BANCASAI S.p.A.
### Share Capital €116,677,161
### (Direct holding 100%)

2013 closed with a profit of €2.3m, compared to a loss of approx. €28.9m in 2012. Financial management contributed principally to this performance, which includes the total effect of the interest margin and services, net of the cost of write-downs in the credit portfolio and which reports a profit of €18.1m compared to a loss of €16.9m in 2012.

The interest margin rose by €0.5m at 31 December 2013, increasing from €18.5m to €19.1m. Net revenue from services, represented by net commission income, reached approx. €10.9m (approx. €10.4m in the previous year).

In 2013 operating costs amounted to €16.5m compared to €17.6m last year. Personnel costs decreased to €8.2m (€9.9m in the previous year). Other administrative expenses also reduced from €9.8m in 2012 to the current €8.8m. This decrease is attributable to the rationalisation action for operating expenses and overheads implemented from the final quarter of 2011.

At 31 December 2013, assets managed by the bank amounted to €20,413m, compared to €20,141m at the end of 2012.

During the year the number of current accounts decreased from 15,816 at the end of 2012 to 13,563 at the end of 2013, down 14%, while total deposits in current accounts stand at €728m (€756m at 31/12/2012). “Third party” clientele represents 22% of funds, amounting to €163m (€165m in 2012). Within this aggregate, private customers constitute the largest part: approximately 19% with a value of €140m, while corporate customers represent 3%, with approx. €23m of funds.

Among the current account products, at the end of 2013 time deposits numbered 860 for a total of €17m. Lastly, the repo stock was zero.

There were no new bond issues in 2013. At 31 December the bonds outstanding and placed amounted to €21m, of which €18m retail compared to €146m at the end of 2012 (of which €35m retail).

Indirect funds reached €19,664m compared with €19,240m at the end of 2012, comprising €19,539m from assets under administration (of which €18,602m refer to former Fondiaria-SAI Group companies) and €126m from assets under management.

In 2013 the Bank continued its trend of reducing commitments to counterparties external to the Banking Group, focusing more on managing the existing credit volume and, where necessary, making further allocations to provisions for write-downs in order to better monitor credit risk.

The amount of credit undertaken (mortgage loans and uses of various credit lines, before value adjustments) at year end stands at €782m (€785m at 31/12/2012).

Also significant in 2013 was the decrease in credit facilities granted (net of exposure to the subsidiary Finitalia) from €555m at the end of 2012 to €471m at 31 December 2013. Facilities granted to the subsidiary Finitalia, on the other hand, doubled to €300m, in support of the recent expansion policy on premium lending business to companies in the Unipol Group.

The Bank continued to focus on the concept of risk fractioning, in reference to the distribution of business activities and to the concentration as regards individual customers. The selection criteria for management of the credit portfolio were maintained in order to adjust the extent and quality of the credit facilities offered to customers to their real risk profile. 2013 saw a continued increase in non-performing loans, though at a more limited pace, generating a further decrease in the current performing loan portfolio from 79.1% to 77.5%. The net non-performing loans/net loans ratio therefore increased from 11% to 12%. Individual positions were all adequately managed and prudentially written down. The level of coverage of non-performing loans increased from 54.6% to 55%.

Mortgage disbursement activity continued at a reduced pace, confirming the stagnant trend already seen in the previous year, as a result of a more selective lending policy in addition to the decrease in property purchases and sales at national level.

The Bank's total regulatory capital amounted to €93.2m (€88.4m in the previous year).

The total solvency ratio, i.e. the ratio between regulatory capital and the total risk-weighted assets, deriving prevalently from the credit risk, amounted to 21.10%. The Tier 1 capital ratio was 21.10%.

## FINITALIA S.p.A.
### Share Capital €15,376,285
### (Indirect holding 100%)

Finitalia recorded a net profit of approx. €3.6m in 2013 compared to approx. €2.3m in 2012.

The loans/receivables issued by the Company in 2013 amounted to €381.6m, compared to €298.6m in 2012, an increase of 27.8%. Credit granted resulted in a 54.7% increase in the number of operations compared to 2012.

A total of 4,511 insurance agencies had an agreement with Finitalia at 31 December 2013, up strongly on the 2,682 agencies at the end of 2012, following the incorporation and start-up of Unipol Assicurazioni agencies.

Administrative expenses in 2013 amounted to €11.6m, higher than in 2012 (€10.7m).

## ATAHOTELS S.p.A.
### Share Capital €15,000,000
### (Direct holding 51%, Fondiaria-SAI consolidated holding 82.06%)

The tourist industry has felt the effects of the crisis in recent years. As in 2012, 2013 once again saw a contraction in the domestic market of approx. 8%, whilst the foreign market remains stable.
It should not be forgotten that, from 2013, many Italian local governments re-introduced the tourist tax, further penalising the hotel business, with an even stronger effect for the company, which has more than 2,000 rooms in Milan, where the city council imposes one of the highest room rates.
For 2014 a slight recovery is forecast in the second half of the year, in a context of a more generalised acceleration in global demand (especially the USA, emerging countries and to a lesser extent the Euro Area). Even given this positive scenario, however, margins of uncertainty remain and are conditional to the adoption of less restrictive budget policies, both Italian and at EU level, and to the increase in global trade.

In this scenario, Atahotels reported an essentially steady performance in terms of overnight stays, totalling 1,602,000 in 2013 (on a like-for-like basis and therefore without taking into consideration the closure of Hotel Concord in 2012).
The employment rate remained stable at around 58%.

The average revenue per room of Atahotels increased by €0.7. It should be pointed out that the average for the cities in which the company operates is essentially the same as in 2012 (Confindustria AICA - Associazione Italiana Compagnie Alberghiere data). The combined effect of occupancy rates and average revenue left the average revenue per available room ("revpar") of Atahotels unchanged.

The result for the year was a loss of €24.2m compared to a loss of €35.3m at 31 December 2012.
The loss for the year therefore reduced compared to 2012, which recorded write-downs of €13.7m on assets capitalised versus the €4.7m recorded this year.

On 25 February 2014, the share capital received a cash injection of €45.6m, bringing equity back to the positive position reported at 31 December 2013.

Total hotel revenues amounted to €111.5m, a decrease of 4% on €115.9m in the previous year (less than 2% on a like-for-like basis).

These results are in line with those recorded in 2012 and with the overall recession which has not spared any sector and particularly hit the hotel sector in alternating phases throughout 2013. Nevertheless, the company improved the impact of EBITDAR, which rose from 21% to 24% of revenues as a result of the corrective action taken and the savings achieved, particularly in terms of food and materials consumption by Tanka.

In this context, the more flexible operating costs resulting from the actions undertaken in the last two years resulted in the containment of costs in the presence of a reduction of revenues in all products segments.

With regard to other costs, note that subject to obtaining the necessary technical opinions and prescribed authorisations, the new levels of lease instalments were redefined during the year with various group companies, in order to take into account the changed market conditions. The new contracts entered into force from 1 January 2013.

Consequently, the impact of rents has reduced considerably, amounting to approx. €27.9m, accounting for around 25% of revenues (approx. 32% in 2012).
Again in 2013 the reductions on rent obtained from the owners of Fondazione Enpam and Enpam Real Estate S.r.l. properties did not show their full effects as the minimum contractual guarantees were applied, which penalised the company for approx. €2m compared to the basic rate of 20% of revenues.
In effect, the trend already seen in previous years is confirmed (particularly from 2010 and 2011), for which the instalments considered fair and sustainable only a few years earlier (before the start of the crisis in 2008), formulated on the basis of moderately expansive revenue assumptions for the next few years, have instead become unsustainable as a result of the severe decline in revenues, this especially when minimum guaranteed amounts are envisaged.

Moreover, even the medium-term forecasts suggest that it will be difficult to achieve the revenue targets seriously considered easily achievable just a few years ago, due to the negative structural development in the hotels market and to the sharp rise in competition that tends to level out, if not lower, prices in a downward logic that proves detrimental to all operators.

2014, therefore, will be another year of transition in which the corporate restructuring action to increase commercial efficiency and to further contain Atahotels costs will be implemented.

The main actions to increase commercial efficiency will involve the penetration of foreign markets (especially the USA, Germany, Northern Europe, China and other emerging markets) and greater web visibility, as a result of which we hope to achieve a better customer mix and an increase in average revenues, particularly in the resorts. The 2014 budget, in fact, envisages a 7% increase in revenues compared to last year.
Another positive factor that could have a positive impact on 2014 lies in the preparations for Expo 2015, with a potential driver effect on visitors to Milan already from the second half of 2014.

The main cost containment actions will involve optimisation of the use of human resources in central offices and the hotels, reducing overall personnel costs and optimising purchases and consumption.

With regard to the associates, the simplification and integration process already in progress will continue with the aim of concentrating on core hotel business in this difficult phase.

## CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.
### Share Capital €182,000.
### (Direct holding 100%)

The result at 31 December 2013 was a loss of €11.7m compared to a loss of €14.4m at 31 December 2012. The result includes certain extraordinary items for approx. €0.9m associated with renewal of the CCNL (National Collective Bargaining Agreement) (€0.5m) and the setup of a claims risk provision (€0.4m).

The pre-tax result less these extraordinary items and less the recovery of tax losses transferred to the tax consolidation, given revenues in line with the previous year, the result for the year under review has improved despite certain higher charges, e.g. the lease instalments on the Villa Ragionieri property which in accordance with the contract increased by a further €0.5m, to settle at €3.75m.

Of particular note are the lower personnel costs (€-0.7m) and reduced purchases of medicines and health-related materials (€-0.9m). The number of employees decreased from 131 in 2012 to 117 at the end of 2013.
In addition, during the year a number of cooperation agreements were terminated at a fixed amount with freelance medical staff and, where possible, were transformed into agreements whereby the remuneration is linked solely to activities performed by the professional in question. On a like-for-like basis, personnel costs in particular are expected to decrease further in 2014 given the termination of major contracts during the course of the year. The lower cost of medicines is in part associated with the reduction in oncology activities as requested by the local health authority. With regard to the revenue performance, despite the reduced "level of activities" assigned by the local health authority for approx. €0.5m, the result reported is in line with that of the previous year, albeit naturally lower than the centre's potential. Hospitalisation of patients from regions other than Tuscany has increased, this activity also under an agreement with the national health service but not subject to budget restrictions, as did private in-patient and out-patient services.

For services involving patients from outside the region, important activities began in 2013 to sensitise professionals already working at the centre, together with a search for new doctors able to attract a significant number of patients. It is expected that this action will lead to better results next year.

In operating terms, the directors continued to lend importance to the internal reorganisation and to all the support service contracts (canteen, cleaning, maintenance, etc.).

Also worthy of mention among the extraordinary items is a penalty of approx. €0.4m, envisaged under contract for the sterilisation of surgical instruments, partly due for previous years, and associated with failure to achieve targets in terms of the number of surgical operations. This is a particularly expensive contract for the company, signed in 2010 and already subject to advance negotiations with the supplier for its amendment or termination.

For the real estate part, there are still charges for management of the Villanova property, owned by the company and its previous location, which affect the result but are not connected with normal operations.

As part of the support plan for the development phase of the company, in April and June Fondiaria-SAI made two capital payments for a total of €13.0m.

# Asset and financial management

# INVESTMENTS AND LIQUIDITY

At 31 December 2013 the volume of investments amounted to €33,817m, compared to €33,859m in the previous year.

The investments, property, plant and equipment and cash and cash equivalents at 31 December 2013 compared to 31 December 2012 are shown below.

Compared to 2012, the overall composition of investments changed as follows:

| (in €K) | **31/12/2013** | **Percent.** | **31/12/2012** | **Percent.** | **% Chg.** |
|---|---|---|---|---|---|
| **INVESTMENTS** | | | | | |
| Investment property | 2,064,924 | 5.93 | 2,200,774 | 6.33 | (6.17) |
| Investments in subsidiaries, associates and joint ventures | 159,402 | 0.46 | 125,799 | 0.36 | 26.71 |
| Loans and receivables | 2,854,960 | 8.20 | 3,527,030 | 10.14 | (19.05) |
| Investments held to maturity | 627,320 | 1.80 | 718,119 | 2.06 | (12.64) |
| AFS financial assets | 22,569,531 | 64.86 | 20,848,041 | 59.92 | 8.26 |
| Financial assets at fair value through profit or loss | 5,540,457 | 15.92 | 6,439,319 | 18.51 | (13.96) |
| **Total Investments** | **33,816,594** | **97.17** | **33,859,082** | **97.32** | **(0.13)** |
| Tangible assets: property and other tangible assets | 384,589 | 1.11 | 373,111 | 1.07 | 3.08 |
| **Total non-current assets** | **34,201,183** | **98.28** | **34,232,193** | **98.39** | **(0.09)** |
| Cash and cash equivalents | 598,630 | 1.72 | 560,228 | 1.61 | 6.85 |
| **Total non-current assets and cash equivalents** | **34,799,813** | **100.00** | **34,792,421** | **100.00** | **0.02** |

The investment property includes assets in the closed and reserved Tikal R.E. and Athens R.E. funds. These funds are fully consolidated and the relative property is valued at cost with a total contribution of €336m (€358m at 31/12/2012) for Tikal R.E. and €29m for Athens R.E. (€31m at 31/12/2012).

The financial assets at fair value through profit or loss include €5,429m (€6,335m in 2012) relating to investments where the risk is borne by the policyholder and from pension fund management, while the residual refers to positions held for trading.

The AFS financial assets and the financial assets at fair value through profit or loss are as follows:

| (in €K) | 31/12/2013 | 31/12/2012 | % Chg. |
|---|---|---|---|
| **AFS financial assets** | **22,569,531** | **20,848,041** | **8.26** |
| Equity securities | 665,011 | 914,069 | (27.25) |
| Fund units | 447,695 | 627,184 | (28.62) |
| Debt securities | 21,456,825 | 19,306,788 | 11.14 |
| Other financial investments | - | - | - |
| | | | |
| **Financial assets at fair value through profit or loss** | **5,540,457** | **6,439,319** | **(13.96)** |
| Equity securities | 59,156 | 50,000 | 18.31 |
| Fund units | 1,770,036 | 1,104,362 | 60.28 |
| Debt securities | 3,598,935 | 5,153,874 | (30.17) |
| Other financial investments | 112,330 | 131,083 | (14.31) |

In relation to the composition of investments in consolidated companies, Fondiaria-SAI has as usual preferred the bond sector.
Overall the bond component of investments, without considering the bond component of the fund units held, accounts for 81.1% of the total investments of the Fondiaria-SAI consolidation (81.5% at 31/12/2012).

The key results of the financial and real estate activities for the last two years are shown below:

| (in €K) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| **Net income from financial instruments at fair value through profit or loss** | **142,516** | **544,681** | **(402,165)** |
| **Net income from investments in subsidiaries, associates and joint ventures** | **5,689** | **(18,927)** | **24,616** |
| **Income from other financial instruments and investment property of which:** | | | |
| Interest income | 897,947 | 823,785 | 74,162 |
| Other income | 109,040 | 138,677 | (29,637) |
| Profits realised | 431,614 | 210,914 | 220,700 |
| Valuation gains | 12,158 | 8,283 | 3,875 |
| **TOTAL INCOME** | **1,598,964** | **1,707,413** | **(108,449)** |
| | | | |
| **Expenses from other financial instruments and investment property of which:** | | | |
| Interest expense | 48,880 | 59,682 | (10,802) |
| Other charges | 67,258 | 73,123 | (5,865) |
| Losses realised | 62,285 | 147,522 | (85,237) |
| Valuation losses | 169,439 | 556,859 | (387,420) |
| **Total interest expense and charges** | **347,862** | **837,186** | **(489,324)** |
| | | | |
| **TOTAL NET INCOME** | **1,251,102** | **870,227** | **380,875** |
| | | | |
| **Net income from financial instruments at fair value through profit or loss whose risk is borne by policyholders (Class D)** | **196,969** | **561,392** | **(364,423)** |
| | | | |
| **TOTAL NET INCOME EXCLUDING CLASS D** | **1,054,133** | **308,835** | **745,298** |

Net income from financial instruments at fair value through profit or loss includes income relating to contracts in the Life sector whose risk is borne by the policyholders for €197m (net income of €561m at 31/12/2012). This increase is offset by the corresponding decrease in the life technical provisions relating to this class of activity.

In relation to valuation losses on AFS financial instruments the main positions written down were as follows:

| (€m) | **2013** | **2012** |
|---|---|---|
| Mediobanca | 21.6 | 45.6 |
| Alitalia-CAI | 10.4 | 39.6 |
| UniCredit | - | 15.9 |
| Generali | - | 13.5 |
| European Institute of Oncology | - | 7.0 |
| RCS | 3.9 | 8.8 |
| Telecom IT | 1.1 | 1.4 |
| Other | 19.3 | 66.6 |
| **Total** | **56.3** | **188.2** |

The residual amount of valuation losses exclusively refers to write-downs and depreciation of investment property.

## Financial management

2013 saw an increase in global growth of a little over 3%.

Through constant support from the European Central Bank (ECB), during the year the Euro Area managed to reduce the negative effects of the sovereign debt crisis of countries in Southern Europe, showing the first signs of fragile, weak cyclic improvement that has not yet spread to all EU countries and deriving especially from an easing of the fiscal policy and positive export trends.

In the absence of inflationary pressure and with a view to protection against possible deflationary risks, the ECB cut the discount rate by 25 basis points on two separate occasions to close at 0.25%, the absolute minimum value since the Euro Area was founded, reiterating that the official rates will remain at this level or even lower for as long as growth remains weak and until inflation forecasts prove stable.

In the United States the significantly restrictive fiscal policy, a result of the inability of Congress to reach an agreement over the federal budget, has reduced US GDP by a further 1% and, in part, has limited the sound performance of the private sector, which in any event led to a considerable drop in the unemployment rate (6.7% at the end of December 2013). In a context free from inflationary pressure, the extremely accommodating monetary policy of the Federal Reserve has supported the recovery. The official rates essentially remained steady around the zero mark, thereby encouraging consumption and the production sector most associated with low interest rate trends, such as the real estate and automotive sectors.

**Table 6 – Movements in the rates and spreads against the ten-year German bund**

| Country | 31 December 2012 | | 28 June 2013 | | 31 December 2013 | |
|---|---|---|---|---|---|---|
| | Rate 10 years | Spread vs Germany | Rate 10 years | Spread vs Germany | Rate 10 years | Spread vs Germany |
| Germany | 1.32 | - | 1.73 | - | 1.93 | - |
| France | 2.00 | 0.68 | 2.35 | 0.62 | 2.56 | 0.63 |
| Italy | 4.50 | 3.18 | 4.55 | 2.82 | 4.12 | 2.19 |
| Belgium | 2.06 | 0.74 | 2.63 | 0.90 | 2.56 | 0.63 |
| Greece | 11.90 | 10.58 | 10.98 | 9.25 | 8.42 | 6.49 |
| Ireland | 4.95 | 3.63 | 4.19 | 2.46 | 3.73 | 1.80 |
| Portugal | 7.01 | 5.69 | 6.45 | 4.72 | 6.13 | 4.20 |
| Spain | 5.27 | 3.95 | 4.77 | 3.04 | 4.15 | 2.22 |

*Source: Bloomberg*

In this context, the annual performance of the European equity markets (especially in the last two quarters of 2013) was extremely positive. The Eurostoxx 50 index, representing the largest Euro Area capitalisations, was up 17.9% (+7.5% in the fourth quarter of 2013). The German DAX performed strongly (+25.5%; +11.1% in the last quarter), while the FTSE MIB of Milan gained 16.6% (+8.8% in the final quarter of 2013). Lastly, the IBEX of Madrid was highly positive, gaining +21.4% (+8.0% in the last quarter).

Outside Europe, the Standard & Poor's 500 Index, representing the major U.S. listed companies, was up +29.6% in 2013 (+9.9% in the fourth quarter), while the Japanese Nikkei Index, assisted by recent political decisions to draw up new expansive fiscal and monetary policies, gained 56.7% in 2013 (+12.7% in the fourth quarter).

Lastly, in relation to the emerging market indices, the most representative index, the Morgan Stanley Emerging Market, reported gains of +0.9% in 2013 (+2.7% in the final quarter of 2013).

The strong performance of the equity and bond markets during the year contributed to a significant improvement in the iTraxx Senior Financial index, representing the average spread of companies in the financial sector with high credit ratings, which dropped by 54.1 basis points, from 141.3 to 87.2 (-60.4 basis points from 147.6 in the fourth quarter).

The financial management of Fondiaria-SAI in 2013 was carried out in line with the Investment Policy Guidelines and in compliance with the general principles of prudence and enhanced asset quality over the medium to long term.

**Bond sector operations**

Fondiaria-SAI

Operations, both in the **Non-Life** and in the **Life** insurance sectors, focused principally on Euro Area government bonds, particularly Italian bonds which represent 79.2% of the bond segment.

Net purchases of bonds were made in 2013 for €141.2m, of which €551.8m referred to Italian government bonds.

The overall portfolio duration at year end was 4.9 years, up on the closing figure of 4.4 years in the previous year.

Specifically, the **Non-Life class** reported net sales of bonds for €54.9m, including €82.4m Italian government bonds and €53.5m in other government issues.

In 2013 a structural position in Italian government bonds was established, linked to European inflation rates (BTPi), in view of the interesting level of real rates and in line with the liabilities-related profile of the Non-Life class.

The Non-Life portfolio duration at year end was 3.4 years, up on the 3.1 years reported at the end of last year.

In the **Life class**, net bond purchases totalled €196.1m, of which €634.1m in Italian government bonds, with a duration of 5.6 years, up on the 4.9 years reported at year end in the previous year. The segregated fund operations, in line with liabilities trends, were characterised by purchases giving preference to long-term Italian government bonds offering guarantee minimum returns.

Investments in corporate bonds were concentrated on issuers with high credit ratings. The performance of the corporate portfolio through subscriptions on the primary market and sales on the secondary market led to a significant change in the segment. The investment in corporate bonds represents 17.3% of the total bond segment.

Milano Assicurazioni

Operations, both in the **Non-Life** and in the **Life** insurance sectors, focused principally on Euro Area government bonds, particularly Italian government bonds which represent 81.8% of the bond segment.

Net purchases of bonds were made in 2013 for €67.6m, of which €360.9m referred to Italian government bonds.

The overall portfolio duration at the end of 2013 was 4 years, slightly up on the closing figure of 3.7 years in the previous year.

Specifically, net purchases of bonds were made in the **Non-Life class** for €2.8m, of which €72.5m in Italian government bonds.

In 2013 a structural position in Italian government bonds was established, linked to European inflation rates (BTPi), in view of the interesting level of real rates and in line with the liabilities-related profile of the Non-Life class.

The Non-Life portfolio duration at year end was 3.3 years, up slightly on the 3.2 years reported at the end of last year.

In the **Life class**, net bond purchases totalled €64.7m, of which €288.5m in Italian government bonds, with a duration of 4.7 years, up slightly on the 4.3 years reported at year end in the previous year. The segregated fund operations, in line with liabilities trends, were characterised by the sale of short-term government and purchases given preference to long-term Italian government bonds offering guarantee minimum returns.

Investments in corporate bonds were concentrated on issuers with high credit ratings. The management performance of the corporate portfolio through subscriptions on the primary market and sales on the secondary market led to a significant change in the segment. The investment in corporate bonds represents 13.1% of the total bond segment.

**Equity sector operations**

Fondiaria-SAI

With regard to the equity component of Fondiaria-SAI's **Non-Life class**, trading tactics were applied with a view to seizing upon opportunities offered by market movements. It should be emphasised that the Saint George funds were liquidated during the year. Equity and fund operations resulted in net sales for approx. €127m.

In the **Life class** on the other hand, action continued during the year to reduce the equity component of segregated funds portfolios. In addition, the sale process for Saint George funds began. Equity and fund operations resulted in net sales for approx. €118m.

Note that in 2013 the investments in ordinary Mediobanca S.p.A., Pirelli S.p.A. and Banca Intermobiliare S.p.A. shares were sold on the market. Furthermore, the RCS share capital increase proceeded with a total outlay of €14.9m. The percentage held in portfolio amounts to 3.8% of the capital.

To summarise, at 31 December 2013 the composition of the Class C portfolio was 75.5% government bonds, 15.9% corporate bonds, 3.8% shares, 1.5% real estate funds and 3.3% liquidity.

As regards the structured securities component (as per quarterly figures reported to IVASS), which account for 8% of the total portfolio, a slight increase in exposure was reported (+0.7%) compared to the previous year, as a result of new purchases of public issues by leading listed issuers with a high credit rating, high level float and consequently considered liquid among their related asset class.

The composition of the **Non-Life class** was 72.9% government bonds, 8.1% corporate bonds (including 5.2% structured securities), 9.9% shares and similar securities, 3.1% real estate funds and 6% liquidity.

The composition of the **Life class** was 76.8% government bonds, 19.5% corporate bonds (including 9.3% structured securities), 0.9% shares and similar securities, 0.8% real estate funds and 2% liquidity.

Milano Assicurazioni

With regard to the equity component of Milano Assicurazioni's **Non-Life class**, trading tactics were applied with a view to seizing upon opportunities offered by market movements. It should be emphasised that the Saint George funds were liquidated during the year. Equity and fund operations resulted in net sales for approx. €26m.

In the **Life class** on the other hand, action continued during the year to reduce the equity component of segregated funds portfolios. In addition, the sale process for Saint George funds began. Equity and fund operations resulted in net sales for approx. €66m.

Note that in 2013 the investments in ordinary Mediobanca S.p.A., Pirelli S.p.A. and Banca Intermobiliare S.p.A. shares were sold on the market. Furthermore, the RCS share capital increase proceeded with a total outlay of €7m. The percentage held in portfolio amounts to 1.8% of the capital.

To summarise, at 31 December 2013 the composition of the Class C portfolio was 82.3% government bonds, 12.4% corporate bonds, 1.1% shares, 1.5% real estate funds and 2.8% liquidity.

As regards the structured securities component (as per quarterly figures reported to IVASS), which account for 6.5% of the total portfolio, a slight increase in exposure was reported (+0.7%) compared to the previous year, as a result of new purchases of public issues by leading issuers with a high level float and consequently considered liquid among their related asset class.

The composition of the **Non-Life class** was 89.9% government bonds, 4.8% corporate bonds (including 1.7% structured securities), 1.0% shares and similar securities, 1.4% real estate funds and 2.9% liquidity.

The composition of the **Life class** was 74.1% government bonds, 20.6% corporate bonds (including 11.7% structured securities), 1.3% shares and similar securities, 1.5% real estate funds and 2.5% liquidity.

**Share capital increase of RCS Mediagroup S.p.A. and termination of the Consultation and Lock-up Shareholders' Agreement**

On 28 June 2013, Fondiaria-SAI S.p.A. and its direct and indirect subsidiaries Milano Assicurazioni S.p.A., Saifin Saifinanziaria S.p.A. and SIAT S.p.A. - as part of the share capital increase of RCS Mediagroup S.p.A. ("RCS") approved by the Shareholders' Meeting of 30 May 2013 - fully exercised their 6,003,185 option rights on RCS post-conversion shares held, of which 5,777,150 shares restricted by the Consultation and Lock-up Shareholders' Agreement, on ordinary RCS shares (the "Agreement") and 226,035 shares not covered by that Agreement.

As a result of subscriptions to the aforementioned share capital increase, Fondiaria-SAI S.p.A. and its direct and indirect subsidiaries held a percentage of ordinary RCS share capital totalling 5.651%.

Note that with effect from 30 October 2013 the parties to the Agreement unanimously decided that the Agreement should not be further renewed and that from this date each party could make independent decisions regarding the exercise of rights relating to their RCS shareholdings, specifically including the full right of disposal of the shares in question, free from any restriction in terms of pre-emptive rights of other investors.

**Disposal of Mediobanca S.p.A. shares**

On 9 October 2013, Fondiaria-SAI S.p.A. and its subsidiaries Milano Assicurazioni S.p.A. and Finsai International S.A. (hereinafter jointly referred to as the "**Sellers**") successfully completed the disposal of 23,114,386 ordinary Mediobanca S.p.A. shares held by the Sellers, equal to around 2.68% of the share capital (hereinafter the "**Shares**"), through an accelerated book-building procedure (the "**Operation**") targeting only professional investors in Italy, as defined in Article 34-ter, paragraph 1, letter b of CONSOB Regulation no. 11971/1999, and international institutional investors. Equita SIM S.p.A. acted as sole bookrunner to the Operation.

The total sale price of the Shares was €135,219,158. The Operation was settled on 15 October 2013.

It forms part of the disposal of the entire investment held by the Sellers in the share capital of Mediobanca, totalling 33,019,886 shares (3.83% of the share capital), in compliance with the Antitrust Authority instructions of 19 June 2012.

The additional 9,905,500 Mediobanca shares held by Fondiaria-SAI S.p.A., equal to 1.15% of the share capital, were not included in the Operation as they are subject to forward contracts previously signed and subsequently settled in the first half of November 2013.

## Equity investments in the Bank of Italy

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 capital through the use of statutory reserves in the sum of €7.5m, and established that, after this increase, the capital is represented by newly-issued registered shares for €25,000 each to replace the shares previously issued with a par value of €0.52 each.
The amendments to the Statute of the Bank of Italy and the rules on dividend rights associated with the new share issue have led to authoritative legal theorists considering that the nature and characteristics of investments in Bank of Italy share capital have radically changed. In fact, dividend and administrative rights assigned to the new issue are different to those that characterised the cancelled shares, and their transferability has also changed.
On this basis the Unipol Group decided that the new share issue replacing those previously issued qualify as an exchange of dissimilar assets and hence of a realisable nature, consequently calling for derecognition of the cancelled shares previously recorded in the financial statements.

Therefore the 6,000 shares already held by Fondiaria-SAI and Milano Assicurazioni, recorded under AFS financial assets in the consolidated financial statements with a value of €18k (subsequently adjusted to the fair value of €138m), were eliminated as a result of the replacement at fair value of the shares received, recording a capital gain in the consolidated income statement of approx. €150m.
The new shares were recorded under AFS financial assets for €150m, equal to their par value and considered to coincide with their related fair value.
The companies holding this investment, also further to specific clarification provided by IVASS on 10 March 2014, have recorded a capital gain in their respective separate financial statements (prepared according to Italian GAAP) totalling approx. €150m, corresponding to the difference between the par value of the new share issue and the cost value of those previously recognised at their related par value.
On this higher value, also taking into account recommendations of the Italian Inland Revenue in Circular 4/E of 24 February 2014, substitute tax is payable at 12% for a total of €18m.
Consequently, in the consolidated financial statements the income statement benefit from replacement of the Bank of Italy shares, net of the above tax effect, is €132m.

As further study is in progress by the competent national and international authorities regarding the nature of the transaction and the interpretation of related accounting standards, a different interpretation could emerge regarding the approach adopted and this could lead to transfer of the €132m benefit to the account Other comprehensive income statement items, resulting in recognition of this benefit in equity rather than in the income statement.

# FONDIARIA-SAI GROUP DEBT

For a correct representation of the accounts under examination, information is provided below of financial debt only, which is the total amount of the financial liabilities not strictly associated with normal business operations. Therefore liabilities constituting operating debt, i.e. liabilities directly or indirectly associated with assets, are excluded.

The situation is summarised in the table below, which highlights a reduction in debt of over €54m.

| (€m) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Subordinated loans | 1,050.6 | 1,048.1 | 2.5 |
| Banks and other lenders | 193.6 | 249.8 | (56.2) |
| **Total debt** | **1,244.2** | **1,297.9** | **(53.7)** |

The decrease in debt is mainly attributable to bond redemption by BancaSai for a total book value of approx. €63m and to the granting of a short-term loan agreement (maturing 10/02/2014) for €10m signed by Finitalia with Banca Nazionale del Lavoro.

The account **Subordinated loans** includes the following loans with Mediobanca, with prior authorisation from IVASS:

- subordinated loan of €400m agreed by Fondiaria-SAI and received on 23 July 2003. Following some contractual modifications in December 2005, the interest rate is the 6M Euribor +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the date of disbursement. This loan was obtained in order to increase the constituent elements of the solvency margin;
- a subordinated loan of €100m agreed by Fondiaria-SAI on 20 December 2005 (received on 31/12/2005), with the same subordination characteristics of the previous loan. The interest rate is the 6M Euribor +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan;
- a subordinated loan of €300m agreed on 22 June 2006 (received on 14/07/2006), subscribed 50% by Fondiaria-SAI and the other 50% by Milano Assicurazioni. This loan also provides for interest at the 6M Euribor rate +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan. In particular, this latter contract contributes to a further improvement in the solvency margin available to the Fondiaria-SAI consolidation for the part provided by the subsidiary Milano Assicurazioni. On 14 July 2008, Milano Assicurazioni made a partial advance repayment of this loan for €100m;
- hybrid, perpetual subordinated loan of €250m agreed and received on 14 July 2008 subscribed by Fondiaria-SAI. The interest rate is the 6M Euribor +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituent elements of the solvency margin;

- hybrid, perpetual subordinated loan of €100m agreed and received on 14 July 2008 subscribed by Milano Assicurazioni. The interest rate is the 6M Euribor +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituent elements of the solvency margin.

With reference to the subordinated loans, against a nominal €1,050m, Interest Rate Swaps were subscribed with the purpose of neutralising the interest rate risk associated with these loans for €1,050m. Of these, three hedges on the subordinated loan of €400m expired on 23 July 2013, for which the notional value of these instruments currently totals €650m.

In accordance with CONSOB Resolution No. DEM/6064293 of 28 July 2006, the subordinated and/or hybrid loans include specific contractual clauses protecting the lenders' rights and interests.

With regard to the **subordinated loan** agreement of **€300m** of 22 June 2006 (50% subscribed by Fondiaria-SAI S.p.A. and 50% by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) establishes, as a general obligation for Fondiaria-SAI, the continued control (pursuant to Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A. This condition now no longer applies as a result of the merger by incorporation of Milano Assicurazioni into Fondiaria-SAI.

In relation to the **hybrid loan** of **€350m** of 14 July 2008, the conversion into Fondiaria-SAI shares (or of the subsidiary Milano Assicurazioni for the part this company issued of €100m) is, in addition to any resolution by the extraordinary shareholders' meeting of Fondiaria-SAI of a share capital increase to service the conversion in line with the contractual terms indicated, subordinated to the occurrence at the same time (and for a consecutive three year period) of the following situations:
(i) the downgrading of the Standard & Poor's rating (or any other agency to which Fondiaria-SAI is voluntarily subject, being no longer subject to the Standard & Poor's rating) of the beneficiary companies to "BBB-" or a lower grade;
(ii) the reduction in the solvency margin of the beneficiary companies, as established by Article 44 of the Insurance Code, to a level below or equal to 120% of the solvency margin required by Article 1, paragraph hh) of the Insurance Code;
if (a) the situation causing the above stated events is not resolved, for both events, in the two fiscal years immediately subsequent, or (b) the solvency margin in the two subsequent fiscal years is not rectified to at least 130% of the requested solvency margin, thereby providing Fondiaria-SAI and Milano Assicurazioni with the possibility, over a period of more than two years, to put in place measures to enable compliance with the requested parameters.
As a result of the merger, the above references to companies involved in the merger must be considered to refer to UnipolSai.

The loan agreements in the Fondiaria-SAI Group do not include covenants (other than those indicated above) which limit the use of significant financial resources for the activities of the Issuer.

The characteristic factor of the subordinated and/or hybrid loans is in general not only that they are redeemable after the repayment of any other debts owed by the borrower on the settlement date, but also the need to obtain prior authorisation for redemption from IVASS.

Note that the measures imposed by the Antitrust Authority Provision referred to above also envisage that the Unipol Group reduces its overall debt to Mediobanca by €350m - and that this debt is then gradually repaid in full - as follows:

- reduction by €250m in the period 2013-2015;
- as part of the disposal of insurance assets, the sale of a further €100m.

In reference to the disposal of insurance assets, note that under the terms of the agreement signed between UnipolSai and Allianz on 15 March 2014, the latter excluded the intention of purchasing the outstanding debt with Mediobanca for a total of €100m. Unipol Gruppo Finanziario and UnipolSai intend to achieve the reduction in this loan by the amount stated by other means, if necessary also through early repayment of the amount, by the date envisaged for finalisation of the sale in question.

With reference to the decrease in the total outstanding debt with Mediobanca of €250m, techniques are currently being assessed for finalising and consequently complying with the Provision.

With reference to **Banks and other lenders**, amounting to €193.6m, the most significant amounts are detailed below:

- €111.5m (€111.3m at 31/12/2012) refers to the loan of the Tikal R.E. Closed Real Estate Fund with Mediobanca as Agent Bank. The loan, originally for €119m, was granted for the purchase of property and improvements. The cost of the loan is at the 6M Euribor rate plus a credit spread of 90 basis points. Since 2008, the Fund has utilised derivative instruments to implement a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- €18.4m (€84.8m at 31/12/2012) refers to the bonds issued in 2009 and 2010 by BancaSai, partially at floating rate and partially at fixed rate, with different maturity dates from 2012 to 2014. In March and June 2013 bond loans were redeemed for a total of approx. €63m;
- €53.6m (€53.7m at 31/12/2012) refers entirely to the consolidated debt of the subsidiary Immobiliare Fondiaria-SAI. This refers principally to the bank loan entered into by Marina di Loano with Intesa Sanpaolo as the agent bank with maturity on 17 March 2014 and an interest rate of 3M Euribor +300 basis points. The company utilised a derivative instrument to implement a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- €10m refers to a short-term loan taken out by Finitalia with Banca Nazionale del Lavoro;
- the residual amount relates to other insignificant payable positions.

# TREASURY SHARES, SHARES OF THE HOLDING COMPANY AND ITS SUBSIDIARIES

At 31 December 2013 and 31 December 2012, Fondiaria-SAI and its subsidiaries held treasury shares, shares in the direct parent Premafin Finanziaria and in the indirect parent Unipol Gruppo Finanziario as outlined in the following table:

| (in €K) | 31/12/2013 | | 31/12/2012 | |
|---|---|---|---|---|
| | **Number** | **Book value** | **Number** | **Book value** |
| **Treasury shares held by:** | | | | |
| Fondiaria-SAI | 32,000 | 64,366 | 32,000 | 64,366 |
| Milano Assicurazioni | 99,825 | 3,410 | 99,825 | 3,410 |
| Sai Holding | 12,000 | 421 | 12,000 | 421 |
| **Total** | **143,825** | **68,197** | **143,825** | **68,197** |
| **Premafin Finanziaria shares held by:** | | | | |
| Fondiaria-SAI | 18,340,027 | 3,485 | 18,340,027 | 2,353 |
| Milano Assicurazioni | 9,157,710 | 1,740 | 9,157,710 | 1,175 |
| Saifin - Saifinanziaria | 66,588 | 13 | 66,588 | 9 |
| **Total** | **27,564,325** | **5,238** | **27,564,325** | **3,537** |
| **Unipol Gruppo Finanziario shares held by:** | | | | |
| Fondiaria-SAI | 24,000 | 104 | 24,000 | 36 |
| Milano Assicurazioni | 16,000 | 70 | 16,000 | 24 |
| **Total** | **40,000** | **174** | **40,000** | **60** |

# PERFORMANCE OF THE LISTED SHARES OF THE FONDIARIA-SAI GROUP

The share capital of the Company amounted at year-end to €1,194,572,973.80, comprising: 920,565,922 ordinary shares, 1,276,836 Class A savings shares and 321,762,672 Class B savings shares, all without par value.

In 2013, the share price fluctuated between a minimum of €0.9835 (02/01/2013) and a maximum of €2.45 (27/12/2013) for the ordinary shares, between a minimum of €0.693 (03/01/2013) and a maximum of €2.114 (27/12/2013) for the Class B savings shares and between a minimum of €79.4 (16/01/2013) and a maximum of €182 (27/12/2013) for Class A savings shares.

At year end, the stock market closing prices were as follows:

| *(amounts in €)* | **30/12/2013** | **28/12/2012** | **% Change** |
|---|---|---|---|
| Fondiaria-SAI ord. | 2.346 | 0.949 | 147.21 |
| Fondiaria SAI sav. Class A | 179,500 | 79.650 | 125.36 |
| Fondiaria SAI sav. Class B | 2.056 | 0.671 | 206.41 |

The corresponding stock exchange capitalisation at year end was €3,050m (€1,192m at 31/12/2012).

The stock market prices of Milano Assicurazioni were as follows:

| *(amounts in €)* | **30/12/2013** | **28/12/2012** | **% Change** |
|---|---|---|---|
| Milano Assicurazioni ord. | 0.793 | 0.314 | 152.55 |
| Milano Assicurazioni sav. | 1.128 | 0.364 | 209.89 |

The corresponding stock exchange capitalisation at year end was €1,577m (€614m at 31/12/2012).

# RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS

## Rating

On 4 July 2013, following review of the rating assignment method for insurance companies, Standard & Poor's confirmed the counterparty credit rating and the insurer financial strength rating of Fondiaria-SAI S.p.A and its main subsidiary Milano Assicurazioni S.p.A. as 'BBB' with negative outlook.
In addition, on the same date the rating agency confirmed 'BBB-' as the counterparty credit rating and insurer financial strength rating of the non-strategic subsidiary SIAT S.p.A., and changed the outlook of both from negative to stable. The change in outlook reflects Standard & Poor's forecast regarding SIAT S.p.A.'s retention of its market share and a 5% growth in premiums between 2013 and 2014.
On 9 July 2013, Standard & Poor's downgraded Italy's long-term country rating to 'BBB' from 'BBB+', with negative outlook. As a result of this downgrading, Standard & Poor's also reviewed the ratings of Italian banks and insurance companies. As part of this review, on 12 July 2013 Standard & Poor's confirmed as 'BBB' with negative outlook the counterparty credit rating and the insurer financial strength rating of Fondiaria-SAI S.p.A. and its main subsidiary Milano Assicurazioni S.p.A. It also confirmed as 'BBB-' with stable outlook the counterparty credit rating and insurer financial strength rating of the non-strategic subsidiary SIAT S.p.A.

In 2013 investor relations were much more intensive.
A total of 196 meetings or conference calls were held with analysts and investors, during which relators met with 281 companies (approx. 3 times the number of entities met in 2012). Most of the investors met were based in the UK (42%), 20% in the USA or other European countries (France and Germany), 8% in Italy and 11% other non-EU countries.
Specifically, the company participated in 4 public conferences (Borsa Italian in New York, Merrill Lynch in London, ESN in Frankfurt and UBS in Milan) and - assisted by a number of brokerage companies - organised 20 road shows (6 in Italy, 3 in the USA and 11 in other EU countries).
At the end of 2013 the Fondiaria-SAI shares (now UnipolSai) were covered by 8 analysts, 6 of which with positive recommendations on ordinary shares (buy, accumulate, add or outperform) and 2 neutral.

# Other information

# SIGNIFICANT EVENTS DURING THE YEAR

## Provisions of the Antitrust Authority

By Provision dated 14 November 2012, the Antitrust Authority (AGCM) launched preliminary investigation proceedings no. I/744 against Unipol Assicurazioni S.p.A. and Fondiaria-SAI S.p.A. (now UnipolSai), and against Assicurazioni Generali S.p.A. and INA Assitalia S.p.A., to ascertain alleged violation of Article 2 of Law 287/1990 and/or Article 101 of the Treaty on the Functioning of the European Union (TFEU), claiming coordination between these insurance companies to limit competitive comparison between them in tenders launched by certain Local Public Transport Companies for the provision of Motor TPL insurance coverage for vehicles used in such transport services. The deadline for the conclusion of these proceedings, initially planned for 16 December 2013 was postponed first of all to 30 June 2014 and then to 30 November 2014.

Furthermore, by Provision dated 5 June 2013, the Antitrust Authority launched preliminary investigation proceedings no. I/702 against Unipol Gruppo Finanziario S.p.A. and Fondiaria-SAI S.p.A. (now UnipolSai), and against other leading insurance companies operating in Italy, to ascertain alleged violation of Article 101 of the TFEU (ban on arrangements restricting free competition), with particular reference to the ban on sole agency only agreements for the provision of insurance services in all non-life classes. These proceedings, which focus on specific clauses of the aforementioned contracts, considered suitable for discouraging agents' acceptance of multiple insurance mandates (non-exclusive mandates), must end by 30 June 2014.

In the belief that they have always acted in full observance of the law and fair competition, for both positions under consideration by the Antitrust Authority, Unipol Gruppo Finanziario, Unipol Assicurazioni and Fondiaria-SAI (now UnipolSai) have appointed leading law offices to protect their rights.

In addition, in reference to the second proceedings, the companies have submitted an itemised proposal of commitments (the "Commitments") to the Antitrust Authority, filing the final version on 16 December 2013, pursuant to Article 14-ter of Law 287/1990. The Antitrust Authority has deemed the Commitments suitable and arranged their publication on its website on 24 January 2014. The proceedings to assess the Commitments, which includes the submission of third-party comments and subsequent response from the companies, have to end by 24 April 2014 (unless additional time is necessary to obtain compulsory opinions).

## Inspections by the Supervisory Authority

As part of the proceedings launched after the application for approval of the merger, in order to fully assess the regulatory requisites associated with the proceedings, on 21 February 2013 IVASS arranged an inspection of Fondiaria-SAI and Milano Assicurazioni to assess the action taken after the previous inspections completed at the end of 2011 regarding the Motor class claims cycle and the General TPL claims cycle, together with compliance with regulations of assets to hedge technical provisions, particularly regarding investments in the real estate sector and the technical receivables.
The inspections referred to previously were also extended on 24 April 2013 to the assessment of compliance with regulations on anti-money laundering by both Companies.

The onsite inspections ended in June 2013 and on 18 September 2013 IVASS illustrated the results to the companies' Boards of Directors and the consequent findings of the supervisory authority. From these findings, which involved IVASS prescribing corrective action on release of the merger approval provision on 25 July 2013, at present no critical points have emerged which could give rise to sanction proceedings against the companies.

## Declaration of insolvency of Im.Co S.p.A. in liquidation and Sinergia Holding di Partecipazioni S.p.A. in liquidation

By judgment pronounced on 14 June 2012, the group companies of Sinergia Holding di Partecipazioni S.p.A. in liquidation ("Sinergia"), which include the subsidiary Immobiliare Costruzioni Im.Co. S.p.A. in liquidation ("Im.Co."), were declared insolvent by Civil Chambers II of the Court of Milan. Europrogetti S.r.l. was also declared insolvent on 14 December 2012.
Note that the book values at 31 December 2013 of Unipol Group receivables due from Sinergia or Im.Co. or from entities associated with them were as follows:

- payments on account paid by Fondiaria-SAI and Milano Assicurazioni to Im.Co. or Sinergia, or their subsidiaries, pursuant to purchase contracts for future real estate asset purchases amounting to:
  - €101.7m owed to Milano Assicurazioni by Avvenimenti e Sviluppo Alberghiero S.r.l. (ASA), 100% held by Im.Co, in relation to the purchase of a property in Via Fiorentini, Rome. The book value of this receivable at 31 December 2013 was €52.9m;
  - €77.4m owed to Milano Assicurazioni S.p.A. by Im.Co in relation to the purchase of a property in Via De Castillia, Milan. The book value of this receivable at 31 December 2013 was €25.5m;
  - €23.3m owed to Immobiliare Fondiaria SAI by Im.Co. in relation to the purchase of a property complex in San Pancrazio Parmense, Parma. The book value of this receivable at 31 December 2013 was €7.8m;
- €7.2m in payments on account for planning work owed to Nuove Iniziative Toscane by Europrogetti S.r.l. This receivable was fully written-down;
- €21.4m relating to receivables owed to BancaSai by the Im.Co-Sinergia Group, of which approximately €10.7m in unsecured receivables. This receivable was completely written-down.

Lastly, €5.3m, net of reinsurance, relating to financial guarantee policies for obligations undertaken by companies in the Im.Co-Sinergia Group.

On 14 June 2012, in disclosing the Sinergia and Im.Co. credit positions to the market after they were declared insolvent, Fondiaria-SAI and Milano Assicurazioni declared (i) their acknowledgment of the judgment of insolvency pronounced against Im.Co. and Sinergia and that creditor claims for payment from liquidation assets would be filed, and (ii) they reserved the right to take further action, including liability action, as necessary or appropriate, also in reference to inquiries made by the Board of Statutory Auditors of Fondiaria-SAI following the claim pursuant to Article 2408 of the Civil Code filed by the shareholder Amber Capital Investment Management.

In relation to the aforementioned receivables (except for that of €102m due from ASA given its classification at 31 December 2013 as performing), claims for settlement from liquidation assets of Im.Co. or Sinergia for a total of €151m were filed against, of which at 31 December 2013 €111.4m were claimed as unsecured. In relation to liability actions subsequently proposed by the ad acta Commissioner of Fondiaria-SAI, late claims for settlement from liquidation assets of Im.Co. and Sinergia were filed for a total of €392.7. These claims were rejected by the bankruptcy court and at 31 December 2013 the companies involved had already challenged the related rejections.

In addition, with regard to Premafin, the only significant relations between this company and those declared insolvent is that relating to statements guaranteeing non-liability released by Im.Co. and its subsidiaries in relation to potential charges/liability arising from the commitment to sell sites located in the Municipality of Milan to third parties. In this respect, pursuant to Article 98 of the Bankruptcy Act Premafin claimed listing as creditor in the Im.Co. liquidation, given that the Appointed Judge's pronouncement of 28 November 2012 had declared it enforceable, rejecting Premafin's claim to be held harmless from any charges/liability resulting from the aforementioned sale commitment. Following the first hearing held on 9 June 2013, the Judge set the date of the final hearing as 6 May 2014.

In accordance with disclosures to the market, at the initiative of the main bank creditors of the insolvent companies, Unicredit and Banca Popolare di Milano established the company Visconti S.r.l. with the aim of filing a claim for arrangements with creditors to define the insolvency of Im.Co. and Sinergia.
On 3 October 2013 the Unipol Group signed an agreement with Visconti S.r.l. for the definition, even in transitional form, of the credit positions of the Unipol Group with Im.Co. and Sinergia and their subsidiary ASA, also as part of the applications for arrangements with creditors put forward by Im.Co. and Sinergia themselves. The effectiveness of this agreement is subject to certain covenants, including the approval by final order of the arrangements with creditors of Im.Co.
Visconti S.r.l. has filed appeals regarding the applications for arrangements with creditors made by Im.Co. and Sinergia, on 7 and 31 October 2013, respectively.
As regards the amounts due to the Group by Im.Co. and Sinergia, deriving from payments on account made pursuant to purchase agreements relating to the future acquisition of properties (amounting to €86.2m, net of write-downs, and representing the majority of receivables recorded in the financial statements), it should be emphasised that their book value at 31 December 2013 was calculated on an assessment of their recoverability, performed by an independent expert in 2012, and reflects the current value of the underlying real estate initiatives.
With regard to Premafin, the aim of the arrangements is to allow acquisition of all the real estate areas included in the litigation pending between the Municipality of Milan and Premafin, given the possible amicable settlement of the litigation.

# Litigation

## Actions by shareholders

From 2003 a number of La Fondiaria Assicurazioni S.p.A. (“Fondiaria”) shareholders decided to file a series of legal proceedings claiming, albeit on different legal grounds and justifications, compensation for damages allegedly suffered due to failure to launch the takeover bid on Fondiaria shares by SAI Società Assicuratrice Industriale S.p.A. (“SAI”) in 2002.
At 31 December 2013 eleven of these proceedings are still pending, with Fondiaria-SAI, Mediobanca Banca di Credito Finanziario S.p.A. (“Mediobanca”) as defendant, with Premafin cited in nine of these.

With regard to the judicial levels involved, the breakdown is as follows:

- for one proceeding the deadline is pending for appeal before the Milan Court of Appeal;
- five proceedings are pending before the Milan Court of Appeal, three of which adjourned;
- five proceedings are pending before the Supreme Court;

With regard to the contents of the judgments, it should be emphasised that:

- all the first instance judgments (except those pronounced by the Court of Florence in favour of the defendant companies, and that pronounced in August 2013 by the Court of Milan which confirmed legal time-barring of the proceedings) have, with different reasons as to why, accepted the plaintiff claims and ordered the defendants to pay consistent amounts by way of compensation for damages. Suspension of enforcement of all the court orders (except two) was obtained on Appeal;
- all judgments pronounced by the Milan Court of Appeal accepted the appeals filed by Fondiaria-SAI, Mediobanca and Premafin;
- in the three judgments filed in August 2012 and that filed in September 2013, the Supreme Court accepted the appeals, upholding the second instance judgment, and deferred the proceedings to the Milan Court of Appeal for review of the merits and also to pronounce on the legal costs involved.

As regards the latest developments in the judicial proceedings, note that:

- on 18 March 2013 the Florence Court of Appeal, in the only case heard before the Florence Court, confirmed the Judgment of the Florence Court which rejected all compensation applications put forward;
- on 12 April 2013 the Milan Court of Appeal pronounced in favour on the merits of the appeal filed by Premafin in relation to the dispute brought by a number of former Fondiaria-SAI shareholders, rejecting the opposing party claims;
- on 18 July 2013, by judgment filed on 26 September 2013, the Supreme Court partially accepted the appeal brought by certain shareholders, upholding the judgment challenged and deferring the case back to the Milan Court of Appeal;
- on 17 August 2013, the Court of Milan rejected the claims of certain former shareholders of Fondiaria-SAI, confirming time-barring of the right to proceed.

The four Supreme Court judgments pronounced in 2012 and 2013 indicate a different legal stance adopted by the Supreme Court with respect to the positions of the defendant companies, which even now are constantly agreed by Appeals Court case law. In fact, the four Supreme Court judgments confirmed the legal principle that, in the event of violation of mandatory takeover bid regulations by those who - after acquisitions - become holders of more than 30% of the share capital, it is the responsibility of the shareholders which should be the target of the takeover bid to claim the right to compensation for damages if they can demonstrate potential loss of earnings. Therefore, as confirmation of the complexity of the issue in question, it should be remember that in 2013, downstream of the aforementioned Supreme Court judgments of 2012, the Florence Court of Appeal rejected the appeals brought by a number of Fondiaria-SAI shareholders against the first instance judgment in favour of the defendants and the Milan Court of Appeal accepted the appeal brought by Premafin, rejecting the opposing party claims.

The provisions for risks and charges allocated are sufficient to meet any charges resulting from litigation in progress.

## Tax Audits

In December 2012 the Tuscany Regional Department of the Italian Inland Revenue served a number of assessment notices for 2003–2008, which claimed as taxable the fees paid to Salvatore Ligresti for consulting assignments.

Following study of the issue, also with the help of external experts, the company arranged payment of the claims by adopting the reduced settlement options made available through tax law, and in particular the provision of acceptance without protest pursuant to Article 15, Legislative Decree 218/97. The notices were settled through payment of €8m in February 2013, whilst the related charge had already been allocated in full in 2012.

Similar cases also affect the tax years 2009-2010, for which the Piedmont Regional Department has requested information, without arranging the service of specific demands. In this case also, the estimated charge was specifically allocated to the provisions for risk in 2012.

The subsidiary Milano Assicurazioni also settled similar claims raised by the Lombardy Regional Department for the tax years 2003-2008 and 2010, adopting the same methods and paying €4m in February 2013. With reference to the 2010 tax year, which recorded a tax loss, the newly increased amount was covered by reducing the loss carried forward and subsequent deduction from deferred tax assets in the sum of €0.8m. In this case, too, the overall charge had already been recognised in the income statement for 2012.

On 30 July 2013, the Large Taxpayers' Office at the Tuscany Regional Department of the Italian Inland Revenue served a number of assessment notices challenging the deductibility, given their unrelated nature, of part of the fees paid in 2004-2008 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, claiming increased IRES tax plus penalties and interest. The deductibility of sponsorship costs of Laità S.r.l. for the period 2004-2008 was also challenged in the assessment notices. The higher taxes claimed in total, plus interest and penalties (applied at the rate of 150%), amounted to €25.7m.

The claims originated from the report of the ad acta Commissioner prepared as part of his assigned responsibility from IVASS, from the Board of Statutory Auditors Reports pursuant to Article 2408 of the Civil Code of 16 March 2013, 18 April 2012 and 26 October 2012, from Order of Sanctions no. 12096145 of 11 December 2012 issued by CONSOB and from action taken by the Public Prosecutor's Office of the Court of Florence (criminal proceedings no. 2199/09).

In view of the elements put forward by the Company in its counterclaims, the Tax Office stated its willingness to remove the penalties and reduce the tax recovery relating to fees for the Chairman and Chief Executive Officer. After carefully considering the risk of an unfavourable outcome, also with the aid of consultants, with regard to the problem of producing sufficient documentary proof, in November 2013 the Company settled the dispute regarding the years 2004-2008 through settlement without protest for a total charge of €10.5m. This charge was accounted for in full to the income statement for the year.

Similar claims also affect the tax years 2009-2011, for which the Piedmont Regional Department has requested information, without arranging the service of specific demands. In economic terms, the estimated charge has been allocated to the provision for risks.

## Attachment decree

On 12 August 2013, as part of the criminal proceedings brought by the Public Prosecutor's Office of Turin against members of the Ligresti family and a number of former directors of Fondiaria-SAI, the Public Prosecutor's Office served an attachment decree for the seizure of assets of Fondiaria-SAI or its subsidiaries, by way of property equivalent, for a total book value at 30 June 2013 of €106.3m. This measure was adopted pursuant to the provisions of Articles 19 and 53, Legislative Decree 231/2001.

In particular, the attachment involved 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;
- Grand Hotel Fiera in Milan,

without prejudice to the ordinary hotel operations of the properties concerned.

On 25 September 2013 the Review Chambers of the Court of Turin, deciding with regard to appeals against the attachment order brought by the Company and by some of the defendants, issued an order cancelling the attachment decree and allowing free access to the assets by their owners. The Public Prosecutor's Office of Turin has challenged the cancellation order before the Supreme Court.

## Corporate liability action against certain former directors and statutory auditors decided by the Shareholders' Meetings of Fondiaria-SAI and Milano Assicurazioni

On 17 October 2011, Amber Capital LP, manager of the fund Amber Global Opportunities Master Fund Ltd., a shareholder of Fondiaria-SAI, submitted a report pursuant to Article 2408 of the Civil Code to the Board of Statutory Auditors of Fondiaria-SAI regarding several transactions performed by companies in the Fondiaria-SAI Group with "related parties" attributable to the Ligresti family, claiming that the transactions in question were "not at arm's length" and "anomalous".

On 16 March 2012 the Board of Statutory Auditors of Fondiaria-SAI issued an initial response in its "Report pursuant to Article 2408, paragraph 2 of the Civil Code", after which by letter dated 26 March 2012 the shareholder Amber Capital requested further investigation.

The Board of Statutory Auditors therefore performed further controls and investigations. On 15 June 2012 IVASS served Provision no. 2985 upon Fondiaria-SAI by which the Authority defined the proceedings launched pursuant to Article 238 of the Private Insurance Code, and through IVASS Communication prot. no. 32-12-000057 of the same date charged Fondiaria-SAI with significant irregularities pursuant to Article 229 of the Private Insurance Code, with particular reference to a number of transactions implemented by Fondiaria-SAI and its subsidiaries with counterparties qualifying as related parties of Fondiaria-SAI, and assigning a fifteen-day deadline for the effects of these transactions to be permanently removed.

IVASS considered that the actions proposed or implemented by the Company were not suitable to correct the situation which led to the charges cited in the notice of 15 June 2012, prolonging – according to the Institute – the inability of Fondiaria-SAI to remedy the violations and the relative effects.
Therefore by Provision no. 3001 of 12 September 2012 (the "IVASS Provision"), IVASS appointed Prof. Matteo Caratozzolo as ad acta commissioner of Fondiaria-SAI (the "Commissioner") and of the parent company, considering the requirements of Article 229, Legislative Decree no. 209 of 7 September 2005 to be met. In particular, with regard to the contested transactions considered not only individually but also globally, IVASS appointed a Commissioner to (i) specifically identify the parties responsible for the transactions implemented to the detriment of Fondiaria-SAI S.p.A. and its subsidiaries; (ii) determine the damages suffered by these companies; (iii) promote or arrange the promotion of every initiative, legal or otherwise, necessary within Fondiaria-SAI S.p.A. and its subsidiaries suitable, in relation to the contested transactions, to safeguard and reintegrate the assets of Fondiaria-SAI S.p.A. and its subsidiaries; (iv) exercise the powers of Fondiaria-SAI S.p.A. as parent company and shareholder in shareholders' meetings of the subsidiaries."

Further to the investigations conducted regarding the aforementioned transactions, implemented by the Fondiaria-SAI Group mainly in the real estate sector in the period 2003-2011, which directly involved members of the Ligresti family and certain special purpose vehicles attributable to the Ligresti family, the Commissioner asked the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni to call their respective Shareholders' Meetings with an item on the agenda regarding proposed corporate liability action pursuant to Articles 2392 and 2393 of the Civil Code against certain directors and statutory auditors of the companies (as jointly liable with other parties).

On 5 February 2013 the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni, after examining the respective explanatory reports prepared by the Commissioner pursuant to Article 125-ter of the Consolidated

Finance Act (CFA) and as follow-up to the aforementioned request, decided 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 promote corporate liability action against the persons indicated in the reports prepared for the Meetings by the Commissioner and made these resolutions public in accordance with law.
As a result of the aforementioned resolutions, the ad acta Commissioner appointed his own legal advisors who arranged for civil proceedings to be brought before the Court of Milan against the parties identified as responsible for the transactions described above. The proceedings are currently at preliminary investigation stage.
In relation to the aforementioned transactions the Company requested, and on 20 December 2013 obtained, attachment orders from the Court of Milan against a number of the parties cited as defendants in the proceedings described above. The Company made arrangements to enforce the attachment through the parties concerned and through third parties, and the related enforcement proceedings are still in progress.
The attachment was duly challenged by the counterparts and no decision by the Legal Authorities has as yet been made with respect to these complaints.

In addition, with reference to other transactions reported by Amber Capital LP, not covered by the Commissioner's mandate ("Minor Transactions"), on invitation from the Board of Statutory Auditors of Fondiaria-SAI pursuant to Article 2408 of the Civil Code, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni conducted investigations and controls, from which it emerged that these Minor Transactions were also concluded by companies in the Fondiaria-SAI Group with "related parties" associated with the Ligresti family, involving various violations of duties by directors and statutory auditors. In particular, not only violations of director and statutory auditor duties but also damage to corporate assets of the Fondiaria-SAI Group emerged.
Following investigations by the Boards of Directors, the parties proving responsible for the Minor Transactions are: (i) members of the Ligresti family, who exercised control over the Fondiaria-SAI Group companies involved and pursued their own personal interests to the detriment of these companies by violating Articles 2391 and 2391-bis of the Civil Code and the rules for related party transactions; (ii) former executive directors, who proposed and implemented the transactions in question, and directors who were members of the internal control committees of Fondiaria-SAI and Milano Assicurazioni, also responsible for violation of the same regulations and procedures; (iii) the statutory auditors of the companies in question who were also responsible for the damage suffered by Fondiaria-SAI Group companies due to violation of Articles 2403 and 2407 of the Civil Code and of Article 149 of the Consolidated Finance Act.
The liability of members of the Ligresti family in relation to the transactions in question (and likewise the transactions under investigation by the Commissioner) derived not only from violation of their duties relevant to their offices as director formally held in Fondiaria-SAI and Milano Assicurazioni, but also (aa) from the "sole management" approach they unlawfully exercised over the Fondiaria-SAI Group companies in organising the approval and implementation of transactions in "conflict of interest" and "in violation of the principles of correct corporate and business management" (Article 2497 of the Civil Code); (bb) from the de facto interference (particularly by Salvatore Ligresti) in administration of the Fondiaria-SAI Group companies (Article 2392 of the Civil Code).

Consequently, on 30 July 2013 the ordinary Shareholders' Meetings of Fondiaria-SAI and Milano Assicurazioni resolved to promote corporate liability action pursuant to Articles 2392 and 2393 of the Civil Code and, to the extent they may apply, Articles 2043 and 2497 of the Civil Code, against certain former de facto and official directors of Fondiaria-SAI and Milano Assicurazioni, regardless of their particular offices held and even if no formal office was held; certain former directors of Fondiaria-SAI and Milano Assicurazioni and, pursuant to Article 2407 of the Civil Code, against certain members of the Board of Statutory Auditors of Fondiaria-SAI and Milano Assicurazioni.

In relation to the aforementioned resolutions the Company's legal advisors were asked to prepare the papers necessary to file legal proceedings.

## CONSOB request of 17 April 2013, Protocol No. 13032789

Note that on 17 April 2013, CONSOB issued a request to Fondiaria-SAI, pursuant to Article 114, paragraph 5, of Legislative Decree No. 58/98, with separate request to Milano Assicurazioni, to issue a press release outlining the reasons why the Board of Directors of the Company, in the consolidated financial statements approved on 20 March 2013, did not apply the provisions of IAS 8 relating to the comparative figures for the 2011 consolidated financial statements in order to correct the errors noted by CONSOB and contained in Decision No. 18430 of 21 December 2012.

Acknowledging the position of CONSOB, the Board of Directors considered it appropriate to adjust the consolidated financial statements approved on 20 March 2013, and on 24 April 2013 approved the inclusion, where applicable, in the consolidated Directors' Report, Financial Statements and Notes the above-mentioned 2011 comparative figures, restated in compliance with those published on 27 December 2012 as a result of Consob Resolution no. 18430.

This change did not affect the 2012 balance sheet and income statement, which remained unchanged compared to those approved by the Board of Directors on 20 March 2013 and on which the 2011 restatement has no impact.
For further information, reference should be made to the 2012 Consolidated Financial Statements, "Integration to the 2012 consolidated financial statements following CONSOB request of 17 April 2013, Protocol No. 13032789".

## Appointment of the new Board of Directors

The Shareholders' Meeting of Fondiaria-SAI S.p.A. of 29 April 2013 appointed the Board of Directors for the three financial years 2013, 2014 and 2015, i.e. until the Shareholders' Meeting called to approve the financial statements for 2015.
Specifically, based on the lists filed, the Shareholders' Meeting confirmed the number of members of the Board of Directors as 19 and appointed the following as Directors of the Company:

Fabio Cerchiai
Pierluigi Stefanini
Carlo Cimbri
Mario Zucchelli
Marco Pedroni
Ernesto Dalle Rive
Francesco Berardini
Ethel Frasinetti
Lorenzo Cottignoli
Milva Carletti
Maria Antonietta Pasquariello
Francesco Vella
Massimo Masotti
Nicla Picchi

Maria Lillà Montagnani
Barbara Tadolini
Maria Rosaria Maugeri
Vanes Galanti
Giorgio Ghiglieno.

The latter was appointed as he was the first candidate on the list receiving the second highest number of votes.

Fabio Cerchiai was also appointed as Chairman of the Company, according to the proposal drawn up by Premafin HP S.p.A.

Based on declarations made at the time of acceptance of their nominations, 10 out of 19 of the directors declared themselves to be independent pursuant to the Self-Governance Code for listed companies and to Article 148, paragraph 3 of the Consolidated Finance Act. These directors were: Ethel Frasinetti, Milva Carletti, Maria Antonietta Pasquariello, Francesco Vella, Massimo Masotti, Nicla Picchi, Maria Lillà Montagnani, Barbara Tadolini, Maria Rosaria Maugeri and Giorgio Ghiglieno. The following declared independence only according to the Self-Governance Code for listed companies: Ernesto Dalle Rive, Francesco Berardini and Lorenzo Cottignoli.

At its meeting of 28 May 2013, the Board of Directors formally verified possession of the requirements of independence of the Directors qualifying themselves as such, and appointed other corporate officers and members of the board committees.

## Transfer of the Company's audit assignment

On 30 July 2013, in reference to the remainder of the period 2013-2018, the Ordinary Shareholders' Meeting of Fondiaria-SAI approved the voluntary termination of the audit assignment granted originally to Reconta Ernst & Young S.p.A., and at the same time the transfer of the audit assignment for 2013-2021 to PricewaterhouseCoopers S.p.A., the main independent audit firm of the Unipol Group, with terms and conditions as indicated in the explanatory report of proposals to the Shareholders' Meeting.

## Resignation of the Statutory Auditor

On 4 December 2013, Antonino D'Ambrosio resigned from office as Statutory Auditor of Fondiaria-SAI, Milano Assicurazioni and Premafin Finanziaria for "personal reasons".

Replacing him in accordance with law and by-laws were:

- for Fondiaria-SAI, Alternate Auditor Sergio Lamonica, taken from the same majority list as the outgoing statutory auditor, presented for the Ordinary Shareholders' Meeting of Fondiaria-SAI held on 24 April 2012. Mr. Lamonica will remain in office until the next Shareholders' Meeting.
  Mr. Lamonica's CV can be consulted on the Company website, on the aforementioned list found in the section Shareholders' Department/Shareholders' Meetings/2012/Ordinary Shareholders' Meeting 23-24 April 2012;

- for Milano Assicurazioni, Alternate Auditor Francesco Bavagnoli, taken from the same single list as the outgoing statutory auditor, presented for the Ordinary Shareholders' Meeting of Milano Assicurazioni held on 10 July 2012.
  Prof. Bavagnoli's CV can be consulted on the Company web site, on the aforementioned list found in the section Shareholders' Department/Shareholders' Meetings/2012/Ordinary Shareholders' Meeting 10-11 July 2012;

- for Premafin Finanziaria, Alessandra Trigiani, former Alternate Auditor, from the minority list presented for the Ordinary Shareholders' Meeting of Premafin held on 2 May 2011.
  Lastly, note that Stefano Conticello also resigned from all offices held on the Board of Statutory Auditors of the Company due to "professional commitments".

## Class A Special Savings Shareholders' Meeting

The Class A Special Savings Shareholders' Meeting of Fondiaria-SAI S.p.A. held on 26 March 2013 approved the actions necessary to contest the motions passed by the Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A. of 27 June 2012, and mandated the Joint Representative, Mr. Dario Trevisan, to cease all related action where the Board of Directors approves the conversion of the Class A savings shares into Class B savings shares in the ratio of 177 Class B savings shares for every 1 Class A savings share, subject to dividend distribution on each Class A savings share of €13.00.

Fondiaria-SAI repeats that – for the reasons illustrated in detail in the document published on 21 March 2013, together with opinions from expert advisors – the prejudice claimed by the Class A savings shareholders is without grounds.

## Approval of the merger by incorporation of Unipol Assicurazioni S.p.A., Premafin Finanziario S.p.A. and Milano Assicurazioni S.p.A. into Fondiaria-SAI S.p.A.

It should be remembered that by letter dated 28 December 2012, integrated on 22 May 2013, Fondiaria-SAI S.p.A., Unipol Assicurazioni S.p.A., Premafin Finanziaria S.p.A. and Milano Assicurazioni S.p.A. filed an application for approval, pursuant to Article 201, Legislative Decree no. 209 of 7 September 2005 and ISVAP Regulation no. 14/2008 for the merger by incorporation into Fondiaria-SAI S.p.A. of Unipol Assicurazioni S.p.A., Premafin Finanziaria S.p.A. and Milano Assicurazioni S.p.A. After the merger, the merging entity will take the name “UnipolSai Assicurazioni S.p.A.” (“UnipolSai S.p.A.”).

On 15 January 2013, IVASS, in response to the application drawn up jointly by Premafin, Fondiaria-SAI, Unipol Assicurazioni and Milano Assicurazioni on 28 December 2012, to obtain authorisation for the merger by incorporation into Fondiaria-SAI of Premafin, Unipol Assicurazioni, Milano Assicurazioni, communicated the commencement of the relative authorisation procedure from 28 December 2012. The deadline for completing the procedure was set as 120 days from commencement, unless suspended.

On 28 January 2013, in accordance with Article 2501-quater, first paragraph of the Civil Code, the proposal of merger by incorporation into Fondiaria-SAI S.p.A of Premafin Finanziaria S.p.A. - Holding di Partecipazioni, Unipol Assicurazioni S.p.A. and Milano Assicurazioni S.p.A., approved by the Board of Directors of the participating Companies in the merger on 20 December 2012 was filed at the registered office of the Company and published on the website of the Company in the Unipol - Fondiaria-SAI merger proposal section.

On 21 February 2013, in relation to the merger application IVASS requested documentation and additional information from the companies involved and consequently announced suspension of the deadline for completion of the authorisation procedure.

Following investigations conducted, pursuant to Article 201, Legislative Decree no. 209 of 7 September 2005 and ISVAP Regulation no. 14/2008, IVASS ascertained that, whether or not Milano Assicurazioni S.p.A. participates in the operation in question, the requirements were met for approving the merger having due regard to the sound and prudent management, possession of assets necessary to cover the technical provisions and the solvency margin of the merging entity, also post-merger.

Thus stated, on 25 July 2013 and pursuant to Article 201, Legislative Decree no. 209 of 7 September 2005 and ISVAP Regulation no. 14 of 18 February 2008, the Authority approved the merger by incorporation into Fondiaria-SAI S.p.A. of Unipol Assicurazioni S.p.A., Premafin Finanziaria S.p.A. and Milano Assicurazioni S.p.A., and approved the related amendments to be made to the By-Laws of the merging entity.

As a side issue to the approval, the Supervisory Authority saw the need to insist upon certain corrective action in order to guarantee greater operational efficiency and control in the long term, suited to the complex business operations and size of the post-merger entity.
The aforementioned corrective action related to corporate governance, the profit allocation policy, reinsurance and enhancement of procedures and controls associated with investment management and with technical commitments.

## Publication of the information document on the merger prepared pursuant to Article 70, paragraph 6 of CONSOB Regulation no. 11971/1999.

The information document on the merger prepared jointly by Fondiaria-SAI S.p.A., Premafin Finanziaria S.p.A. - Holding di Partecipazioni, Milano Assicurazioni S.p.A. and Unipol Assicurazioni S.p.A. in accordance with Article 70, paragraph 6, CONSOB Regulation no. 11971 of 14 May 1999, as amended, was published with the related attachments on 9 October 2013.

## Extraordinary Shareholders' Meeting of 24-25 October 2013

The Extraordinary Shareholders' Meetings of Unipol Assicurazioni S.p.A. ("**Unipol Assicurazioni**"), Fondiaria-SAI S.p.A. ("**Fondiaria-SAI**" or the merging entity) and Premafin Finanziaria S.p.A. – Holding di Partecipazioni ("**Premafin**"), which met on 25 October 2013, and the Extraordinary Shareholders' Meeting of Milano Assicurazioni S.p.A. ("**Milano Assicurazioni**") of 26 October 2013, approved the merger by incorporation of Premafin, Unipol Assicurazioni and Milano Assicurazioni into Fondiaria-SAI (the "**Merger**").

By vote in favour representing 97.82% of savings capital present, in accordance with Article 146, paragraph 1b), Italian Legislative Decree no. 58 of 24 February 1998, the Special Savings Shareholders' Meeting of Milano Assicurazioni held on 28 October 2013 approved the resolution carried by the Extraordinary Shareholders' Meeting of Milano Assicurazioni regarding the Merger.

Following this approval from the Special Savings Shareholders' Meeting, Milano Assicurazioni also participated in the Merger.

The merging entity will take the name "UnipolSai Assicurazioni S.p.A." ("UnipolSai").

As already disclosed to the market, the Merger forms an integral and substantial part of the plan to integrate the Unipol Group and the former Premafin-Fondiaria-SAI Group, communicated to the market on 29 January 2012, in order to create a company leader on the Italian insurance market (the "**Integration Plan**").

Without making amendments or additions, the Extraordinary Shareholders' Meetings approved the Merger Plan finalised on 20 December 2012 by the Boards of Directors of the companies participating in the Merger, subject to opinion in favour by the respective Related Party Transactions Committees (the "**Merger Plan**").

**Share swap ratios**

The swap ratios, already illustrated in the Merger Plan and defined with support from the respective financial advisors, were established as:

- 0.050 ordinary Fondiaria-SAI shares for every Premafin ordinary share;
- 1.497 ordinary Fondiaria-SAI shares for every Unipol Assicurazioni ordinary share;
- 0.339 ordinary Fondiaria-SAI shares for every Milano Assicurazioni ordinary share;

- 0.549 Class B savings shares of Fondiaria-SAI for every Milano Assicurazioni savings share.

After the Merger, all shares of the merged companies will be cancelled and exchanged for shares of the merging entity, which has arranged the issue of a maximum 1,632,878,373 new ordinary shares and up to a maximum of 55,430,483 new Class B savings shares.
The issue of ordinary shares and Class B savings shares of Fondiaria-SAI, to service the share swap, was completed through a share capital increase of Fondiaria-SAI equal to €0.565 for every new share issued and for a maximum of €953,894,503.64.

The ordinary shares and Class B savings shares of the merging entity assigned to the share swap offer the same rights as those already outstanding and are listed on the MTA market.

The Premafin shareholders who did not participate in the merger-related resolutions - which constitute an integral part of the Integration Plan - had the right of withdrawal pursuant to Article 2437, paragraph 1, letter a) of the Civil Code. Note that the liquidation value of ordinary Premafin shares subject to withdrawal was €0.1747 per share (as reported to the market on 24 September 2013), and was determined in compliance with the provisions of Article 2437-*ter* of the Civil Code, with reference solely to the related arithmetic means of closing prices for ordinary Premafin shares in the six months prior to publication of the notice of call for the Shareholders' Meeting whose resolutions legitimised their liquidation.

Note that the Milano Assicurazioni savings shareholders who did not participate in the merger-related resolutions - which constitute an integral part of the Integration Plan - had the right of withdrawal pursuant to Article 2437, paragraph 1, letter g) of the Civil Code. The liquidation value of Milano Assicurazioni savings shares subject to withdrawal was €0.6860 (as reported to the market on 24 September 2013), and was determined in compliance with the provisions of Article 2437-*ter* of the Civil Code, with reference solely to the arithmetic mean of closing prices for Milano Assicurazioni savings shares in the six months prior to publication of the notice of call for the Shareholders' Meeting whose resolutions legitimised their liquidation.

The withdrawals, legally exercised pursuant to Article 2437, paragraph 1, letter a) or g) of the Civil Code, were valid subject to finalisation of the Merger.

With regard to the liquidation procedure for redeemed shares pursuant to Article 2437-*quater* of the Civil Code, reference should be made to the Information Document on the Merger.

**The post-merger company**

Note that, also after the effective date of the Merger, the parent company Unipol Gruppo Finanziario S.p.A. ("**UGF**") retained control over the post-merger entity, becoming holder of a 63% interest in the ordinary share capital and 63.66% of the total capital of the post-merger Company.

From the effective date of the Merger, the resulting Company amended its By-Laws to adopt the statutory amendments dependent upon the Merger, including delegation of power to the Board of Directors, pursuant to Articles 2420-ter and 2443 of the Civil Code, to issue - in one or more tranches (subject to finalisation of the Merger) - bonds convertible to ordinary shares of the post-merger company for a maximum €201,800,000.00, with subsequent share capital increase to serve the conversion for an overall maximum countervalue of the same amount, including share premium, in one or more tranches and divisible, through the issue of ordinary company shares without par value, offering regular coupon payments and with the same characteristics as those outstanding at the date of issue, with the option open to the Board of Directors to exclude option rights and to offer the instruments to the company's third-party lenders with a view to reducing its debt exposure to those third parties.

Signing of the deed of merger was subject to completion of the corporate merger procedure. For accounting and tax purposes the operations undertaken by the merged companies were recorded in the financial statements of the merging entity as of 1 January 2014 (the year in which the merger enters into force for separate financial statements purposes).

Further information associated with or related to the Merger can be found in the Information Document prepared pursuant to Article 70, paragraph 6, CONSOB Regulation no. 11971 of 14 May 1999, initially disclosed to the public on 9 October 2013 at the registered offices of the companies participating in the Merger and published on the website of those companies and of Unipol Gruppo Finanziario S.p.A. and later updated by a Supplement to the Information Document published on 22 October 2013.

## Registration in the Company Registration Office of the Shareholders' Meeting resolutions approving the merger of Premafin Finanziaria and of Milano Assicurazioni S.p.A.

On 31 October 2013, Premafin Finanziaria - Società per Azioni - Holding di Partecipazioni registered the resolutions carried by the Extraordinary Shareholders' Meeting of Premafin held on 25 October 2013, which approved the merger by incorporation of Premafin, Unipol Assicurazioni S.p.A. and Milano Assicurazioni S.p.A. into Fondiaria-SAI S.p.A., in the Company Registration Office of Bologna.

On 31 October 2013, Milano Assicurazioni S.p.A. ("**Milano Assicurazioni**" or the "Company") registered the resolutions carried by the Extraordinary Shareholders' Meeting and Special Savings Shareholders' Meeting of Milano Assicurazioni held on 26 and 28 October 2013, which approved the merger by incorporation of Premafin Finanziaria - Società per Azioni - Holding di Partecipazioni, Unipol Assicurazioni S.p.A. and Milano Assicurazioni into Fondiaria-SAI, in the Company Registration Office of Milan.

## CONSOB issues its judgment of equivalence on the information document on the merger by incorporation of Unipol Assicurazioni, Premafin and Milano Assicurazioni into Fondiaria-SAI

By order communicated on 24 December 2013, CONSOB issued its judgment of equivalence, pursuant to Article 57, paragraph 1, letter d), Consob Regulation no. 11971 of 14 May 1999, as amended (the "**Issuers Regulations**"), on the updated information document (the "**Updated Information Document**") regarding the merger of Unipol Assicurazioni S.p.A., Premafin HP S.p.A. and Milano Assicurazioni S.p.A. into Fondiaria-SAI S.p.A. (jointly referred to as the "**Companies participating in the Merger**"), which after the merger would become known as UnipolSai Assicurazioni S.p.A.

The Updated Information Document reiterated and added to the information already provided in the information document prepared pursuant to Article 70, paragraph 6 of the Issuers Regulations, made available to the public on 9 October 2013 and later updated by an addendum published on 22 October 2013.

The Updated Information Document was prepared for the purpose of admission to listing on the MTA market of ordinary shares and Class B savings shares issued by the merging entity to service the merger.

The Updated Information Document was made available to the public on 24 December 2013.

## Deed of merger signed to merge Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI

On 31 December 2013 the deed of merger was signed regarding the merger by incorporation of Unipol Assicurazioni S.p.A. ("Unipol Assicurazioni"), Milano Assicurazioni S.p.A. ("Milano Assicurazioni" and Premafin HP S.p.A. ("Premafin") (referred to collectively as the "Merged Companies") into Fondiaria-SAI S.p.A. ("Fonsai" or the "Merging Entity"), which following the merger will become known as **UnipolSai Assicurazioni S.p.A.** or **UnipolSai S.p.A.**

The merger became effective from 6 January 2014 (the "Effective Date") following registration of the related merger deed with the competent Company Registration Offices on Thursday 2 January 2014.

The accounting and tax effects of the merger are instead backdated to 1 January 2014.

The deed of merger was signed after completion of the corporate merger procedure and after the subscription and full payment by Unipol Gruppo Finanziario S.p.A. of the share capital increase of Unipol Assicurazioni for a total of €600m, as resolved by the Extraordinary Shareholders' Meeting of Unipol Assicurazioni on 8 August 2013.

At the Effective Date, all shares of the merged companies were cancelled and swapped with shares of the merging entity, which arranged (x) the assignment of all shares of the merging entity owned by the merged companies through their redistribution via the share swaps, without ever being acquired as treasury shares of the merging entity and (y) for the remainder, to increase its own share capital by €782,960,791.85 through the issue of 1,330,340,830 new ordinary shares and 55,430,334 new Class B savings shares, all without par value and offering regular coupon payments, to be assigned to shareholders of Unipol Assicurazioni, Milano Assicurazioni and Premafin on the basis of the share swap ratios previously disclosed to the market.

No holder of Milano Assicurazioni savings shares exercised the right of withdrawal pursuant to Article 2437, paragraph 1, letter g) of the Civil Code. The right of withdrawal was, however, lawfully exercised by the ordinary Premafin shareholders, in relation to a total of 13,975,294 ordinary Premafin shares, corresponding to 0.6495% of the share capital of Premafin, for a total liquidation countervalue of €2,441,483.86 (the “Shares Subject to Withdrawal”).

As the liquidation procedure for the Shares Subject to Withdrawal pursuant to Article 2437-quater of the Civil Code, including the rights issue and any exercise of pre-emption rights, was completed after the Effective Date, from that date the Shares Subject to Withdrawal were swapped for ordinary shares of the merging entity, in implementation of the swap ratio envisaged for the merger, i.e. 0.050 ordinary shares of the merging entity for every Share. The liquidation price of each ordinary share of the merging entity that was subject to the liquidation procedure pursuant to Article 2437-quater of the Civil Code was therefore €3.494. It remains understood that also the ordinary shares of the merging entity assigned in exchange for the Shares Subject to Withdrawal were likewise subject to restricted availability and that the redeeming shareholders continued to have the right to receive the liquidation value.

A service was provided through approved intermediaries to the subscribers of Shares Subject to Withdrawal to the rights issue, and any exercising the right of pre-emption on these shares, allowing rounding to the nearest whole number, upwards or downwards, of the shares purchased as resulting from implementation of the swap ratio.

The statutory amendments associated with the merger entered into force on the Effective Date, and the share capital of UnipolSai was €1,977,533,765.65 (entirely subscribed and paid-in), comprising 2,250,906,752 ordinary shares, 1,276,836 Class A savings shares and 377,193,155 Class B savings shares, all without par value.

The shares of the merged companies Milano Assicurazioni and Premafin were delisted with effect from 6 January 2014.

## Disposals planned in compliance with the Antitrust Authority Provision

By Provision dated 19 June 2012 (the "Provision") the Antitrust Authority ("AGCM") approved the Unipol Group's acquisition of control over the Premafin/Fondiaria-SAI Group, imposing certain measures, including the disposal - with recourse to an independent advisor of primary international standing and approved by the AGCM - of a number of insurance asset portfolios of the former Milano Assicurazioni relating to the production and distribution of insurance products. These measures envisage that, after the disposal, the market shares of the Unipol Group prove lower than 30% at national and provincial levels in the Life and Non-life classes, based on IVASS-source data (i.e. if already higher than 30% prior to the business concentration, they will be taken back to the percentage held previously).

The disposal procedure was arranged during the year in the form of a tender in which numerous Italian and international business operators and financial investors were invited to participate.

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

On 14 January 2014 Unipol received a bid from Allianz S.p.A., which was examined on 21 January 2014 by the Boards of Directors of Unipol and UnipolSai, and it was decided to proceed to the definition of exclusive contractual arrangements with Allianz.

On 19 February 2014, by Provision prot. no. 0016093 the Antitrust Authority notified Unipol Gruppo Finanziario that it had launched non-compliance investigations, claiming that Unipol Gruppo Finanziario and UnipolSai had violated Article 19, paragraph 1 of Law 287/1990 by failing to comply with the compulsory sale of the assets indicated in the Provision by the pre-established deadlines. If non-compliance is confirmed, the Antitrust Authority could inflict an administrative fine pursuant to the aforementioned regulation.

On 15 March 2014, UnipolSai and Allianz S.p.A. signed an agreement regarding the sale of a business unit including a Non-Life insurance portfolio with a value of €1.1bn (2013 figures), 729 agencies and 500 employees dedicated to such business activities. The disposal of the assets of the former Milano Assicurazioni (now UnipolSai) envisages a maximum payment of €440m. The transaction will be finalised after approval from the competent Supervisory Authorities and Antitrust Authority.

Considering their actions to have been correct based on legal and factual arguments, Unipol Gruppo Finanziario and UnipolSai will adopt the most appropriate defence in these proceedings.

Note that in relation to the extent of business subject to disposal, with effect from the preparation of the condensed interim consolidated financial statements at 30 June 2013 and in relation to the scope of consolidation reported in each instance, IFRS 5 - Non-current Assets Held for sale and Discontinued Operations was applied. In particular, in the consolidated balance sheet at 31 December 2013, the assets subject to disposal amounting to €181m (€3,971m at 30/6/2013) were reclassified to a single account "Non-current assets or disposal groups classified as held for sale" (Assets line 6.1), whilst liabilities for €51m (€3,727m at 30/6/2013) were likewise reclassified to a single account "Liabilities of a disposal group held for sale" (Liabilities line 6.1). Both accounts are net of intra-group transactions.

The decrease in values represented in the financial statements compared to 30 June 2013 is attributable to the change in consolidation scope resulting from the disposal, and to the different asset transfer methods.

As the assets and liabilities of the business unit involved in the disposal do not, considered as a whole, represent "discontinued operations", the income components relating to the disposal group are recorded according to normal classification rules among the various accounts in the income statement.
The application of IFRS 5 has had no effect on the consolidated income statement or on consolidated equity.

Note that the measures imposed by the Antitrust Authority Provision referred to above also envisage that the Unipol Group reduces its overall debt to Mediobanca by €350m - and that this debt is then gradually repaid in full - as follows:

- reduction by €250m in the period 2013-2015;
- as part of the disposal of insurance assets, the sale of a further €100m.

In reference to the disposal of insurance assets, note that under the terms of the agreement signed between UnipolSai and Allianz on 15 March 2014, the latter excluded the intention of purchasing the outstanding debt with Mediobanca for a total of €100m. Unipol Gruppo Finanziario and UnipolSai intend to achieve the reduction in this loan of the amount stated by other means, by the date envisaged for finalisation of the sale in question.

In relation to the decrease in the total outstanding debt with Mediobanca of €250m, techniques are currently being assessed for finalising and consequently complying with the Provision.

With regard to the disposal of investments held (directly or indirectly) by Fondiaria-SAI in Assicurazioni Generali and in Mediobanca, as these are also included in the measures imposed by the Provision, the following should be noted:

a) Fondiaria-SAI arranged the disposal in 2012 of its entire investment in Assicurazioni Generali, equal to approx. 1%, through (i) the exercise by Fondiaria-SAI, Milano Assicurazioni and their respective counterparty banks of put and call options with the same strike price, and (ii) direct sale on the market. In view of the disposal in the meantime, in complying with the terms of the Provision, Fondiaria-SAI abstained from exercising its administrative rights, including voting rights, relating to the investment in question;
b) with regard to disposal of the entire share package held by the Premafin/Fondiaria-SAI Group in Mediobanca (a total of 33,019,886 shares, equal to 3.83% of the share capital), on 9 October 2013 the sale was completed of 23,114,386 ordinary Mediobanca shares, equal to approx. 2.68% of the share capital, through an accelerated bookbuilding procedure targeting only professional investors in Italy, as defined in Article 34-ter, paragraph 1, letter b of the Issuers Regulations, and international institutional investors. The total sale price of the Shares was approx. €135.2m. The additional 9,905,500 Mediobanca shares held by Fondiaria-SAI S.p.A., equal to 1.15% of the share capital, were not included in the operation as they are subject to forward contracts previously signed, envisaging put and call options with the same strike price, the latter exercisable on the contractually envisaged maturities in the period between 16 October 2013 and 14 November 2013. The aforementioned contracts were all settled on their established maturity dates, through physical delivery of the securities and resulting in the collection of approx. €50.5m.

   Also with regard to the Mediobanca investment, in view of the disposal in the meantime, in compliance with the Provision, Fondiaria-SAI abstained from exercising its administrative rights, including voting rights, also in relation to the shareholders' agreement.

It should be noted that Unipol complied with every other measure envisaged in the Provision.

# Put and call options on the investment in Unipol Banca

As part of the Merger, it was agreed that Unipol would grant a put option to Fondiaria-SAI on the investment held by Unipol Assicurazioni in Unipol Banca S.p.A., equal to 32.26% of the related share capital, to be exercised on expiry of the fifth year after the effective date of the Merger, at a price equal to the current carrying value of the investment (i.e. equal to approx. €299.4m), against Fondiaria-SAI's granting to Unipol of a corresponding call option on the same investment, at the same price but with the option for Unipol to exercise it during the entire period between the effective date of the Merger and the expiry of the fifth year thereafter. This agreement was formalised on 31 December 2013.

# Communications

## Press Office

The press office, under the direction of top management, ensured a constant flow of information on the activities of Fondiaria-SAI, Milano Assicurazioni and their subsidiaries, at both corporate and product level.

Including through the coordination of external consultants, the press office also managed the publication of results (quarterly, half-yearly and annual reports), as well as the communication of extraordinary operations of the companies.

In 2013 significant importance was given to the plan to merge Unipol Assicurazioni, Premafin and Milano Assicurazioni into Fondiaria-SAI. In order to guarantee uniformity and continuity in the market disclosures, for this highly complex operation the press office issued all the corporate disclosures necessary, on the basis of indications from senior management and the competent departments. During the year the press office coordinated the media presence at various corporate events, such as the Ordinary and Extraordinary Shareholders' Meetings and the Board of Directors' meetings. The press office also promoted and managed meetings with the sector's newspapers and magazines to support the dissemination of services and products offered by the Companies. Lastly, on a daily basis the press reviews were monitored and disseminated to senior management, extrapolating a part destined for mailing to selected recipients and publication on the corporate Intranet.

# HUMAN RESOURCES

## General Information

At 31 December 2013, the workforce of the Fondiaria-SAI Group numbered 7,389 (7,377 at 31/12/2012), of which 2,518 employees of Fondiaria-SAI (2,531 in 2012).
In addition to the Fondiaria-SAI total are 10 caretakers of buildings owned, whose employment contract is governed by the national caretakers contract.

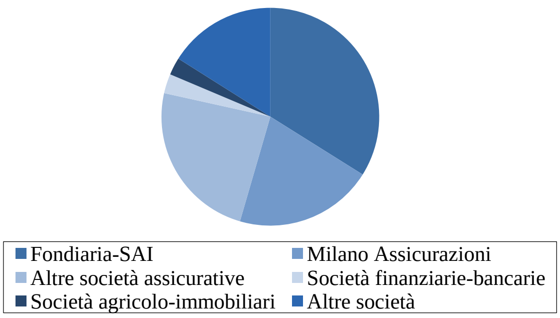
The total workforce was broken down as follows:

| Number | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Italian companies | 5,867 | 5,873 | (6) |
| Foreign entities | 1,522 | 1,504 | 18 |
| **Fondiaria SAI S.p.A. Group** | **7,389** | **7,377** | **12** |

The above table does not include the seasonal personnel of Atahotels, comprising 72 persons at 31/12/2013 (79 at 31/12/2012).

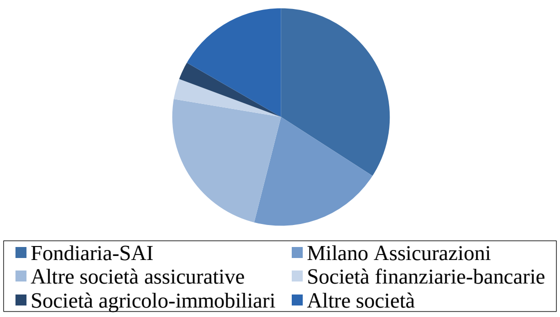
In addition, the employees of the foreign companies include 607 agents.

**At 31/12/2013**




| Company | Personnel in % |
|---|---|
| Fondiaria-SAI | 34 |
| Milano Ass.ni | 20 |
| Other insurance companies | 24 |
| Financial/banking companies | 3 |
| Agricultural/real estate companies | 3 |
| Other companies | 16 |

**At 31/12/2012**

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## Training

During 2013 the training for employees of the former Premafin/Fondiaria-SAI Group was organised with the dual purpose of completing the training programmes already launched and, at the same time, support the first preparatory initiatives for the merger with Unipol.

A total of 5,292 training days per person were completed, including 2,810 classroom training and 2,482 distance learning courses (equal to 18,610 hours).

The main activities covered:

- the provision of training envisaged in the "Internal Course Catalogue", distributed online at the end of 2012;
- the preparation and provision, throughout Italy, of a Training Project for claims management departments;
- completion of the Master Course in Insurance targeting new graduates, conducted in partnership with the Bocconi Business School;
- the planning and provision, in partnership with ABI Formazioni, of classroom training on anti-money laundering, targeting sensitive areas identified by the Anti-money Laundering Department, and specifically the Network Control Departments and Life Insurance Inspectors;
- the organisation of the initial "pro-merger" training activities such as SAP platform refresher courses, first for key users, then for end users in the Administration and Financial Statements, Management Control and Purchasing Departments;
- the organisation of meetings, in coordination with the Unipol network, on "Motor Settlement Policies";
- the provision of new distance learning courses on Privacy and Anti-money Laundering already targeting all employees in the Unipol Group and immediately made available to former Fondiaria SAI employees.

## Industrial Relations Policy

In 2013 industrial relations continued to be conducted in accordance with the consolidated principles adopted by Fondiaria-SAI and its subsidiaries, i.e. of reporting, dialogue and constructive discussion with trade unions on matters requiring negotiation at corporate level.

As regards the internal plan, note that on 20 March 2013 the minutes were signed off for the meeting which finalised the procedures pursuant to Article 47, Law no. 428 of 29 December 1990 and Articles 15 and 16 of the ANIA National Collective Bargaining Agreement concerning the Fondiaria-SAI, Unipol Assicurazioni, Premafin and Milano Assicurazioni merger plan, and the principles were defined on which the subsequent merger implementation agreement was based and which the Parties signed on 18 December 2013 after lengthy, detailed negotiations.

In the latter agreement it was agreed that the reorganisation plan that UnipolSai intended to implement targets the rationalisation and concentration, based on the specialisation principle, of the business activities of the various working environments with a view to pursuing a more productive, efficient and real qualification of these activities, avoiding the parcelling and fragmentation of corporate processes and safeguarding the levels of professionalism in such a way as to allow real development and sustainability over time, with the option of creating new employment opportunities in the future in order to pursue a fair balance between activities and the size of the workforces in the various offices.

In addition, it was established that the objectives of the Industrial Plan can be pursued, not only through the implementation of portfolio disposal processes required by the Antitrust Authority, but also through the following instruments:

- incentives for voluntary termination of employment contracts for employees who have already met pension requirements;
- voluntary access to the extraordinary component of the Solidarity Fund for employees with less than 5 years' service before meeting pension requirements, in such a way that - on termination of their inclusion in the aforementioned INPS-managed fund - they can immediately receive a retirement pension;
- specific training plans to accompany professional updating and professional requalification courses;
- indemnities to compensate any recourse to voluntary job transfers;
- facilitation of part-time contracts, consumption of accumulated leave, restrictions on overtime and recourse to transfers to cover the needs of the various Group companies.

A series of initiatives and instruments were identified, therefore, the use of which - as suitable in achieving the general objectives of the Industrial Plan - will ensure there will be no need for measures established by Law 223/1991 or recourse to individual or collective dismissals of non-executive personnel for organisational or economic reasons associated with the merger plan.

Note that on 24 May 2013 an agreement was signed regarding a loan from Fondo Banche e Assicurazioni (FBA) for a collective training plan to facilitate the professional updating, requalification, reconversion and growth of Fondiaria-SAI employees.

On 27 February 2013 an agreement was also signed on video surveillance, which implemented the recommendations of the Personal Data Protection Authority, particularly as regards areas transited by employees.

On 27 September 2013 an agreement was signed regarding disbursement of the Variable Bonus, in which as an exceptional and extraordinary measure, in a context designed to facilitate maintaining positive industrial relations and a corporate climate suitable for achieving results of real and solid recovery of profitability in line with the objectives of the Unipol Group 2013-2015 Industrial Plan, an amount additional to the Variable Company Bonus (VCB) was paid over and above what would have resulted from simple application of the contractual benchmarks. This initiative was adopted in order to avoid a 2013 VCB lower overall than that of 2012, which had been paid in a corporate climate much more negative than that of 2013.

At national level, note the signing on 20 May 2013 of the Agreement on the “Inter-sector solidarity fund as support for income, employment, professional reconversion and requalification of employees of insurance companies and welfare companies” (the “Inter-sector Solidarity Fund”). This agreement responded to the need by 30 June 2013 to adapt the pre-existing Solidarity Fund of the insurance segment to the new regulations of the Fornero Law. As mentioned above, the implementation of the Fund meant that for the first time our industry had a corporate-level declination through the agreement of 18 December 2013.

Again at national level, in the first half of 2013 the ANIA National Collective Bargaining Agreement was signed for Executives of Insurance Companies on 7 June 2013, which renewed the previous Agreement of 15 October 2007. The renewal was performed without any increase in remuneration levels and with the introduction of certain regulatory amendments made necessary by the new legal provisions on pensions (the Fornero Law). The new National Collective Bargaining Agreement entered into force on 1 July 2013 and will expire on 30 June 2015.

Lastly, note that on 30 June 2013 the National Collective Bargaining Agreement of 7 March 2012 governing relations between insurance companies and non-executive employees expired. No date has yet been established for negotiations to begin regarding its renewal.

In terms of disputes, it is important to note a slight increase in conflicts with individual employee before the courts compared to the previous year. In fact at 31 December 2013, 51 cases were pending for Fondiaria-SAI and 30 for Milano Assicurazioni.

## Trade union agreement of 18 December 2013: access to the Solidarity Fund

On 18 December 2013 the trade union agreement was signed regarding the Merger by incorporation of Unipol Assicurazioni S.p.A., Premafin HP S.p.A. and Milano Assicurazioni S.p.A. into Fondiaria-SAI S.p.A., which subsequently became known as UnipolSai.
As part of this agreement it was specifically agreed that the objectives of the Industrial Plan can also be pursued through recourse to voluntary access to the extraordinary component of the Solidarity Fund for employees (approx. 900) with less than 5 years’ service before meeting pension requirements, in such a way that - on termination of their inclusion in the aforementioned INPS-managed fund - they can immediately receive a retirement pension.
Access to the Solidarity Fund will result in termination of the employment contract, but will allow the employee to receive remuneration equivalent to that of their future pension, until such a time as the pension requirement has actually matured, in addition to the payment of related INPS contributions.

In order to compensate the difference between current remuneration and the solidarity fund payment received during access to the Fund, the agreement envisaged a series of integrations to income (which will be paid on termination of the employment contract along with accrued post-employment benefits) in relation to the period of use of the Fund.
Additional integrations to income were introduced in favour of those retiring under age 62 (“penalisation of the Fornero Reform”) or with less than 35 years of contributions, or if their pension is calculated using the “combined approach”.
During the period of access to the Solidarity Fund, established as a maximum 5 years, it was also confirmed that employees affected will retain the same health service support and supplementary pension services envisaged for employees in service.

The total costs necessary to activate the Solidarity Fund are compatible with the amounts allocated for integration costs envisaged in the 2013-2015 Industrial Plan and the expected savings will result in a return on the investment within 2.2 years.

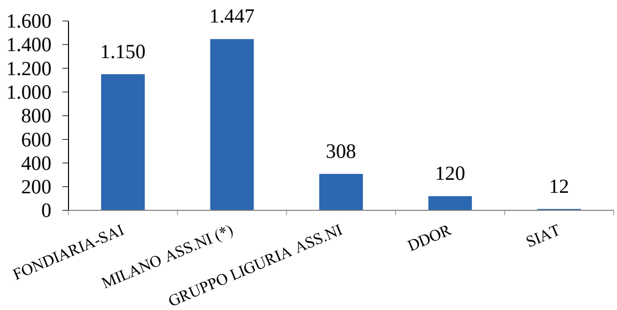
In this respect, note that UnipolSai is the first company in the insurance market to make use of the Solidarity Fund. Given the need to manage surplus staff resulting from the reorganisations, this instrument without doubt offers benefits in terms of limited social impact and represents a solution for any repercussions of the Fornero pensions reform, which has extended employees' options for remaining in service until 70 years of age.

# AGENTS

In 2013, premiums were mainly produced by 3,037 agencies operating through 2,328 points of sale and representing the traditional sales channel.
Specifically, the distribution structure includes 1,150 single-mandate and multi-mandate agencies of Fondiaria-SAI (1,195 at 31/12/2012), as well as a further 1,887 agencies that collaborate with the other Group companies.
The agencies who signed up to the distribution mandate with Finitalia number 4,511 at the end of 2013 compared to 2,682 in 2012.

The BancaSAI network in total includes 132 financial promoters, following the restructuring of the sales networks begun in June 2008.

**At 31/12/2013**

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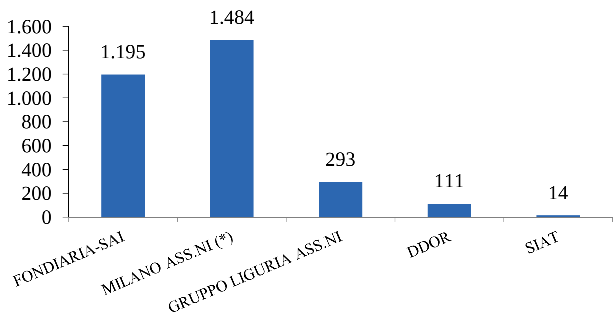



*(*) including SASA and SASA Vita*

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

In order to ensure the most effective integration between business strategy, its values and sustainability policies, since 2009 the Unipol Group has adopted a Social and Ethical Responsibility governance structure ("SER") placed directly with staff under the Chairman's direction as officer responsible for guidance and control as mandated by the Board of Directors. The Social and Ethical Responsibility department was assigned the task of developing and managing the sustainability strategy and of coordinating reporting and communications on the Group's CSR initiatives. To allow more suitable involvement of the entire organisation, for each Division or Group company "sustainability officers" were identified with the task of assisting in accountability activities and those related to sustainable innovation projects.

Among the Board of Directors' committees established in accordance with the Corporate Governance Code there is also a Sustainability Committee which also acts as Ethics Committee. This Committee plays an investigative, propositive and consulting role in activities preparatory to the full achievement of objectives to promote Social and Ethical Responsibility and sustainability within the Group.

The key reference figure for the dissemination and correct application of the Code of Ethics is the Ethics Manager, who in agreement with the company departments is responsible for promoting awareness and dissemination of the values and principles of conduct defined in the Code, and for receiving and instigating reports on alleged violations of the Code. The Ethics Report is prepared annually, summarising the activities performed, and is published in the Sustainability Report.

The Chief Executive Officer, with support from the Group Executive Committee, has the task of approving strategic objectives, actions and resulting budget commitments in relation to Sustainability.

In the process leading to definition of the Integration Plan and the setup of UnipolSai Assicurazioni, it was decided to keep the Social and Ethical Responsibility Department as part of Unipol Gruppo Finanziario. This is to ensure standardised strategic guidance on policies and activities resulting from, and also to achieve, consistency of conduct and process efficiency.

In 2013 the SER Department launched analyses preliminary to the integration of the Fondiaria-SAI consolidated companies, directly involving a number of employees as Sustainability Officers.

During the year, work began on the new three-year Sustainability Plan for the extended scope of consolidation, which therefore involved Fondiaria-SAI consolidated companies. The definition of this document began with meetings with all company departments to agree upon strategic business lines, gather together actions and input, and agree on monitoring indicators.

An important contribution to the alignment also came from extension of the accountability tools, particularly the Sustainability SAP, to all of the new Group. The software, which gathers data for preparation of the Sustainability Report, allows management of the accountability process in an integrated manner across all the corporate IT systems, through a single tool structurally aligning the Group's economic, social and environmental performance. As a result of this work, 2013 reporting also includes the entire Fondiaria-SAI consolidation.

Further innovation in the reporting plan lies in the activity conducted to audit the Sustainability Report by PricewaterhouseCoopers, the audit firm appointed by the Group.

In 2013 the Fondiaria-SAI consolidation was therefore analysed and reported in the Sustainability Report. The various companies and their scope of action were involved in preparation of the 2013-15 Sustainability Plan and of the 2014 Forecast, developed for internal use only.

As regards the commitment to integrating sustainability into the management process, the sustainability rating of the financial instruments was expanded to the entire Fondiaria-SAI portfolio, confirming the excellent levels of compliance, in any event higher than average, at 95%.

With regard to dissemination of the sustainability culture, two voluntary corporate initiatives during the year also involved the Fondiaria-SAI registered offices: the food collection and a food rations packaging day, for direct distribution by the Stop Hunger Now association to schools in 76 countries worldwide through its education programmes. Both these initiatives saw strong employee participation.

For further details of the non-financial performances of the Fondiaria-SAI consolidated companies, reference should be made to the Unipol Group Sustainability Report, found at http://sostenibilita.unipol.it/BilancioSostenibilita/index.html

# INFORMATION TECHNOLOGY AND IT INTEGRATION

In 2013 the IT Department was involved in various activities concerning Business support initiatives, in relation to the transformation and upgrading of IT platforms, the Unipol Group merger and stand-alone management.

With reference to stand-alone management and activities forming part of the 2011-2013 plan, note the following:

- The management of and action on the Non-Life products list (also in relation to processes and offers of Insurance telematics) and on the Life products list (including bancassurance in reference to projects and products for the JV Popolare Vita);

- extension to the SAI Division of the new non-life procedure for Agencies (SIGMA) and the Online Technical Support platform for head offices (ATOL). The complete project to unify the issue systems for Fondiaria-SAI and Milano Assicurazioni (excluding the SASA Division);

- refurbishment of the collaborator site (a module on the IES platform) for claims management, both in terms of new functions available to collaborators and of technology/architecture upgrading by extending the service windows;

- creation of the new Home Insurance platform for former Fondiaria-SAI Group insurance companies not merged into UnipolSai, in accordance with the decree law on “additional urgent measures for Italy’s growth” and with IVASS regulations;

- implementation of the Full Quote procedure offering a new online automatic quotes function that is fast and customisable;

- development of the IT platform of Auto Presto&Bene for the MyGlass project, with the aim of creating a network for glass claims management.

With specific reference to activities in readiness for integration with the Unipol Group, note the following:

- Rebranding activities for the companies/insurance company divisions of the former Fondiaria-SAI Group now merged into UnipolSai;

- migration of the former Fondiaria-SAI Group companies involved in the merger into UnipolSai to the SAP accounting and administration platform, the target for the Unipol Group;

- integration start-up of the IT platforms for financial management and human resources management;

- extension to the Unipol area of the Fondiaria-SAI platform SIVI, for annuities management;

- work on non-life (SIGMA) and claims (IES) management systems with a view to converging the processes after the merger into UnipolSai and compliance regulations;

- analysis and definition of the methods for withdrawal from the outsourcing contract with FSST (a JV with HP) with a view to internalising the IT management of infrastructural services;

- start-up of activities for the re-insourcing of the technology infrastructure.

## 2013 CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

The information required by Article 123-bis, Legislative Decree No. 58 of 24 February 1998, amended by Article 5, Legislative Decree No. 173 of 3 November 2008, is reported in the Annual Corporate Governance Report, approved by the Board of Directors and published together with the Directors' Report, in accordance with Article 89-bis of the Regulation adopted by CONSOB through Resolution No. 11971 of 14 May 1999 and Section IA.2.6. of the Instructions on the Regulation of Markets organised and managed by Borsa Italiana S.p.A.

The Annual Corporate Governance Report is available on the Fondiaria-SAI website (www.unipolsai.com in the Governance/Corporate Governance System/Annual Report section.

# SIGNIFICANT EVENTS AFTER THE YEAR END

## Deed of merger registered for the merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI

On 2 January 2014 the deed of merger signed on 31 December 2013 regarding the merger by incorporation of Unipol Assicurazioni S.p.A. ("Unipol Assicurazioni"), Milano Assicurazioni S.p.A. ("Milano Assicurazioni") and Premafin HP S.p.A. ("Premafin") (referred to collectively as the "Merged Companies") into Fondiaria-SAI S.p.A. (the "Merging Entity"), was registered with the competent Company Registration Offices.

From the Effective Date, the Merging Entity took the company name of "**UnipolSai Assicurazioni S.p.A.**" or "**UnipolSai S.p.A.**", with entry into force of the statutory amendments associated with the merger, and the share capital of the Merging Entity will be €1,977,533,765.65, entirely subscribed and paid-in, comprising 2,250,906,752 ordinary shares, 1,276,836 Class A savings shares and 377,193,155 Class B savings shares, all without par value.

The shares of the Merged Companies were all delisted with effect from 6 January 2014, cancelled and, for the part held by entities other than the Companies participating in the Merger, swapped for shares of the merging entity, including Premafin shares for which the right of withdrawal arising from the Merger was exercised.

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

Through the depositary intermediaries, holders of Merged Company shares were assigned a whole number of ordinary shares and Class B savings shares of the Merging Entity due in application of the swap ratios, with rounding up or down to the nearest whole number. Every depositary intermediary arranged the rounding up or down of Merging Entity shares due to individual shareholders of the Merged Companies and the countervalue of any fractions was calculated on the basis of the official price of the ordinary share or, if appropriate, of the Class B savings share of the Merging Entity, i.e. the price quoted on the MTA at close of business on 3 January 2014 with rounding to two decimal places. To facilitate the swap transactions, through the depositary intermediaries a service was made available to shareholders of the Merged Companies - entrusted by the Merging Entity to Equita SIM S.p.A. - to process any fractions of shares deriving from the merger.

It should be remembered that on 24 December 2013 the updated information document on the merger was made available to the public, with CONSOB judgment of equivalence granted by provision communicated on 24 December 2013 for the purpose of Article 57, paragraph 1, letter d) of the Issuers Regulations (the "Updated Information Document").

The Updated Information Document is available from the registered office.

## Results of the rights issue of Premafin (now UnipolSai) shares subject to withdrawal, start of the stock market placement of unopted shares and purchase of unsold shares by UnipolSai

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

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

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

The Unsold Shares were offered for five consecutive trading sessions, from 27 January 2014 to 31 January 2014 inclusive, for a unit price of €3.494 per Unsold Share.

Following the stock exchange offering, all 693,620 ordinary UnipolSai shares involved remained unsold (the "Unsold Shares").

Pursuant to Article 2437-quater, paragraph 5 of the Civil Code, the Unsold Shares have to be redeemed by the Company through the purchase of treasury shares from available reserves.

Therefore on 26 February 2014 the Company arranged both the purchase and payment of the Unsold Shares at the price of €3.494 per share and therefore for a total of €2,423,508.28. This payment will be credited through the depositary intermediary indicated in the declaration of withdrawal.

## Issue of a convertible bond loan without option rights

On 15 January 2014 the Board of Directors' Meeting of UnipolSai Assicurazioni S.p.A. ("**UnipolSai**" or the "**Company**") resolved, amongst other things, to implement the powers delegated by the Extraordinary Shareholders' Meeting of the Company held on 25 October 2013, pursuant to Articles 2420-ter and 2443 of the Civil Code, concerning the issue of a bond loan convertible to ordinary UnipolSai shares for a total of €201.8m, with subsequent share capital increase to service the conversion for a maximum €201.8m, including share premium, to be arranged through the issue of ordinary Company shares without par value, offering regular coupon payments and with the same characteristics as those outstanding at the date of issue (the "**Convertible Bond Loan**").

## Justification and characteristics of the Convertible Bond Loan

The issue of the Convertible Bond Loan forms part of the more extensive merger plan (the "**Merger**") of Premafin HP S.p.A. ("**Premafin**"), Unipol Assicurazioni S.p.A. and Milano Assicurazioni S.p.A. into Fondiaria-SAI S.p.A. ("**Fonsai**").

In this context, on 13 June 2012 Premafin and its lending banks approved a rescheduling plan for Premafin debt which, amongst other things, envisaged that (a) at the effective date of the Merger a tranche of the restructured Premafin debt of €201.8m would be transformed into the Convertible Bond Loan, and (b) the Convertible Bond Loan would be €134.3m subscribed by Premafin's lending banks (the "**Lending Banks**"), excluding GE Capital Interbanca S.p.A., and €67.5m by the Parent Company Unipol Gruppo Finanziario S.p.A.

In view of the above, for the reasons already fully illustrated in the information document on the Merger, available on the Company website www.unipolsai.com (the "**Information Document**"), the Board of Directors decided to offer the Convertible Bond Loan for subscription by the Lending Banks and Unipol Gruppo Finanziario in the proportions agreed in the aforementioned debt rescheduling agreement, with the aim of reducing the Company's debt position and therefore excluding option rights for Shareholders.

Also available as an attachment to the Information Document is the fairness opinion issued on 1 October 2013 by the audit firm Ernst & Young S.p.A., on the criteria used to calculate the issue price of the shares to service the Convertible Bond Loan, prepared pursuant to Article 158, paragraph 1, Legislative Decree no. 58 of 24 February 1998 and Article 2441, paragraphs 5 and 6 of the Civil Code.

The Board therefore resolved to:

- approve the regulation relating to the Convertible Bond Loan (the "**Convertible Bond Loan Regulation**" or the "**Regulation**"), granting mandate to the Chief Executive Officer to define the final text of the Regulation by inserting the missing elements;

- approve the share capital increase - against payment, divisible in one or more parts by the final deadline of 31 December 2015 - to service the Convertible Bond Loan, excluding option rights pursuant to Article 2441, paragraph 5 of the Civil Code, for a maximum €201.8m, including share premium, to be implemented through the issue of ordinary UnipolSai shares, without par value, with regular coupon payments and with the same characteristics as those outstanding at the date of issue, irrevocably and unconditionally reserved to service the bond conversion and excluding option rights;

- consequently amend Article 6 of the By-Laws to reflect the exercise of the aforementioned powers.

## Publication of the updated By-Laws

Updated on 6 January 2014 following the amendments required as a result of effects of the merger by incorporation of Unipol Assicurazioni S.p.A., Premafin HP S.p.A. and Milano Assicurazioni S.p.A. into Fondiaria-SAI S.p.A., and the amendments subsequent to the Board of Directors' resolution of 15 January 2014 regarding the issue of a bond loan convertible to ordinary UnipolSai shares, the By-Laws are available to the public in accordance with current regulations via the Company website www.unipolsai.com - Governance/Corporate Governance System/Company's By-Laws section.

## Takeover bid on insurance assets and certain discontinued assets launched in 2013

At their meetings on 15 January 2014 the Boards of Directors of Unipol Gruppo Finanziario S.p.A. and UnipolSai Assicurazioni S.p.A. declared unacceptable the offer received on 19 December 2013 from a leading European insurance group, for the purchase - subject to certain conditions being met - of insurance assets and a number of assets subject to the disposal procedure launched in 2013.

Note also that on 14 January 2014, Allianz S.p.A. submitted its own, different bid for the takeover of a series of insurance assets of the former Milano Assicurazioni S.p.A., now part of UnipolSai S.p.A.

In this respect, the procedures necessary in order for the decision-making bodies to resolve in relation to this bid were launched at the special meetings called for 21 January 2014, so that the negotiation and finalisation of binding agreements can go ahead.

On 21 January 2014 the Boards of Directors of Unipol Gruppo Finanziario S.p.A. and UnipolSai Assicurazioni S.p.A. analysed the bid presented by Allianz S.p.A. on 14 January for the takeover of a series of insurance assets of the former Milano Assicurazioni S.p.A., and decided to proceed to the definition of exclusive contractual arrangement by 15 March 2014.

The business unit covered by the bid includes a distribution network comprising approx. 800 insurance agencies, the related non-life insurance portfolio (equal to approx. €1.2bn - 2012 figures) and the employees dedicated to managing these assets (500 staff).

The Allianz S.p.A. bid, which unlike the other bids received is not comparable in structural and extent of business activity terms, does present adequate characteristics of congruence for the Company and suitably allows the Unipol Group to comply with the particularly strict rulings imposed by the AGCM (Antitrust Authority).

## Agreement for the disposal to Allianz of former Milano Assicurazioni insurance assets

On 15 March 2014, UnipolSai Assicurazioni and Allianz signed an agreement regarding the sale of a business unit including a non-life insurance portfolio with a value of €1.1bn (2013 figures), 729 agencies and 500 employees dedicated to such business activities.
The disposal of the assets of the former Milano Assicurazioni (now UnipolSai) envisages a maximum payment of €440m. The transaction will be finalised after approval from the competent Supervisory Authorities and Antitrust Authority.

The agreement reached at arm's length with Allianz protects UnipolSai stakeholders and allows the Unipol Group to comply with the exceptionally strict measures imposed by the Antitrust Authority at the time of the bail-out of the Fondiaria-SAI Group.

# OUTLOOK

In the period following the end of 2013 the macroeconomic scenario has remained difficult, as confirmed by the constant rise in the unemployment rate and the consumer crisis. There was no lack of new political tensions, which led to a new Government taking power, but despite this the financial markets' faith in Italy remained, as confirmed by the BTp-Bund spread now stably below the 200 points threshold.

The reference context and the heightened competition affect premiums written with different dynamics in the various classes.

In the Non-Life segment the Group is intensifying its commercial action to relaunch products, such as the development of new customer relations models in support of the agency network and the launch of the "Ancora più vicini" (Even closer) advertising campaign to accompany the founding of UnipolSai and to promote its sales network, the Italian leader in terms of the number of agencies in the country.
In the wake of 2013 performances, even if in February there was a recovery in claims from weather-related events that had little impact in 2013, the technical performance is positive.

The favourable moment for the Life segment is confirmed, however, encouraged by the drop in market interest rates that makes traditional insurance products with returns associated with segregated fund management more attractive. In February the premiums written by the agency network increased strongly, whilst the bancassurance segment stands at levels similar to the previous year, though up against the unrepeatable figure in unit-linked policy premiums written for over €600m by the Popolare Vita network in the first two months of 2013.

In the Other Activities segment, relating to the banking sector, the decision was confirmed of focusing activities on business with Retail customers to consolidate the sources of funding and increase penetration among insurance agency customers where a review is in progress of the relational model.
In addition, the credit management policies and processes have been updated, also partially outsourcing credit collection activities on non-performing positions of a limited amount. The figures for the first two months of 2014 show that the flow of non-performing loans is more contained.
After the significant strengthening of hedging of non-performing loans and the action also taken in commercial terms, it is believed that a gradual return to economic balance can be pursued.

Following completion of the merger at legal and corporate level, Group activities in 2014 will focus on the integration of UnipolSai in terms of organisation, logistics, adaptation of corporate policies and business management IT systems as outlined in the Industrial Plan.
Action is in progress for the release of the new claims management IT system (NSS-ClaimCenter), which will gradually be extended to the claims portfolio of the former Unipol Assicurazioni and in 2015 to the claims portfolios of the former Fondiaria-SAI.
Also planned during the year is the sharing of the agency underwriting systems among the various agency networks, an important step in rationalising and simplifying the Group with a view to fully exploiting the synergies identified in the Industrial Plan.

The merger led to the founding of a new leader among Italian insurance companies, focused on the insurance business and equipped with a strong equity structure. UnipolSai is consequently able to appropriately face the challenges of the insurance market, also through rationalisation of business and the application of best practices used within the new organisation which, amongst other things, will allow major synergies to be created.

An advertising campaign was already launched in January 2014, especially designed to present the new UnipolSai Assicurazioni to the public. The new Company will develop its business by drawing upon its strong experience and its roots in Italy through brand names that have made history in the national insurance industry and are now integrated within the Unipol Group.

Excluding events currently not foreseeable, also associated with the reference markets, the consolidated operating result for the year is expected to be positive.

Bologna, 20 March 2014

For the Board of Directors
The Chairman

*Fabio Cerchiai*

# 2013 Consolidated Financial Statements

Fondiaria-SAI S.p.A. (now UnipolSai Assicurazioni S.p.A.) is a limited liability company incorporated in Italy: the addresses of the registered office and of the locations in which the main activities are carried out are indicated in the introduction to the accounts. The Company is listed on the Italian Stock Exchange. The main activities of the Company and of its subsidiaries are described in the Directors' Report and in the section Segment Information.

These consolidated financial statements comprise, pursuant to IAS 1.10 (Presentation of Financial Statements), the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Statement of changes in Shareholders' Equity, the Cash Flow Statement and the Notes to the Financial Statements. They also include the attachments as per ISVAP Regulation No. 7 of 13 July 2007 and the information required by Consob and the Stock Exchange pursuant to Article 9, paragraph 3 of Legislative Decree 38/2005.

The consolidated financial statements of Fondiaria-SAI S.p.A. have been drawn up in accordance with the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS), also taking into account the formats and instructions issued by ISVAP (the Supervisory Authority) with Regulation No. 7 of 13 July 2007 and subsequent amendments.
The consolidated financial statements have been prepared in accordance with IAS/IFRS as currently in force.

## BALANCE SHEET - ASSETS

(in €K)

| | | 2013 | 2012 |
|---|---|---|---|
| **1** | **INTANGIBLE ASSETS** | **1,009,347** | **1,160,227** |
| 1.1 | Goodwill | 969,674 | 1,101,715 |
| 1.2 | Other intangible assets | 39,673 | 58,512 |
| **2** | **PROPERTY, PLANT AND EQUIPMENT** | **384,589** | **373,111** |
| 2.1 | Property | 318,884 | 304,203 |
| 2.2 | Other tangible assets | 65,705 | 68,908 |
| **3** | **TECHNICAL PROVISIONS - REINSURERS' SHARE** | **741,655** | **807,304** |
| **4** | **INVESTMENTS** | **33,816,594** | **33,859,082** |
| 4.1 | Investment property | 2,064,924 | 2,200,774 |
| 4.2 | Investments in subsidiaries, associates and joint ventures | 159,402 | 125,799 |
| 4.3 | Investments held to maturity | 627,320 | 718,119 |
| 4.4 | Loans and receivables | 2,854,960 | 3,527,030 |
| 4.5 | AFS financial assets | 22,569,531 | 20,848,041 |
| 4.6 | Financial assets designated at fair value through profit or loss | 5,540,457 | 6,439,319 |
| **5** | **OTHER RECEIVABLES** | **1,900,901** | **2,090,995** |
| 5.1 | Receivables from direct insurance operations | 1,081,730 | 1,322,826 |
| 5.2 | Receivables from reinsurance operations | 98,421 | 64,750 |
| 5.3 | Other receivables | 720,750 | 703,419 |
| **6** | **OTHER ASSETS** | **1,423,539** | **1,534,590** |
| 6.1 | Non-current assets or disposal groups classified as held for sale | 203,755 | 3,335 |
| 6.2 | Deferred acquisition costs | 63,282 | 52,250 |
| 6.3 | Deferred tax assets | 695,244 | 954,429 |
| 6.4 | Current tax assets | 217,054 | 299,485 |
| 6.5 | Other assets | 244,204 | 225,091 |
| **7** | **CASH AND CASH EQUIVALENTS** | **598,630** | **560,228** |
| | **TOTAL ASSETS** | **39,875,255** | **40,385,537** |

## BALANCE SHEET – LIABILITIES & SHAREHOLDERS' EQUITY

(in €K)

| | | 2013 | 2012 |
|---|---|---|---|
| **1** | **SHAREHOLDERS' EQUITY** | **3,226,481** | **2,762,674** |
| **1.1** | **attributable to the Group** | **2,510,290** | **2,115,707** |
| 1.1.1 | Share capital | 1,194,573 | 1,194,573 |
| 1.1.2 | Other equity instruments | 0 | 0 |
| 1.1.3 | Capital reserves | 198,876 | 669,626 |
| 1.1.4 | Retained earnings and other equity reserves | 613,383 | 898,822 |
| 1.1.5 | (Treasury shares) | -68,197 | -68,197 |
| 1.1.6 | Reserve for currency translation differences | -68,785 | -65,970 |
| 1.1.7 | Gains or losses on AFS financial assets | 284,884 | 257,597 |
| 1.1.8 | Other gains or losses recorded directly in equity | 25,762 | -21,027 |
| 1.1.9 | Profit (loss) for the year attributable to the Group | 329,794 | -749,717 |
| **1.2** | **attributable to non-controlling interests** | **716,191** | **646,967** |
| 1.2.1 | Non-controlling interest capital and reserves | 574,487 | 673,611 |
| 1.2.2 | Gains or losses recorded directly in equity | 54,944 | 23,236 |
| 1.2.3 | Profit (loss) for the year attributable to non-controlling interests | 86,760 | -49,880 |
| **2** | **PROVISIONS** | **316,899** | **271,877** |
| **3** | **TECHNICAL PROVISIONS** | **32,782,529** | **33,657,899** |
| **4** | **FINANCIAL LIABILITIES** | **2,248,313** | **2,315,626** |
| 4.1 | Financial liabilities designated at fair value through profit or loss | 554,229 | 568,575 |
| 4.2 | Other financial liabilities | 1,694,084 | 1,747,051 |
| **5** | **PAYABLES** | **654,916** | **764,922** |
| 5.1 | Payables from direct insurance operations | 94,849 | 96,388 |
| 5.2 | Payables from reinsurance operations | 73,411 | 67,876 |
| 5.3 | Other payables | 486,656 | 600,658 |
| **6** | **OTHER LIABILITIES** | **646,117** | **612,539** |
| 6.1 | Liabilities of a disposal group held for sale | 52,612 | 0 |
| 6.2 | Deferred tax liabilities | 132,891 | 178,189 |
| 6.3 | Current tax liabilities | 67,625 | 54,101 |
| 6.4 | Other liabilities | 392,989 | 380,249 |
| | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **39,875,255** | **40,385,537** |

## INCOME STATEMENT

(in €K)

| | | 2013 | 2012 |
|---|---|---|---|
| 1.1 | Net premiums | 9,650,144 | 9,967,235 |
| *1.1.1* | *Gross premiums written* | *9,978,517* | *10,277,167* |
| *1.1.2* | *Premiums ceded to reinsurers* | *-328,373* | *-309,932* |
| 1.2 | Commission income | 7,993 | 15,423 |
| 1.3 | Income and charges from financial instruments at fair value through profit or loss | 142,516 | 544,681 |
| 1.4 | Income from investments in subsidiaries, associates and joint ventures | 7,816 | 641 |
| 1.5 | Income from other financial instruments and investment property | 1,450,759 | 1,181,659 |
| *1.5.1* | *Interest income* | *897,947* | *823,785* |
| *1.5.2* | *Other income* | *109,040* | *138,677* |
| *1.5.3* | *Profits realised* | *431,614* | *210,914* |
| *1.5.4* | *Valuation gains* | *12,158* | *8,283* |
| 1.6 | Other revenues | 463,443 | 502,142 |
| **1** | **TOTAL REVENUES AND INCOME** | **11,722,671** | **12,211,781** |
| 2.1 | Net charges relating to claims | -8,379,217 | -9,357,554 |
| *2.1.2* | *Amounts paid and changes in technical provisions* | *-8,555,886* | *-9,660,029* |
| *2.1.3* | *Reinsurers' share* | *176,669* | *302,475* |
| 2.2 | Commission expenses | -6,314 | -7,361 |
| 2.3 | Expenses from investments in subsidiaries, associates and joint ventures | -2,127 | -19,568 |
| 2.4 | Expenses from other financial instruments and investment property | -347,862 | -837,186 |
| *2.4.1* | *Interest expense* | *-48,880* | *-59,682* |
| *2.4.2* | *Other charges* | *-67,258* | *-73,123* |
| *2.4.3* | *Losses realised* | *-62,285* | *-147,522* |
| *2.4.4* | *Valuation losses* | *-169,439* | *-556,859* |
| 2.5 | Operating expenses | -1,609,424 | -1,698,317 |
| *2.5.1* | *Commissions and other acquisition expenses* | *-1,173,525* | *-1,248,751* |
| *2.5.2* | *Investment management expenses* | *-23,995* | *-15,984* |
| *2.5.3* | *Other administration expenses* | *-411,904* | *-433,582* |
| 2.6 | Other costs | -725,584 | -1,224,579 |
| **2** | **TOTAL COSTS AND CHARGES** | **-11,070,528** | **-13,144,565** |
| | **NET PROFIT (LOSS) FOR THE YEAR BEFORE TAXES** | **652,143** | **-932,784** |
| **3** | Income taxes | **-234,352** | **131,362** |
| | **NET PROFIT (LOSS) FOR THE YEAR AFTER TAXES** | **417,791** | **-801,422** |
| **4** | **PROFIT (LOSS) FROM DISCONTINUED OPERATIONS** | **-1,237** | **1,825** |
| | **CONSOLIDATED PROFIT (LOSS)** | **416,554** | **-799,597** |
| | **of which attributable to the Group** | 329,794 | -749,717 |
| | **of which attributable to non-controlling interests** | 86,760 | -49,880 |

## COMPREHENSIVE INCOME STATEMENT

(in €K)

| | 2013 | 2012 |
|---|---|---|
| **CONSOLIDATED PROFIT (LOSS)** | **416,554** | **-799,597** |
| **Other income components net of taxes without reclassification to income statement** | | |
| Change in the shareholders’ equity of the investees | | |
| Change in the revaluation reserve of intangible assets | | |
| Change in the revaluation reserve of property, plant and equipment | | |
| Income and charges relating to non-current assets or disposal groups classified as held for sale | | 0 |
| Actuarial gains and losses and adjustments relating to defined-benefit plans | 420 | -11,274 |
| Other items | | |
| **Other income components net of taxes with reclassification to income statement** | | |
| Change in the reserve for currency translation differences | -2,815 | -9,200 |
| Gains or losses on AFS financial assets | 57,620 | 965,350 |
| Gains or losses on cash flow hedging instruments | 20,179 | -14,578 |
| Gains or losses on net investment hedging instruments in a foreign operation | | 0 |
| Change in the shareholders’ equity of the investees | 27,565 | 7,585 |
| Income and charges relating to non-current assets or disposal groups classified as held for sale | | 0 |
| Other items | | 1 |
| **TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS** | **102,969** | **937,884** |
| **TOTAL CONSOLIDATED COMPREHENSIVE INCOME** | **519,523** | **138,287** |
| **of which attributable to the Group** | **401,055** | **-37,053** |
| **of which attributable to non-controlling interests** | **118,468** | **175,340** |

## Consolidated statement of changes in Shareholders' Equity for the year ended 31 December 2013

In relation to the statement of changes in shareholders' equity, the statement requested by Regulation No. 7/07, which satisfies the disclosures of IAS 1 and the amendments introduced by ISVAP measure No. 2784 of 8 March 2010 is presented below.

In particular:

- The "Gains or losses on AFS financial assets" refer to the effects of the valuation of the related financial instruments, net of those attributable to the policyholders and recorded as a deferred liability to policyholders;
- The "Allocation" relates to, among others, the allocation of the result for the year, the allocation of the result for the previous year to equity reserves, the increase in share capital and other reserves, and the changes in unrealised gains and losses recorded directly in equity.
  The "Adjustments due to reclassification to the income statement" includes the gains and losses previously recorded directly in equity which are reclassified in the income statement in accordance with international accounting standards;
- The "Transfers" include, among others, the distribution of dividends and the decrease of share capital and other reserves, including the purchase of treasury shares.

The statement highlights all the changes net of taxes and of profits and losses, deriving from the valuation of AFS financial assets, attributable to policyholders and recordable under insurance liabilities.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in €K)

| | | Balance at 31/12/2011 | Change in closing balances | Allocation | Adjustments due to reclassification to the income statement | Transfers | Balance at 31/12/2012 | Change in closing balances | Allocation | Adjustments due to reclassification to the income statement | Transfers | Balance at 31/12/2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Shareholders' Equity attributable to the Group | Share capital | 494,731 | | 699,842 | | | 1,194,573 | | 0 | | | 1,194,573 |
| | Other equity instruments | 0 | | | | | 0 | | | | | 0 |
| | Capital reserves | 315,460 | | 354,166 | | | 669,626 | | -470,750 | | | 198,876 |
| | Retained earnings and other equity reserves | 1,834,570 | -286,000 | -649,748 | | 0 | 898,822 | | -285,439 | | 0 | 613,383 |
| | (Treasury shares) | -213,026 | | 144,829 | | | -68,197 | | | | | -68,197 |
| | Profit (loss) for the year | -852,719 | 286,000 | -182,998 | | 0 | -749,717 | | 1,079,511 | | 0 | 329,794 |
| | Other Comprehensive Income Statement items | -542,064 | | 582,729 | 129,935 | 0 | 170,600 | | 249,853 | -178,592 | 0 | 241,861 |
| | **Total attributable to the Group** | **1,036,952** | **0** | **948,820** | **129,935** | **0** | **2,115,707** | **0** | **573,175** | **-178,592** | **0** | **2,510,290** |
| Shareholders' Equity attributable to non-controlling interests | Non-controlling interest capital and reserves | 903,659 | -53,000 | -177,048 | | | 673,611 | | -99,124 | | | 574,487 |
| | Profit (loss) for the year | -181,919 | 53,000 | 79,039 | | 0 | -49,880 | | 86,791 | | 49,849 | 86,760 |
| | Other Comprehensive Income Statement items | -201,984 | | 171,869 | 53,351 | | 23,236 | | 53,373 | -21,665 | | 54,944 |
| | **Total attributable to non-controlling interests** | **519,756** | **0** | **73,860** | **53,351** | **0** | **646,967** | **0** | **41,040** | **-21,665** | **49,849** | **716,191** |
| **Total** | | **1,556,708** | **0** | **1,022,680** | **183,286** | **0** | **2,762,674** | **0** | **614,215** | **-200,257** | **49,849** | **3,226,481** |

# Consolidated cash flow statement for the year ended 31 December 2013

The Cash Flow Statement is presented below, as per Regulation No. 7/2007 which complies with IAS 7. IAS 7 requires that the preparation of the statement satisfies some minimum requirements and that the presentation of the cash flow from operating activities is prepared using the direct method, which indicates the main categories of gross receipts and payments, or alternatively the indirect method, which adjusts the results for the period for the effects of non-monetary items, for any deferral or accrual of prior or future operating receipts and payments, and for revenues or costs relating to cash flow from investing and financing activities.
The following cash flow statement, prepared using the indirect method, sets forth separately the net cash flow from operating activities and the net cash flow from investing and financing activities.

## CASH FLOW STATEMENT (indirect method)

| (in €K) | 31/12/2013 | 31/12/2012 |
|---|---|---|
| **Net profit (loss) for the year before taxes** | **652,143** | **-932,784** |
| **Change in non-monetary items** | **-1,230,983** | **-1,275,472** |
| Change in Non-Life premium provision | -276,833 | -242,220 |
| Change in claims provisions and other Non-Life technical provisions | -569,831 | 33,660 |
| Changes in actuarial provisions and other Life technical provisions | -202,447 | -1,952,205 |
| Change in deferred acquisition costs | -11,520 | -21,949 |
| Change in provisions | 60,135 | -50,433 |
| Non-monetary income and charges from financial instruments, investment property and equity investments | -237,241 | 319,437 |
| Other Changes | 6,754 | 638,238 |
| **Change in receivables and payables generated by operating activities** | **183,915** | **179,846** |
| Change in receivables and payables from direct insurance and reinsurance operations | 52,819 | 156,519 |
| Change in other receivables and payables | 131,096 | 23,327 |
| **Income taxes paid** | **-75,263** | **-30,683** |
| **Net cash generated/absorbed by monetary items relating to investing and financing activities** | **949,079** | **2,102,616** |
| Liabilities from financial contracts issued by insurance companies | 22,622 | -759,348 |
| Payables to bank and interbank customers | -2,703 | -64,929 |
| Loans and receivables from bank and interbank customers | 60,808 | 143,904 |
| Other financial instruments at fair value through profit or loss | 868,352 | 2,782,989 |
| **TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES** | **478,891** | **43,523** |

| | | |
|---|---|---|
| Net cash generated/absorbed by investment property | 25,606 | 75,178 |
| Net cash generated/absorbed by subsidiaries, associates and joint ventures | -13,859 | -27,380 |
| Net cash generated/absorbed by loans and receivables | -82,173 | 8,511 |
| Net cash generated/absorbed by investments held to maturity | 128,448 | -76,106 |
| Net cash generated/absorbed by AFS financial assets | -332,793 | -1,534,175 |
| Net cash generated/absorbed by property, plant and equipment and intangible assets | -38,982 | -21,179 |
| Net cash generated/absorbed by investing activities | -28 | 89,514 |
| **TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES** | **-313,781** | **-1,485,637** |

| | | |
|---|---|---|
| Net cash generated/absorbed by capital instruments attributable to the Group | 0 | 1,054,008 |
| Net cash generated/absorbed by treasury shares | 0 | 0 |
| Distribution of dividends attributable to the Group | 0 | 0 |
| Net cash generated/absorbed by non-controlling interest capital and reserves | -49,849 | 0 |
| Net cash generated/absorbed by subordinated liabilities and equity financial instruments | 0 | 0 |
| Net cash generated/absorbed by other financial liabilities | -52,833 | -26,014 |
| **TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES** | **-102,682** | **1,027,994** |

| | | |
|---|---|---|
| **Exchange difference effect on cash and cash equivalents** | **-631** | **-2,234** |

| | | |
|---|---|---|
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 560,228 | 976,582 |
| INCREASE (DECREASE) in CASH AND CASH EQUIVALENTS | 61,797 | -416,354 |
| CASH AND CASH EQUIVALENTS AT YEAR END * | 622,025 | 560,228 |

* include cash and cash equivalents of non-current assets or disposal groups classified as held for sale (€23.4m)

# Notes to the Financial Statements

# PART A - Accounting Principles

# Section 1 - Declaration of compliance with international accounting standards

The consolidated financial statements have been prepared in accordance with International Accounting Standards IAS/IFRS as issued by the IASB (International Accounting Standard Board), approved by the European Union, based on the current interpretation of the official bodies.

Following the entry into force of European Regulation No. 1606 of July 2002, European public companies registered on regulated markets must adopt IAS/IFRS for the preparation of their consolidated financial statements, in order to improve comparability and transparency at European level.

The application in the European community of the international accounting standards ("IAS" for those issued up to 2001 and "IFRS" for those issued subsequently), as well as their interpretations, know as SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) is undertaken through an approval process, in order to guarantee that the international accounting standards are compatible with European Community Directives, and the publication of the documents adopted in the Official Journal of the European Union.

## REGULATIONS

The accounting standards utilised for the 2013 financial statements are in line with those of the previous year, with the exception of IFRS 13 and some amendments applicable from 1 January 2013 described below and which do not have a significant impact on the present consolidated financial statements.

### IFRS 13 - Fair Value Measurement

IFRS 13 establishes a single IFRS guideline for all fair value measurements. IFRS 13 does not modify the cases in which the utilisation of the fair value is required, but rather provides a guide on how to measure fair value within IFRS, when the application of the fair value is required or allowed.

### IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income

The amendment to IAS 1 changes the grouping of items of other comprehensive income. The accounts which could be reclassified in the future to the income statement (for example, net gains on net investment hedges, translation differences of foreign financial statements, net gains on cash flow hedges and net gains/losses on AFS financial assets) must be presented separately compared to the accounts which may never be reclassified (for example, actuarial gains/losses on defined benefit plans and the revaluation of land and buildings). The amendment concerns only the manner of presentation and does not have any impact on the Group financial position or the results.

### IAS 19 - Employee Benefits

The new IAS 19 endorsed in June 2012 introduces several amendments, including the elimination of the corridor method. As a result, companies must report actuarial gains and losses relating to the measurement of defined benefit obligations, as well as changes in the value of related plan assets, at the time they occur.

**IFRS 7 – Financial Instruments: disclosures — Offsetting financial assets and financial liabilities**

These amendments require the entity to provide disclosures on offsetting rights and related agreements (for example guarantees). The disclosure will provide the readers of financial statements with information to evaluate the effects of the offsetting agreements on the financial position of the entity. The new disclosure is required for all financial instruments subject to offsetting in accordance with IAS 32 "Financial instruments: presentation". The disclosure is also required for financial instruments which are subject to executive offsetting contracts or similar agreements, regardless of whether they are offset in accordance with IAS 32.

**Improvements of international accounting standards**

On 27 March 2013, the European Commission approved Regulation 301/2013, published in Official Journal of the European Union No. L 90 of 28 March 2013. The Regulation endorses the improvements of international accounting standards (2009-2011 cycle) published by the IASB on 17 May 2012 regarding IFRS 1, IAS 1 (the IASB clarified that, if companies provide comparative information for more than the minimum years required, they are not required to present all obligatory statements or the disclosures in the notes for those years), IAS 16, IAS 32 and IAS 34.

The abovementioned accounting principles in force as of 1 January 2013 did not have significant effects on the income statement or balance sheet.

Illustrated below are the standards which, at the preparation date of the Group consolidated financial statements, have been issued and approved but which are applicable from 1 January 2014 or subsequently.

**IFRS 10 – Consolidated financial statements, IAS 27 – Separate financial statements**

IFRS 10 replaces the part of IAS 27 "Consolidated and separate financial statements" which governs the accounting of consolidated financial statements. This also concerns the issues within SIC-12 "Consolidation – Special purpose entities".
IFRS 10 establishes a single control model which applies for all companies, including special purpose entities. Compared to the provisions within IAS 27, the changes introduced by IFRS 10 require management to undertake discretionary assessments to determine which companies are controlled and, therefore, must be consolidated by the parent company.

**IFRS 11 - Joint Arrangements**

IFRS 11 replaces IAS 31 "Interests in joint ventures" and SIC-13 "Jointly controlled entities – Non monetary contributions by venturers".
IFRS 11 eliminates the option to recognise jointly controlled companies using the proportional consolidation method. The jointly controlled companies which fulfil the definition of a joint venture must be recognised using the net equity method.

**IFRS 12 - Disclosure of Interests in Other Entities**

IFRS 12 includes all the provisions concerning disclosure previously included in IAS 27 relating to consolidated financial statements, in addition to the disclosure requirements of IAS 31 and IAS 28. This disclosure concerns investments in subsidiaries, joint ventures, associates or vehicle companies. New information disclosure is also required.

**IAS 28 - Investments in Associates and Joint Ventures**

Following the new IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of interests in other entities", IAS 28 was renamed "Investments in associates and joint ventures" and describes the application of the net equity method for the investments in jointly controlled companies, in addition to associates.

**Amendments to IFRS 10 and 12 - Investment Entities**

Regulation 1174/2013 of the European Commission of 20 November 2013, published in Official Journal of the European Union No. L 312 of 21 November 2013, amends IFRS 10 to require investment entities to measure subsidiaries at fair value through profit or loss rather than consolidate them, in order to better reflect their business model, and IFRS 12 to require the presentation of specific information about the subsidiaries of the investment entities referred to above.

## Section 2 – Basis of preparation

The consolidated financial statements were prepared on the basis of the IVASS instructions contained in Regulation No. 7 of 13 July 2007 (as amended by IVASS measure No. 14 of 28 January 2014).

# Section 3 - Consolidation

## CONSOLIDATION PRINCIPLES

### FINANCIAL STATEMENTS UTILISED FOR THE CONSOLIDATION

The consolidated financial statements have been prepared on the basis of the financial statements of the subsidiaries, as approved by the respective Boards of Directors. The financial statements of subsidiary companies have been adjusted and reclassified to apply International Accounting Standards.

## CONSOLIDATION METHODS

- Line-by-line

The consolidated financial statements include Fondiaria-SAI's financial statements and the financial statements of the Italian and foreign companies in which Fondiaria-SAI has the power to exercise control as defined in paragraph 4 of IAS 27, also in consideration of potential voting rights.
Control is presumed to exist also if Fondiaria-SAI owns half or less of the voting power of an entity when Fondiaria-SAI has:

- the control of more than half of the voting rights in virtue of an agreement with other investors;
- the power to govern the financial and operating policies of the entity in virtue of a clause in the company's By-laws or of a contract;
- the power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is held by that board or body; or
- the power to exercise the majority of the voting rights in the Board of Directors or equivalent administrative body.

Under the line-by-line consolidation method, the book value of each investment is eliminated against the related shareholders' equity, and the total assets and liabilities as well as income and charges of the investee company are recorded.
The non-controlling interest equity and result for the period are recorded in specific accounts in the balance sheet and income statement.
The differences between the carrying value of the investments and their shareholders' equity, which arises at the acquisition date of the investments, is attributed to specific identifiable tangible assets when the higher cost reflects their fair value and to specific intangible assets - among which the Voba - Value of business acquired), the Vif (Value in Force), the Value of the premiums or of the client list - in this case valuing also the non-controlling interest and the tax effect and, residually, to Goodwill, when the higher price paid reflects the forecast value of future economic results.

- Equity method consolidation

Associates are consolidated under the equity method in accordance with IAS 28: an associate is a company over which the Fondiaria-SAI exercises significant influence and is classified neither as a subsidiary nor as an interest in a joint venture.
In accordance with IAS 28.6, significant influence is presumed where the investment held, directly or indirectly, amounts to at least 20% of the voting rights in the shareholders' meeting.
Therefore in accordance with the above, the consolidated financial statements only include the shareholders' equity of the investment including the result for the year, but do not include individual accounts of the financial statements.

- Other consolidation operations

The other consolidation operations prevalently consist of the application of uniform accounting policies, in terms of substance (i.e. valuation criteria) and in terms of presentation.

In particular, using standard statements such as those required by the Supervisory Authority and a common reporting package for all Group companies ensures compliance with formal standardisation criteria.

To apply uniform accounting policies the following operations have been performed:

- Elimination of dividends paid or resolved by any consolidated company;
- Elimination of inter-company transactions, both in the income statement and the balance sheet;
- Elimination of gains and losses from sale/purchase operations made between Group companies and relating to equity values, even if consolidated under the equity method;
- Adjustments to apply uniform accounting policies within the Group;
- Recognition, where applicable, of the tax effects due to adjustments to apply uniform measurement criteria to financial statement items or other consolidated adjustments.

## DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements are presented as of 31 December 2013; the financial statements of all the subsidiaries consolidated on the line-by-line basis are also prepared as of 31 December 2013.
Therefore, there were no problems in applying uniform accounting periods, considering the complete uniformity of the financial periods of the financial statements in the consolidation.

## CURRENCY

The financial statements are presented in Euro which is the Company's functional currency. The translation into Euro of financial statements in currencies other than the Euro is carried out using the exchange rates in force at the reporting date.
The exchange rates utilised, for the principal currencies other than the Euro, are reported in the notes to the financial statements.
It is also indicated in the notes whether the amounts reported are in thousands or millions.

# Section 4 - Accounting principles

The accounting principles adopted are consistent with those utilised in the previous year with the exception of those specifically illustrated.

The main accounting principles utilised in the financial statements are as follows:

# ASSETS

## 1. INTANGIBLE ASSETS

**Goodwill**
In accordance with IAS 38 "Intangible Assets" and IFRS 3 "Business Combinations", the goodwill, having an indefinite useful life, is not systematically amortised, but subject to an impairment test, to be performed on an annual basis or according to a shorter period where events or circumstances indicate the existence of a permanent loss in value.

For this purpose, the Group:

- Identified the cash generating units related to the goodwill recorded;
- Identified such through criteria which take into account the minimum organisational level at which the goodwill is monitored by top management;
- Determined the recoverable value of each cash generating unit as the higher between its fair value and its value in use;
- Identified the future cash flows from each cash generating unit for the value in use of the goodwill;
- Appropriately discounted the future cash flows to determine the "recoverable value" of the goodwill and record any loss in value.

**Intangible assets with indefinite useful life**
Intangible assets with indefinite useful life mainly consist of brands, which do not have limitations in terms of useful life as per contractual, legal, economic and competitive conditions. Intangible assets with indefinite useful life are not amortised but are annually tested, or more frequently where there is an indication that the asset may have suffered a loss in value, to identify any impairment.

**Other intangible assets**
In accordance with IAS 38 an intangible asset is recorded only if identifiable and controllable, if the cost may be estimated and if it is able to generate future economic benefits.
Consequently, set-up and formation costs and research and advertising costs are recognised in the income statement when incurred.
Intangible assets which may be capitalised are amortised on a straight-line basis over the estimated useful life of the asset, subject to verification whether there has been a loss in value. There are no intangible assets generated internally.

The notes to the financial statements provide indications on the useful life of each category of intangible assets.

## 2. PROPERTY, PLANT AND EQUIPMENT

The account includes property for use by the company and other tangible assets.
IAS 16 "Property, plant and equipment" provides that the property for use by the enterprise is initially recognised at cost; subsequent valuation may be made based on the cost model (paragraph 30) or of the revalued amount (paragraph 31).
In relation to investment property, the Group decided to utilise the cost principle for the valuation of property for both own use and investment use. Reference should be made to the paragraph relating to investment property.

The assets held through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the Group, are recognised as assets of the Group at their fair value or, if lower, at the current value of the minimum lease payments. The corresponding liability due to the lessor is recorded in the financial statements under payables. The related liabilities are recognised in accordance with IAS 17.

Also included in this category is property classified as inventory in the accounts of the companies operating in the real estate segment. This is valued, in accordance with IAS 2, at the lower between cost (including acquisition cost, transformation and other costs incurred) and net realisable value. In particular, the purchase cost of the buildings completed and the real estate initiatives in course is determined based on the historical cost increased by the costs incurred for extraordinary maintenance which permanently increase the value, or the purchase cost of investments allocated to assets up to the current value attributed to them at the moment of acquisition. The cost is also increased for improvement expenses and, in the case of buildings under construction, for borrowing costs capitalised, as specifically relating to the construction.
Regarding agricultural activities, the forecast crops are measured on the basis of the work in progress at the reporting date, while the fair value of the farming activities was determined through the comparison between the production values and market values.

## 3. TECHNICAL PROVISIONS - REINSURERS' SHARE

The item refers to the obligations of reinsurers arising from reinsurance contracts in accordance with IFRS 4. The technical provisions - reinsurers' share are recognised and accounted for in accordance with the applicable principles applied to the underlying direct insurance contracts.

## 4. INVESTMENTS

**Investment property**

The investment property includes property held for rental purposes and/or for capital appreciation.

IAS 40 "Investment property", which governs the property held by the enterprise for investment purposes, provides that at the moment of the acquisition of properties, they should be initially recognised at cost, while subsequently the entity can choose between cost or fair value.

The fair value is the price at which the ownership of the property can be exchanged between knowledgeable and willing parties in an arm's length transaction, which is normally referred to as the market price.

Except where indicated otherwise, the Group has chosen to utilise the cost model as the principal valuation method for all properties – both those utilised by the entity and those held as investment property utilised by third parties.

In accordance with IAS 16, as referred in IAS 40, the Group provided for:

- Separation of the value of the land where property is located from the value of the property fully owned, as land has unlimited duration and is therefore not subject to depreciation;
- Recognition of depreciation on the determined net value applying specific technical-economic depreciation rates determined in relation to the expected residual use of each part of the property, such as plant and the structure.

The investment property is subject to an impairment test also through comparison of the book value with the fair value, estimated by independent expert appraisers.

Revaluations of property performed in previous years were not excluded in the cost re-determination process. They were considered as part of the amortised cost since they reflect the change in the price indices or as approximation of the fair value of property at the revaluation date.

On the other hand, the property transferred to the Tikal R.E. closed Real Estate Fund was valued at fair value as replacement of cost, consistent with the choices adopted in the "First Time Adoption" phase.

Any profit or loss due to the disposal of an investment property is recognised in the income statement in the year of its disposal.

**Investments in subsidiaries, associates and joint ventures**

The item includes investments in associated companies valued under the equity method, and investments in subsidiaries which the Group does not consider material and valued at cost. As previously described in the paragraph relating to the consolidation, no Group entity subject to joint control with other parties (joint ventures) is included in this account, consistent with the application of the proportional consolidation method.

**Financial instruments**

IAS 39 – "Financial Instruments: Recognition and Measurement" provides that the financial instruments should not be classified based on their nature, but based on their use in the operational activity of the entity. In particular, IAS 39 identifies the following categories for the classification of the financial assets:

- "financial instruments valued at fair value through profit or loss" include the securities held for trading in the short-term period and securities which are initially recognised in this category by the entity on the basis of their features;
- "loans and receivables" which, in addition to normal receivables and loans, as defined by the Italian accounting principles, include debt securities not listed, not available for sale and whose recovery depends exclusively on the creditworthiness of the issuer;
- "financial instruments held to maturity" include debt securities with fixed maturity and fixed or determinable payments which the entity intends to, and is able to, hold to maturity;
- "available-for-sale financial instruments", include securities not classified in the previous categories.

Financial assets are initially recognised at fair value which generally corresponds to the price paid for their acquisition. Subsequently, the individual categories are recognised in accordance with IAS 39 criteria. In particular:

- The financial instruments at fair value through profit or loss, are valued at fair value, and the difference between the fair value and the initial value is recognised in the income statement;
- The financial instruments held to maturity and the loans and receivables are valued at amortised cost, calculated utilising the effective interest rate method;
- The available-for-sale financial instruments are valued at fair value, and the differences are directly recognised in the shareholders' equity as a separate specific reserve. This reserve is reversed to the income statement when the financial instrument is realised or a loss has occurred due to impairment.

It should be noted that the ordinary sales and purchases of financial assets are accounted for at the settlement date of the operation, i.e. the date in which the Group receives or delivers the assets.
Additionally in accordance with IAS 32, no gains or losses deriving from the sale/purchase of treasury shares are recognised in the income statement, while the amount paid or received is directly recognised to shareholders' equity.

This method is applied also for the sales of treasury shares which do not result in loss of control. Therefore, as long as control is maintained the gains and losses due to the dilution are recognised in shareholders' equity for a better representation of the result for the year. This accounting method does not apply however to the sale of investments in subsidiaries held in the segregated funds portfolio of the Life Insurance Sector, in consideration of the particular consolidation mechanism of these profits in the services to be recognised to the policyholders.
It should also be noted that for the acquisitions of further investments in subsidiaries, the difference between the purchase cost and book value of the non-controlling interests acquired was accounted for in the Group shareholders' equity, applying the so-called economic entity theory.

**Reclassification of financial instruments**

We recall, that in accordance with IAS 39, currently in force, a financial asset classified as available-for-sale may be reclassified in the category "Loans and Receivables" provided it complies, at the acquisition date, with the requirements for such classification, and that the company has the intention and the capacity to hold the financial asset for the foreseeable future or until maturity. The operational choices and the relative impacts, are disclosed in the notes to the financial statements.

Based on this option, debt securities for €808,419K, which at 31 December 2008 were included in the account "Available-for-sale", were reclassified to "Loans and Receivables" as of 1 January 2009. These securities, principally containing subordination clauses and issued by corporate parties, were measured at fair value at 31 December 2008 through mark to model, with the objective to provide maximum transparency and clarification in the valuations of the accounts. This intention did not easily match with the nature of the securities and with the difficulties to define and, therefore, provide an objective fair value, in consideration of the financial crisis at the time which did not permit normal pricing, in particular for these types of securities.

The value transferred was equal to 2.4% of the total amount of the Investments of the Group at 1 January 2009: therefore this reclassification operation was not considered significant for the purposes of the compilation of the attachment relating to the "Details of the financial assets reclassified and of the effects on the income statement and on comprehensive income". At the end of this year, since there were no longer critical issues associated with the definition of fair value, the majority of such debt securities was transferred back to the "Available-for-sale" category.
For the residual value of the financial instruments transferred reference should be made to the account "Loans and receivables" in the notes to the financial statements.

**Loans and receivables**
The account includes loans as defined by IAS 39.9, with the exclusion of trade receivables.
In particular, the account includes the deposits of the reinsurers of the ceding companies, some debt securities held which are not listed on an active market, the mortgages and loans given, as well as loans on life policies and time deposit contracts.
This latter includes the value of the "time deposit" securities acquired, while the value of the "time deposit" security sold is recorded under Financial Liabilities in the account Other Financial Liabilities.

The interest and the difference between the "spot" and "forward" value is recognised as Income deriving from other financial instruments.
The loans and receivables are measured under the amortised cost method, using the effective interest rate method.

**Investments held to maturity**
This account includes financial instruments with fixed maturities and fixed or determinable payments which the Group has the intention and capacity to hold until maturity. Specifically debt financial instruments of the Life sector servicing policies with specific provisions are included in this account. These investments are measured at amortised cost, using the effective interest rate method.

**Measurement of the fair value of financial instruments**
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13.9). The determination of the fair value of the financial instruments is based on the going concern assumption.

Please refer to the paragraph "Fair value measurement criteria - IFRS 5" for detailed criteria on calculating fair value.

The criteria to determine the hierarchy of fair value, based on market parameters, are the following:

**Level 1: Quoted prices in active markets**

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

A Level 1 input will be available for many financial assets and financial liabilities, some of which might be exchanged in multiple active markets (e.g. on different exchanges). Therefore, the emphasis within Level 1 is on determining both of the following:

a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; and
b) whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.

**Level 2: Valuation methods based on observable market parameters**

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include the following:

a) quoted prices for similar assets or liabilities in active markets;
b) quoted prices for identical or similar assets or liabilities in markets that are not active;
c) inputs other than quoted prices that are observable for the asset or liability, for example:
    (i) interest rates and yield curves observable at commonly quoted intervals;
    (ii) implied volatilities; and
    (iii) credit spreads;
d) market-corroborated inputs.

**Level 3: Valuation methods based on unobservable market parameters**

Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

An entity shall develop unobservable inputs using the best information available in the circumstances, which might include the entity's own data.

For the purposes of recognising the impairment of AFS equity securities, the Group defined the conditions of a prolonged and significant reduction in the fair value, defined alternatively on the basis of:

1. A reduction of the market value above 50% of the original cost at the reporting date of the financial statements;
2. Market value continuously lower than the original book value for a period of three years.

In addition for the AFS debt securities, reference was made to qualitative impairment factors pursuant to paragraph 59 of IAS 39, among which we highlight that contained in letter a), or rather significant financial difficulty of the issuer or debtor.

Further disclosure required by IFRS 7 and by IFRS 13 is provided in the notes to the consolidated financial statements.

**AFS financial assets**
The account includes all non-derivative financial assets, designated as available-for-sale. The account relates to the majority of the financial assets of the Group, represented by equity securities, mostly listed, mutual fund quotas and debt securities (both listed and unlisted), which the Group has designated as belonging to this category.

As previously illustrated, the gains and losses from fair value changes of these assets are directly recognised in shareholders' equity until they are disposed of or have incurred a permanent loss in value. At that moment the gains or losses, already recorded in equity, are recognised in the income statement of the period.

## Impairment on financial instruments belonging to the AFS segment

In relation to the recognition of losses for reduction in value, it should be noted that IAS 39, paragraph 59, indicates as indicators of a possible reduction the following qualitative factors:

- significant financial difficulties of the issuer;
- breach of contracts or failure to pay interest or principal;
- risk of insolvency procedures for the issuer;
- elimination of an active market for the financial assets subject to valuation;
- data which indicates the existence of a significant decrease in the future cash flows estimated for a group of financial assets, including:
  - unfavourable changes in the payments of the beneficiaries in the Group;
  - local or national economic conditions which are related to the non compliance of the activities within the Group.

Paragraph 61 of IAS 39 states that the reduction of value of an equity instrument includes information on important changes with an adverse effect on the technological, market, economic or legal environment in which the issuer operates; in addition a prolonged and significant reduction of the market value of an equity instrument below the original purchase cost constitutes evident impairment.

Following the publication of the "IFRIC Update" in July 2009, it became clear that the two criteria "significant or prolonged" must be applied separately and not jointly. The requirement of the above stated Joint Document No. 4 of 3 March 2010 has already been applied by the Group from the 2009 Half-Year Report.

Therefore for the purposes of the recognition of the reduction of value, the Group has defined the conditions for the prolonged and significant reduction of fair value, as follows:

1. A reduction of the market value above 50% of the original cost at the reporting date of the financial statements;
2. A continuous market value below the original carrying value, over a period of three years, where the original cost refers to, in accordance with that applied from the introduction of the IFRS standards, the weighted average cost at the date of preparation of the accounting documents.

For the AFS financial instruments not subject to the "automatic" criteria stated above, in the presence of significant losses on equity securities and funds, further analytical evaluations are carried out in order to ascertain the presence of any impairment indicators.

Where such analysis indicates difficulty in the recovery of the book value, the entire negative reserve is recognised to the income statement.

## Financial assets at fair value through profit or loss

The account includes the financial instruments held for trading in the short-term period, as well as the assets which the Group has designated in this category in accordance with IAS 39 currently in force. The category includes therefore both debt securities and equity securities listed and unlisted, as well as the positions open on financial derivatives held for both efficient management and for fair value and cash flow hedges.

This account also includes financial instruments hedging insurance or investment contracts issued by the insurance companies for which the investment risk is borne by the policyholder, as well as the financial assets deriving from the management of pension funds (so-called class D of the investments according to Italian GAAP).

As per the above-mentioned Amendment to IAS 39 in October 2008, the category of financial assets through profit or loss is "open" and, therefore, when the asset is no longer held for the purposes of its sale or repurchase in the short-term, the asset may be classified outside of the category. It may also be reclassified in the presence of "rare circumstances" established by IAS 39.50B. As highlighted by the same IAS Board, the deterioration of the global financial markets in the final four months of 2008 was a clear example.

# 5. OTHER RECEIVABLES

This account includes the trade receivables as per IAS 32 AG4 (a) in application of IAS 39.
The main receivables recognised in the account relate to positions with: policyholders for premiums due, agents and other intermediaries, co-insurance and reinsurance companies.

Receivables are valued at amortised cost calculated using the effective interest rate method, identified by calculating the rate which equates the present value of the future cash flows of the receivable to the amount of the loan granted.
The amortised cost method is not utilised for receivables of a short-term nature. The receivables are valued at historical cost which coincides with the par value and are periodically subject to impairment tests. Similar criteria are utilised for the receivables without established maturities.

Periodically, an estimate is made of the unrecoverable credit risk. The uncollectible receivables are written down at the moment of the identification, taking into account the financial effects relating to the expected realisable period, where significant.

# 6. OTHER ASSETS

**Non-current assets or disposal groups classified as held for sale**
This account includes non-current assets or disposal groups classified as held for sale in accordance with the definition of IFRS 5. These assets are recorded at cost and valued at the lower between book value and fair value, net of selling costs.

**Deferred acquisition costs**

This account includes acquisition commissions relating to long-term insurance contracts, paid in advance and amortised on a straight-line basis over the maximum period of the contracts.

The acquisition commissions on Non-Life long-term contracts are capitalised and amortised on a straight-line basis over three years. For the Life Classes the commissions are amortised, up to their respective loading, based on the duration of the contract, for a period no longer than ten years.

**Current and deferred tax assets**

Current tax assets refer to assets of a fiscal nature as defined and governed by IAS 12.

The Group records the effects relating to current and deferred income taxes based on the valuation of the tax charge for the year determined in accordance with current fiscal regulations. Where there are temporary differences between the result for the year and the taxable income, the deferred tax is calculated taking into account the rate in force at the moment of the reversal and making adjustments in the case of a change in rates compared to those applied in previous years.

The deferred tax assets are accounted for up to the amount of their probable recovery in relation to the capacity to generate in the future taxable income.

This account also includes assets due to payment of taxes pursuant to Article 1, paragraph 2 of Decree Law No. 209/02, as enacted by Article 1 of Law 265/2002, as supplemented. This is in compliance with Regulation No. 7 of 13 July 2007, even if the above-mentioned assets do not relate to income taxes.

At year end, the current and deferred tax assets are reported net of the tax liabilities in accordance with the offsetting rules permitted by IAS 12.

**Other assets**

The account includes the transitory reinsurance accounts, the deferred commissions relating to contracts not subject to the application of IFRS 4 and other residual assets not included in the previous accounts.

**Financial service contracts related to insurance policies**

The index linked and unit linked products of a financial nature are divided into the financial contract component (IAS 32 and 39) and the service contract component (IAS 18) for the management of the investor's position.

With reference to the service component of the index and unit linked contracts, IAS 18 requires that:

- the related revenues and costs of the operation must be recorded simultaneously;
- the associated revenues and costs for an operation which results in services must be recorded with reference to the stage of completion of the operation.

The stage of completion may be determined through different methods. In particular, when services are performed by an indeterminate number of acts over a specified period of time, revenue and costs are recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

On the basis of the above considerations, the amortisation of the costs incurred on financial contracts and, conversely, the revenues not yet matured related to these contracts were determined on a straight-line basis.

Therefore for the financial contract component the liability is valued at fair value while the service contract component as relating to the revenue flows (loading) not aligned with the costs (commissions and operating expenses), defers the revenues (Deferred Income Revenue, “DIR”) and the acquisition commissions (Deferred Acquisition Cost, “DAC”).

For index-linked products the estimate of the DIR and the DAC, amortised for the period between inception up to the valuation date, is made directly on the portfolio in force taking into account the total loading and the acquisition commissions by tranche.
For financial unit linked products, the revenue, loading and management commissions - this latter for the estimated amount - are always considered higher than the costs and are recorded on an accruals basis over the residual duration of the contract.

## 7. CASH AND CASH EQUIVALENTS

The account includes cash, bank current accounts and deposits payable on demand as well as other highly liquid investments, readily convertible into cash and without any risks.
These balances are recorded at their par value.

# LIABILITIES AND SHAREHOLDERS' EQUITY

## 1. SHAREHOLDERS' EQUITY

**Attributable to the Group**
The account includes equity instruments and the related Group equity reserves.
The account **Retained earnings and other equity reserves** includes the reserves from the first-time application of the international accounting standards, the consolidation reserve and the catastrophe and equalisation provisions pursuant to IFRS 4.14 (a), as well as the reserves deriving from the share-based payments.
The account **Gains or losses on AFS financial assets** includes the gains and losses consequent of the valuation of the available-for-sale financial assets net of the related deferred tax where applicable, and the part attributable to the policyholders and recorded under insurance liabilities (so-called shadow accounting).
The account **Treasury shares** includes, as adjustments to the Group shareholders' equity, the book value of the equity instruments of the entity that prepares the consolidated financial statements, held by the entity itself and by the consolidated companies.

**Attributable to non-controlling interests**
The account includes the equity instruments and components and equity reserves attributable to non-controlling interests.

## 2. PROVISIONS

The account includes the liabilities defined and governed by IAS 37. Provisions for risks and charges are made only when the Group has an actual obligation (legal or implicit) which derives from a past event and for which it is possible to make a reasonable estimate of the presumable financial obligation. The future cash flows are discounted only where the effect is significant: in this case the adjustment of the provisions made for the passing of time is recorded as a financial charge on the basis of a discount rate which reflects the current valuation of the cost of money on the market.

## 3. TECHNICAL PROVISIONS

The account includes the commitments deriving from insurance contracts gross of the reinsurance cessions. In particular, they include the provisions made following the verification of the adequacy of the liabilities and the deferred liabilities to policyholders.
The general regulations on technical provisions, pursuant to Articles 36 and 37 of Legislative Decree 209/05, state that the amount of the provisions must always be sufficient to permit the companies to meet, as far as reasonably foreseeable, the commitments from insurance contracts; the provisions therefore are calculated in accordance with the individual financial statement criteria and no recalculation of the technical provisions was made as per IFRS 4.

**Non-Life Unearned Premium provision**
This includes the provision for unearned premiums, the provision for unexpired risks, when permissible, and increases in the provision for unearned premiums, according to what is set forth in Chapter I of ISVAP Regulation No. 16 of 4 March 2008.

The provision for unearned premiums was calculated on a pro-rata basis analytically for each policy on the basis of the gross premiums written less acquisition commissions and any other directly attributable acquisition expenses.

An empirical calculation procedure based on the claims/premiums ratio of the current generation over three years is used to evaluate whether requirements have been satisfied to establish the provision for unexpired risks.
The numerator of the ratio includes net compensation for current generation claims including direct and settlement expenses, both external and internal, as well as the claims provisions recognised at the end of the year for current generation claims, also including the applicable portion of direct and settlement expenses.
The denominator of the ratio represents the applicable premiums, calculated as premiums written net of acquisition commissions paid, to ensure that the calculation is based on elements (premiums written, pro-rata premium provisions at the beginning and end of the year) with technically uniform content.

In practice, the provision for unexpired risks is determined using the following procedure:

- the claims/premiums ratio is calculated for the current year using the methods indicated;
- this ratio is evaluated in light of the ratios of previous years to check for the reasonableness of the assumption of repeatability, by verifying that there are no objective elements which could lead one to believe that the value could change significantly in the immediate future, in terms of higher claims frequency and higher average costs;
- if this ratio exceeds 100%, the excess is applied to the provision for unearned premiums as well as to the premium instalments that will fall due on the relative contracts.

Increases in the provision for unearned premiums regard, when permissible, insurance for credit, bonds, hail and other natural disasters, calculated in accordance with Chapter I, Section III, of the aforementioned ISVAP regulation No. 16/2008 as well as attachment 1 for credit contracts entered into or renewed by 31 December 1991.

The total provision is deemed consistent to cover commitments for unexpired risks at the end of the year.

**Non-Life claims provision**
The claims provisions represents the total amount of the funds which, based on a prudent valuation of objective elements, are necessary for the payment of claims at year-end, as well as the relative direct and settlement expenses.

The claims provision is determined in accordance with ISVAP Regulation No. 16 of 4 March 2008, utilising the ultimate cost as calculation criteria, to take into account all expected future charges, on the basis of historical and projected data. This also includes the estimate relating to the claims occurring in the year but not yet reported at year end.

The provision recognised represents the result of a multi-phased complex technical valuation, which arises from a preliminary valuation made through an analysis of the single positions open, followed by a process to calculate the ultimate cost assigned to a management level within the company which utilises statistical-actuarial methods for these purposes.

In the case of non reporting of the provisions by the loss adjustor's offices a statistical average cost provision is applied.

**Motor TPL Class**
It should be noted that February 2007 saw the introduction of the direct indemnity system which, in the event of a road accident, allows victims who are not responsible, or responsible only in part, to be compensated directly by their insurer.

Similar to that applied in the previous year, actuarial statistical models were developed that analyse claims up to 2006 and subsequent claims separately, dividing the latter into claims not falling under the direct indemnity system (primarily as they concern permanent physical injuries resulting in an invalidity of greater than 9% or more than two vehicles involved) and those falling under the CARD handler system.

**Claims handled (No Card and Management Card)**
The Chain Ladder Paid and GLM ODP actuarial methods were used in order to calculate the ultimate cost for the claims provision with equal weighting to both methods.
Consolidation after the integration with Unipol also took place by applying uniform settlement policies which resulted in discontinuity in claims management with respect to the past. The objective of the increased activity in 2013 was to prevent cases whose costs increase if not closed completely and promptly from dragging on for long periods of time.
In addition, the operating manual used by the loss adjustor's network greatly emphasised a focus on greater recourse to partial settlements in order to significantly reduce the number of reopened claims.
This discontinuity made it impossible to use the methods in the traditional manner. Therefore, the Chain Ladder Paid and GLM ODP methods were applied to claims below €100,000, which are statistically more stable.
For the current generation claims, account was also taken of the presumable market value of the average cost of accepted claims.

**Debtor CARD**
The value of the provision derives from the communications made by the Managing Companies through CONSAP. On the claims for which no provision amount is received from CONSAP, the provision is valued as follows:

- material damage – a provision is made equal to the flat rate as per the regulations defined by the Card agreement;
- CTT – an average value is obtained utilising the average statistical cost table adjusted to take account of any IVASS regulations relating to excess and ceiling levels.

**Management CARD flat rates**
The provision for the Management CARD flat rates is determined through the application of the regulations for the definition of the flat rates on the cost of the Management CARD claims. Prudently, the calculation of the flat rate is made before the integration due to the application of the actuarial models.

**I.B.N.R. provisions (Incurred but not yet reported)**
The provision for claims incurred but not yet reported (IBNR) was determined in accordance with the general calculation criteria pursuant to paragraph 1 of Article 32 of ISVAP Regulation No. 16, implementing a method which provides the estimate of the IBNR claims provision, by number and amount, on the basis of experience acquired in previous years, taking into account the trend in the number of late claims and the average cost of claims reported late. The analysis of the IBNR provision was made separately between Ordinary Third Party Liability, No Card Claims and Card Claims, estimating the amounts based on historical data of late claims in previous years and the average cost obtained from an analysis of late claims accepted.

**General TPL Class**
Taking into account that for the classes with long settlement processes, such as the General Third Party Liability Class, the analytical valuation may not take into account all expected future charges, the company, in implementation of the multi-phased approach, applied the following actuarial valuation methods to determine the ultimate cost, alongside the inventory provision:

- Chain-Ladder Paid;
- Chain-Ladder Paid applied to claims with amounts paid of less than €100K;
- GLM ODP applied to claims with amounts paid of less than €100K.

**Other Non-Life Classes**
The determination of the ultimate cost was made on the basis of the provisions of the loss adjustors, adjusted to take into account past experience in relation to changes in the claims provision.

The claims provision includes also the total amount of the sums necessary to cover previous year claims not yet reported at year-end (I.B.N.R. claims provision). The ultimate cost of these claims is estimated with reference to the historical data of previous years and in particular the observation, by individual insurance class, of the late claims reported in comparison to the year of occurrence of the event giving rise to the claim.

**Other technical provisions**
This account includes the health class ageing provision, destined to offset increasing risk caused by rising policyholder age. Actuarial/technical criteria were used to make the calculation for each contract on the basis of the provisions of Art. 47, point 2 of ISVAP Regulation No. 16 of 4 March 2008.

**Catastrophe and equalisation provisions**
IFRS 4 "Insurance contracts" defines insurance liabilities as the net contractual obligation by the insurer in accordance with an insurance contract.
Based on this definition, the financial statements prepared in accordance with IAS/IFRS may not include any component of the premium provision which, although mandatory for Italian GAAP as made in compliance with specific regulations, do not relate to individual insurance contracts but the overall contracts covering a certain risk of a catastrophic nature and are accrued, based on a flat-rate, in addition to the provision for unearned premiums of the individual contracts, calculated on a pro-rata basis, to strengthen the provision to cover risks of a catastrophic nature.
Therefore, these additional provisions are made not against claims already occurring (which gives rise to a contractual obligation of the insurer, to be recorded in the claims provision) but against the possibility that the claims of this nature will occur in the future. In accordance with IFRS 4, this possibility should be covered not through a liability, but through a greater amount of shareholders' equity.

**Life technical provisions**

The actuarial provision for direct life insurance is calculated analytically for each contract, on the basis of the commitments without any detraction for acquisition expenses of the policies and with reference to actuarial assumptions (technical interest rates, demographic assumptions and operating expenses) used for the calculation of the premiums relating to the contracts in force. In any case, the actuarial provisions are not lower than the redemption values. The premium quota relating to the annual premiums of the subsequent year is included in the technical provisions.

The actuarial provisions also include the additional provision on the revaluable service contracts, pursuant to ISVAP Regulation No. 21 and the additional provision for the base techniques to take into account the higher charges which the company will incur against the existing differences between the interest rate to the policyholders and the trend of the expected yields of the segregated funds over the next four years.

These provisions meet the commitments relating to the life insurance policies and those with discretionary participation features.

**Shadow Accounting**

The shadow accounting technique as per paragraph 30 of IFRS 4 permits accounting under technical provisions of the insurance contracts or investment contracts with features of discretionary participation in the profits, the gains and/or the losses not realised on the assets held against these provisions, as if they were realised.

This adjustment is recorded in shareholders' equity or in the income statement depending on whether the corresponding losses or gains were recorded under equity or the income statement.

In the case of net losses, these are recorded in the provision for policyholder deferred financial liabilities only after verification of the minimum capital guarantee; in the contrary case they remain fully payable by the company. The quantification of the losses is made in accordance with a future financial technique as per ISVAP Regulation No. 21, chapter 1, of 28 March 2008.

The securities in the segregated funds of the Life Insurance Sector are included in the category "available-for-sale", or in the category financial instruments valued at "fair value through profit or loss" and, as such, are valued at fair value, recognising the difference between the fair value and the carrying value determined in accordance with Italian GAAP as an increase or decrease in shareholders' equity or in the result for the period.

However, the return of the segregated funds of the Life Insurance Sector, which determines the returns of the policyholders and therefore the amount of the actuarial provision, is calculated without taking into consideration the valuation gains and losses. Therefore, the actuarial provision of the contracts included in the segregated funds are redetermined, in line with the valuation of the related assets, recognising to equity or the income statement the difference between the amount of the provision calculated in accordance with Italian GAAP.

In substance, that recorded under shadow accounting in the account "Deferred Liabilities to Policyholders" represents the policyholders' share of the latent gains and losses on the securities in the segregated funds which, based on the contractual clauses and current regulations, will be recognised to the policyholders only if and when they will be realised with the sale of the related assets, but are in this context explicit as latent gains or losses of these securities, as already described, and recognised as an increase or decrease of equity or of the result for the period. The recognition method adopted also takes into account the minimum guaranteed return, recognised contractually to each segregated fund.

The application of shadow accounting mitigates the valuation mismatch between technical provisions and related assets and therefore is to be considered more representative of the underlying economic substance of the operations.

**Liability Adequacy Test**

In order to evaluate the adequacy and the sufficiency of the provisions recorded in the Italian GAAP financial statements a Liability Adequacy Test (LAT) was made on all the insurance contracts and all the DPF investment contracts, in accordance with IFRS 4. The test was undertaken on the portfolio of Fonsai, Milano Assicurazioni, Liguria Vita and Popolare Vita.

Lawrence Life does not require LAT for contracts classified as insurance as the provisions accrued satisfy the minimum control requirements.

The model operates at individual policy level and the tariffs modelled for LAT purposes covered almost the entire portfolio within the scope of IFRS 4.

The results obtained in accordance with the methods described below, were proportionally extended to the entire portfolio.

From the viewpoint of the development of the calculations, for both the traditional products and the index and unit linked products, the model is based on the development of the future cash flows which will be generated and taking into account:

- Guarantees provided, projections on the basis of contractual conditions;
- Dynamics of the portfolio relating to recurring aspects of payments, contract maturity, policyholder mortality, propensity of redemption;
- Costs and revenues related to the management and settlement of the portfolio.

For the determination of the technical assumptions to be utilised in the model reference was made, where possible, to the company's experience or the Italian insurance market.

In order to calculate future premiums, in relation to the specificity of each tariff, only the policies which at the valuation date were paid were considered.

The recognition of benefits and, where applicable, the premiums, for the contracts related to the segregated funds was made taking into account the specific contractual conditions and assuming as the return of the segregated funds the yields corresponding to the GVT ITL Zero Coupon curve at 31 December 2013.

In the estimate of the amounts paid following the early redemption of the contracts, in addition to the assumptions relating to mortality and probability of redemption, the specific contractual conditions of each tariff were considered.

In defining the assumptions of future commissions payable to the network based on the premiums collected, or where established, the assets managed, reference was made to the corresponding loading of the tariffs which reflects the amounts collected and commercial agreements in force.

The expenses relating to the management of the portfolio are projected into the future also considering inflation.
In each period the cash flow projections are discounted utilising the GVT ITL Zero Coupon rate curve at 31 December 2013. For contracts with specific assets, the discount rate was taken from the effective return of the assets hedging the provisions, taking into account the credit risk associated with the individual securities in the basket.

In accordance with Article 18 of IFRS 4 the level of aggregation which the test undertakes must generate portfolio aggregations of similar risks that are similarly managed; on this basis, each individual segregated fund was therefore tested individually. Specific regrouping was then undertaken for the index-link and unit-link portfolios and for those with specific assets.

## 4. FINANCIAL LIABILITIES

The account includes the financial liabilities as per IAS 39 other than trade payables as per IAS 32 AG4 (a).

**Financial liabilities at fair value through profit or loss**
The account includes the financial liabilities at fair value through profit or loss defined and governed by IAS 39. In particular, the account includes the commitments to policyholders from investment contracts not regulated by IFRS 4, as well as those from pension fund management.
These categories include the liabilities relating to the products with characteristics indicated by Article 41, paragraphs 1 and 2 of Legislative Decree 209/05, such as unit and index linked, as well as Class VI insurance contracts, whose limited underlying insurance risk resulted in the reclassification from insurance contracts to financial contracts.

In this case, the recording of fair value changes through profit and loss allows for correlation with the valuation of underlying assets in accordance with the explanatory memo of 19 November 2004 issued by the European Commission regarding the correlated valuations between the assets and liabilities, IAS 39 and the indications provided by IVASS Regulation No. 7 of 13 July 2007.
The account also includes the losses on derivatives at the end of the year.

**Other financial liabilities**
The account includes the financial liabilities defined and governed by IAS 39 not included in the previous category. In particular, it includes the financial and operating liabilities of the Group, such as the subordinated loans (for the financial component), the deposits received from reinsurance, other loans and other financial payables.
Additionally it includes the investments not subject to IFRS 4, other than unit and index linked, for example contracts pursuant to Article 33, paragraph 4 of Legislative Decree 209/05.
These liabilities which are initially recognised at fair value are subsequently valued at amortised cost determined utilising the effective interest rate method.

## 5. PAYABLES

The account includes trade payables as per IAS 32 AG4 (a) and IAS 39. In particular, the account includes payables from direct and indirect insurance operations, as well as provisions for post-employment benefits.

**Post-employment benefits and other employee benefits**

Following the pension reforms, from 1 January 2007 with application of Legislative Decree No. 252/2005, private sector employees may or must choose, depending on whether they work in a company with less or more than 50 employees, to allocate the portion of post-employment benefits (TFR) that matures after 1 January 2007 to an INPS Treasury Fund or to a Supplementary Pension. This choice must be made by 30 June 2007 or within six months from the employment date.

Following this reform the portion matured at 31 December 2006 continues to be considered a “defined benefit plan”, but the liability was recalculated without taking into account the pro-rata service as the service to be valued has already fully matured, giving rise to the “curtailment” recorded in the income statement in 2007 in one single amount (see paragraph 111 of IAS 19).

In relation to the portion matured after 31 December 2006 and allocated to the INPS Treasury Fund and/or Supplementary Pension, this is considered a defined contribution plan and therefore no longer subject to actuarial valuation.

## 6. OTHER LIABILITIES

**Current and deferred tax liabilities**

The account includes the tax liabilities as defined and governed by IAS 12.

The valuation of the fiscal charge, for the current period and deferred, related to the income taxes is made based on the tax rates in force at the reporting date.

In particular, the recognition of the deferred tax liabilities occurs, generally, for all the temporary differences, whether they relate to equity or income statement account items, which will reverse in future years applying the tax rates in force when they reverse. At year end, the current and deferred tax liabilities are recognised net of the corresponding tax assets in accordance with the offsetting rules provided by IAS 12.

# INCOME STATEMENT

## INSURANCE CONTRACTS

From the date of entry into force of IFRS 4, all the contracts not having a significant insurance risk, although legally insurance contracts, were reclassified. In particular all the contracts relating to the Life Insurance Sector (except those with discretionary participation features for which IFRS 4 provides for adoption of the accounting principles in force at the date of transition to IAS) which do not fall under the previous definition, must be recognised as financial contracts in accordance with the provisions of IAS 39 (“deposit accounting” method). The contracts which comply with the definition of IFRS 4 are accounted for in accordance with the current rules of Italian GAAP and the relative provisions are subject to an adequacy test.

Therefore, based on IAS/IFRS standards, the insurance policies are classified in the following categories:

- insurance contracts and financial instruments with discretionary participation features, to which IFRS 4 “Insurance Contracts” applies;
- other financial instruments, which fall under the scope of IAS 39 “Financial instruments: recognition and measurement” and IAS 18 “Revenue” for any service component.

Based on the analysis made on the policies in portfolio, all the contracts of the Non-Life Insurance Sector are accounted for in accordance with IFRS 4 as are all the contracts of the Life Insurance Sector with the exception of most unit linked contracts in the portfolio, valued in accordance with IAS 39 and IAS 18. This valuation resulted in the separation of the financial liabilities (valued at fair value through profit or loss) from the component of premiums attributable to the services on behalf of the policyholders, valued in accordance with IAS 18.

## PREMIUMS WRITTEN

The gross premiums written include the amounts matured during the year for the insurance contracts, as defined by IFRS 4 (Insurance Contracts). This item does not include revenues related to policies which, although legally insurance contracts, have an insignificant insurance risk and therefore fall within the scope of IAS 39 and IAS 18. These contracts are in fact treated under the “deposit accounting” method which, *inter alia*, requires explicit and implicit loading to be recorded in the income statement under the “commission income” item.

The contracts recorded in application of IFRS 4 are treated in accordance with the accounting principles of the statutory accounts.

## COMMISSION INCOME AND EXPENSES

The accounts include commissions relating to the investment contracts not included within the scope of IFRS 4. As already illustrated in the comment on the item premiums, they refer to unit-linked contracts, for which the loading on the contracts and management commission income are recorded under commission income and the commissions paid to the intermediaries are recorded under commission expenses.
This account also includes the commission income for revenues on financial services which are recognised, based on existing contractual agreements, in the period in which the services were rendered.

## INVESTMENT INCOME

**Net income from financial instruments at fair value through profit or loss**
The account includes the gains and losses, including dividends and net trading results, and the positive and negative changes of financial assets and liabilities measured at fair value through profit or loss. The change in value is calculated based on the difference between the fair value and the book value of the financial instruments recorded in this category.

**Income/expenses from investments in subsidiaries, associates and joint ventures**
This includes income originating from equity investments in associated companies recorded under the corresponding asset account. This relates in particular to the share of the investees' result for the period.

**Income/expenses from other financial instruments and investment property**
This item includes:

- income and gains realised (and expenses and losses realised) on investments classified as "available-for-sale";
- income and expenses on loans and receivables;
- income and expenses relating to investment property.

## OTHER REVENUES

The account comprises:

- receivables from the sale of goods, from services other than those of a financial nature and from the use, by third parties, of property, plant and equipment, intangible assets and other assets of the entity;
- other net technical income related to insurance contracts;
- currency translation differences recorded in the income statement as per IAS 21;
- profits realised and any restatement in values relating to intangible and tangible assets.

## NET CHARGES RELATING TO CLAIMS

The account comprises:

- amounts paid, net of recovery;
- changes in claims provisions and other technical provisions in the Non-Life sector;
- changes in actuarial provisions and other technical provisions in the Life insurance sector;
- changes in technical provisions relating to the contracts for which the investment risk is borne by the policyholder relating to insurance contracts and financial instruments that fall within the scope of IFRS 4.

The amounts recorded include the settlement expenses both paid and accrued, which include all the expenses relating to inspection, verification, valuation and settlement of the claims and are allocated to each individual class based on the amounts of the claims processed and the sums paid, taking into account their differences.

## INVESTMENT EXPENSES

**Expenses from investments in subsidiaries, associates and joint ventures**
This item includes the charges arising from equity investments in associated companies, recorded in the corresponding asset account. This relates in particular to the share of the investees' result for the period.

**Expenses from other financial instruments and investment property**
The account includes expenses from investment property and financial instruments not measured at fair value through profit or loss and in particular:

- Interest expense recognised utilising the effective interest rate method;
- Other charges and, in particular, the costs relating to investment property, such as property expenses, and maintenance and repair expenses not carried out to increase the investment value;
- Losses realised following the sale of financial assets and investment property or the derecognition of financial liabilities;
- Valuation losses, mainly due to depreciation and impairment.

## OPERATING EXPENSES

**Commissions and other acquisition expenses**
The account includes acquisition costs relating to insurance contracts and financial instruments as per IFRS 4.2, net of reinsurance ceded.

**Investment management expenses**
This item refers to general expenses and personnel costs relating to the management of the financial instruments, investment property and shareholdings, as well as custodial and administration costs.

**Other administration expenses**
The account includes general expenses and personnel costs not allocated to the relative claims expenses, contract acquisition expenses and investment management expenses. The account relates in particular to the general expenses and personnel costs of the companies which do not operate in the insurance sector, not otherwise allocated, as well as general expenses and personnel costs incurred for the acquisition and administration of the investment contracts not within the scope of IFRS 4.

## OTHER COSTS

The account comprises:

- costs relating to the sale of goods other than those of a financial nature;
- other net technical charges relating to insurance contracts, for which reference should be made to the comments on the premium account;
- provisions made in the year;
- currency translation differences recorded in the income statement as per IAS 21;
- losses realised, impairment, depreciation and amortisation on tangible and intangible fixed assets.

## INCOME TAXES

The income taxes recognised in the income statement include all taxes, current and deferred, calculated on the income of the Group on the basis of the nominal tax rates in force at the reporting date except for those directly recorded in equity as the relative adjustments to assets and liabilities in the accounts are directly recorded in equity.

The account includes:

- charges (or income) for current taxes in the year and any adjustments made in the year for current taxes relating to previous years;
- charges (or income) for deferred taxes relating to the temporary fiscal differences as well as adjustments to deferred taxes recognised in previous years following, in particular, changes in tax rates;
- deferred tax charges or income based on the elimination, in future years, of the temporary fiscal differences which were originally recorded;
- tax charges (or income) relating to changes in accounting principles, valuation processes, estimates or errors compared to those used in previous years.

# COMPREHENSIVE INCOME STATEMENT

The statement shows the revenue and cost items (including adjustments due to reclassification) not recognised in the income statement for the year as they are directly recognised in shareholders' equity; therefore the statement shows all of the changes in shareholders' equity and the profits or losses which, in accordance with IAS/IFRS standards, must not be recognised directly to the income statement.

# OTHER INFORMATION

## SEGMENT INFORMATION

In accordance with IFRS 8, the disclosure on the operating segments provides information allowing users of the financial statements to evaluate the nature and effects on the financial statements of the business activities and the economic context in which the company operates.
The standard is applied to provide information on profit or loss in the segment including revenues and expenses and assets and liabilities of the segment, and the measurement basis adopted. For these purposes IFRS 8 defines an operating segment as "an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance".
The operating segments presented in this section were identified based on ISVAP Regulation No.7 and based on the reporting utilised by the Group to make strategic decisions.
The companies of the Group are organised and managed separately based on the nature of their products and services, by each segment of activity which represents a strategic business unit that offers different products and services.

The Non-Life insurance sector provides insurance cover pursuant to Article 2, paragraph 3 of Legislative Decree 209/05.
The Life insurance sector offers insurance cover with payment of capital or an annuity against a life related event, and capitalisation contracts with or without significant insurance risk (Article 2, paragraph 1 of Legislative Decree 209/05).
The Real Estate sector rents offices, buildings and residential homes which exceed the coverage requirements of the technical provisions of the Group and also actively operates in the management and enhancement of investment property.

The Other Activities sector, by its nature residual, offers products and services in asset management and the financial and agricultural sectors. The identification of the residual segment is based on a discretionary valuation to illustrate the primary sources of risks and benefits for the Group.

Intragroup receivables and payables and costs and revenues are directly eliminated within the segments if the companies operate within the same segment. Where the intragroup transaction relates to companies operating in different segments, the elimination is shown in the "Inter-segment eliminations".

Otherwise, the treatment is as follows:

- equity investments are eliminated within the segment in which the companies holding the assets operate;
- dividends are eliminated within the segment in which the companies that receive them operate;
- realised gains and losses are eliminated within the segment of the companies that recorded the results, even if the counterparties operate in different segments.

## UTILISATION OF ESTIMATES

The application of some accounting standards necessarily implies significant elements of judgment based on estimates and assumptions which are uncertain at the time of their assessment.

For the 2013 financial statements, assumptions made are considered to be appropriate and consequently the financial statements are considered to be prepared with the intention of clarity and represent in a true and fair manner the financial situation and result for the year.

In order to provide reliable estimates and assumptions reference was made to historical experience, as well as other factors considered appropriate in the specific cases, based on the available information. However, it cannot be excluded that changes in estimates and assumptions may determine significant effects on the balance sheet and income statement, as well as on the potential assets and liabilities reported for informational purposes in the financial statements, where different judgments are made to those originally prevailing.

The estimates mainly regard:

- technical provisions of the Life and Non-Life insurance segments;
- assets and liabilities recognised at fair value (particularly for level 2 and 3 financial instruments);
- analyses conducted to identify any impairment of intangible assets (e.g. goodwill) recognised in the financial statements (impairment test);
- the assessment of provisions for risks and charges and the employee benefit provisions.

Information on the methods used to calculate the items in question and the principal risk factors is provided in the paragraphs describing the accounting principles.

In addition, the estimates in the financial statements are made based on the going concern assumption, in that no risks were identified which could compromise the ordinary activity of the company. Information on financial risks is contained in Part G – Information on risks and uncertainties.

## FAIR VALUE MEASUREMENT - IFRS 13

IFRS 13 explains how to measure the fair value of financial instruments and non-financial assets and liabilities when such measurement is required or permitted under other IFRSs. This standard:

a) defines fair value;
b) sets out in a single IFRS a framework for measuring fair value; and
c) 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 between market participants at the measurement date under current market conditions (i.e. the exit price).
Fair value is a market-based measurement, not an entity-specific measurement. As such, the measurements must be based on the primary assumptions and models used by market participants, including assumptions regarding the risk of the asset or liability being measured. When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The fair value hierarchy defined in IFRS 13 is based on the observability of the inputs used in the fair value measurement techniques.

IFRS 13 also governs the fair value measurement and disclosure for assets and liabilities not measured at fair value in the statement of financial position. The fair value of these assets and liabilities is measured for the purpose of the disclosure to be provided in the financial statements. Furthermore, since these assets and liabilities are not typically traded, their fair value is largely based on the use of internal parameters that cannot be directly observed in the market, with the sole exception of listed securities classified as Investments held to maturity.

**Fair value measurement principles**

The following table shows the possible fair value measurement methods for the various categories of assets and liabilities.

| | **Mark to Market** | **Mark to Model and other** |
|---|---|---|
| **Bonds** | Input from Bloomberg “CBBT”<br>Input from RM Scoring Model | Mark to Model<br>Counterparty Valuation |
| **Shares** | Listed | Unlisted |
| **Equity investments** | Listed | Unlisted |
| **Derivatives** | Listed | OTC |
| **Investment Funds** | | Net Asset Value |
| **Receivables** | | Mark to Model (receivables due from bank customers) |
| **Property** | | Appraisal Value |

IFRS 13 establishes that market price is used to measure the fair value of financial instruments traded on liquid and active markets (mark to market).

A “liquid and active market” is:

a) a regulated market in which the item to be measured is traded and regularly listed;
b) the multilateral trading facility (MTF) in which the item to be measured is traded or regularly listed;
c) stock exchange prices and transactions regularly carried out by an authorised intermediary (hereinafter the “contributor”).

**Marking to Market**

For shares, listed equity investments, investment fund units and listed derivatives, marking to market relies on the official price in the reference market.
For bonds, the following sources are used for marking financial assets and liabilities to market:

a) the primary source is the CBBT price from the Bloomberg data provider;
b) if the price under point a) is unavailable, an internal scoring model validated by Risk Management is used, which makes it possible to select the liquid and active contributors on the basis of some specific parameters. The following parameters are used:
   - number of prices available in the last 10 trading days;
   - price volatility;
   - bid/ask spread;
   - standard deviation of prices with respect to the average of other available contributors.

**Marking to Model**

The Group makes mark to model measurements in accordance with the methods generally used in the market.
The mark to model method is used to calculate fair value when it is not possible to measure bonds using the mark to market method, even on the basis of the scoring model.
OTC derivatives (consisting only of Interest Rate Swaps (IRS)) are valued using models consistent with the risk factor underlying the contracts. The fair value of interest rate derivatives is measured with the mark to model method in application of the rules set forth in IFRS 13.
The EONIA (Euro Overnight Index Average) discount curve is used for derivatives with a credit support annex between companies consolidated by Fondiaria-SAI and authorised market participants. This type of credit support annex is adopted for almost all open positions as at 31 December 2013.

The objective of the fair value measurement models is to calculate the financial instrument value based on the same assumptions that market participants would use to calculate the price, which also regard the risk inherent in a specific measurement technique and/or in the inputs used. To properly mark each instrument category to model, adequate and consistent pricing models as well as market benchmarks must first be defined.

The main observable market parameters used in marking to model are:

- interest rate curves by reference currency;
- interest rate volatility surfaces by reference currency;
- CDS or asset swap spread curves of the issuer;
- inflation curves by reference currency;
- reference exchange rates;
- exchange rate volatility surfaces;
- share or index volatility surfaces;
- reference share prices;
- reference inflation curves.

The main unobservable market parameters used in marking to model are:

- correlation matrices between exchange risk factors;
- historical volatility;
- benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or CDS curves are unavailable;
- credit risk parameters such as recovery rate;
- delinquency or default rates and prepayment curves for ABS financial instruments.

The measurement of unlisted shares and equity investments for which a market price or an appraisal by an independent expert is unavailable is primarily based on (i) equity type methods, (ii) methods that consider the discounting of future income or cash flows, such as discounted cash flow (DCF) or dividend discount model (DDM), excess capital version, (iii) methods based on market multiples, when applicable.

The fair value of unlisted investment funds, private equity funds and hedge funds is expressed as the Net Asset Value on the reporting date, provided directly by the fund managers.

The fair value of the portfolio of receivables due from bank customers is based on mark to model assessments using the discounted cash flow method with a discount rate adjusted for counterparty and operational risk. Book value is used for other receivables.

The fair value of property is calculated on the basis of an appraisal by independent appraisers, as laid down under current law.

**Counterparty Valuation**

Financial assets and liabilities not marked to market and for which consistent and validated fair value measurement models are unavailable, are assessed based on prices provided by the counterparty.

**Criteria for determining fair value hierarchy levels**

Assets and liabilities measured at fair value are categorised on the basis of the hierarchy established in IFRS 13. The fair value hierarchy is based on the level of discretion used in the measurement. Observable market parameters are given priority since they are able to reproduce the assumptions that market participants would use to price the assets and liabilities.

The classification is based on the fair value measurement method applied (mark to market, mark to model, counterparty) and, for mark to model assessments, on the observability of the inputs.

- Level 1: assets and liabilities marked to market based on CBBT prices and prices from contributors that fulfil the minimum requirements and ensure that the prices are feasible in active markets;
- Level 2: assets and liabilities marked to market but which are not classifiable as level 1 and assets whose fair value is measured using a consistent pricing model based on observable market inputs;
- Level 3: assets and liabilities with a pricing model that could produce significantly different results due to the complexity of the payoff, or with a consistent and validated pricing model that relies on unobservable inputs. This category also includes bonds that do not satisfy the requirements defined in the scoring test (see "Marking to Market" section) and for which marking to model is not possible. This category also includes receivables and investment property.

**Fair value measurement on a recurring basis**

<u>Process of fair value measurement on a recurring basis</u>
Financial instruments are measured for risk monitoring, integrated asset and liability management and the annual financial statements.
The fair value measurement of financial instruments on a recurring basis incorporates several steps and is carried out, in compliance with the principles of functional separation, independence and responsibility, in parallel and autonomously by the Finance and Risk Management Departments of Unipol Gruppo Finanziario based on the measurement criteria defined above.
Once the independent financial asset and liability measurements have been conducted by the two Departments involved in the pricing process, significant variations (i.e. those exceeding 3% in absolute value) are identified. The reasons for any differences exceeding 3% are analysed, and the price to be used in the financial statements is determined based on the results of the comparison.

Fair value measurement on a recurring basis using unobservable inputs (Level 3)
A prudential approach is taken when classifying financial assets and liabilities in Level 3. This category mainly includes:

- unlisted equity securities or equity investments for which a market price or an appraisal by an independent expert is unavailable; the measurements are based on the methods described above;
- unlisted private equity fund, hedge fund and investment fund units for which information on the financial instruments held in the relative portfolios is unavailable, which means that they may be marked to model based on unobservable inputs;
- bonds marked to model based on unobservable inputs (correlations, benchmark spread curves, recovery rates);
- bonds marked to model based on the price from the counterparty, by using unobservable inputs;
- ABS type bonds for which mark to market measurement is unavailable;
- derivatives marked to model based on unobservable inputs (correlations, volatilities, estimated dividends);
- bonds that do not fulfil the requirements defined in the scoring test (see "Marking to Market" section) and for which a mark to model assessment is not possible.

**Fair value measurement for informational purposes**

In accordance with IFRS 13, fair value is measured to provide suitable disclosure even concerning certain assets and liabilities that are not measured at fair value in the statement of financial position. Since these assets and liabilities are not typically traded, their fair value is largely based on the use of internal parameters that cannot be directly observed in the market. This category primarily includes the following instruments:

- bond issues marked to market (level 1);
- bond issues and loans marked to model based on unobservable inputs (benchmark curve spreads) (level 3);
- short-term liabilities with a duration of less than 18 months and Certificates of Deposit measured at amortised cost (level 3);
- other receivables measured at book value (level 3);
- investment property measured based on appraisal value determined by independent experts as laid down under current law.

## Section 5 - Consolidation scope

At 31 December 2013, the Fondiaria-SAI consolidation, including Fondiaria-SAI, was made up of 95 Companies, of which 16 operate in the insurance sector, one in the banking sector, 35 in the real estate and agricultural sectors and 16 in the financial services sector; the remaining companies are service companies. The foreign companies within the Group number 17.
The fully consolidated companies number 71, those consolidated under the Equity Method number 15, while the remaining companies are maintained at their book value due to limited size or the nature of the activities as they are not significant for the purposes of a true and fair representation of the present financial statements.
There are 75 subsidiary companies, of which 29 are directly controlled by Fondiaria-SAI.
In 2013 Fondiaria-SAI's consolidation scope changed due to the merger with Immobiliare Fondiaria-SAI S.r.l. of the following companies: Carpaccio S.r.l., Meridiano Primo S.r.l., Masaccio S.r.l., Pontormo S.r.l. and Nuova Impresa Edificatrice Moderna S.r.l.
The company Progetto Alfiere S.p.A. is no longer consolidated since it is no longer classified as an associate.

Furthermore, Ata Benessere S.r.l. in liquidation was struck off the register of companies on 5 December 2013.

Finally, in accordance with IAS 27, paragraph 40 d), the associated company Fondiaria-SAI Servizi Tecnologici S.p.A. is valued at equity as, although Fondiaria-SAI owns the majority of the voting rights (51%), the operating control of the company is exercised by the other shareholder Hp Enterprise Services Italia S.r.l. in accordance with governance agreements made.

| | Sector | Percentage of control Direct | | Indirect | Group holding |
|---|---|---|---|---|---|
| **SUBSIDIARY COMPANIES** | | | | | |
| **Companies consolidated line-by-line** | | | | | |
| APB CAR SERVICE S.r.l.<br>Turin<br>Share Capital €347,700 | Services | | AUTO PRESTO&BENE S.p.A. | 70.00 | 70.00 |
| ATAHOTELS COMPAGNIA ITALIANA AZIENDE TURISTICHE ALBERGHIERE S.p.A.<br>Milan<br>Share Capital €15,000,000 | Services | 51.00 | MILANO ASSICURAZIONI S.p.A. | 49.00 | 82.06 |
| ATAVALUE S.r.l.<br>Turin<br>Share Capital €10,000 | Services | | SAI HOLDING ITALIA S.p.A. | 100.00 | 100.00 |
| ATHENS R.E. FUND | Real Estate | | MILANO ASSICURAZIONI S.p.A. | 100.00 | 63.39 |
| AUTO PRESTO&BENE S.p.A.<br>Turin<br>Share Capital €2,619,061 | Services | 100.00 | | | 100.00 |
| BANCASAI S.p.A.<br>Turin<br>Share Capital €116,677,161 | Banking | 100.00 | | | 100.00 |
| BIM VITA S.p.A.<br>Turin<br>Share Capital €11,500,000 | Life Insurance | 50.00 | | | 50.00 |
| BRAMANTE S.r.l.<br>Milan<br>Share Capital €10,000 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| CAMPO CARLO MAGNO S.p.A.<br>Milan<br>Share Capital €9,311,200 | Real Estate | | MILANO ASSICURAZIONI S.p.A. | 100.00 | 63.39 |
| CASA DI CURA VILLA DONATELLO S.p.A.<br>Florence<br>Share Capital €361,200 | Services | 100.00 | | | 100.00 |
| CASCINE TRENNO S.r.l.<br>Turin<br>Share Capital €10,000 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.<br>Sesto Fiorentino (FI)<br>Share Capital €182,000 | Services | 100.00 | | | 100.00 |
| CITTÀ DELLA SALUTE S.c.r.l.<br>Florence<br>Share Capital €100,000 | Services | | CASA DI CURA VILLA DONATELLO S.p.A.<br>CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.<br>DONATELLO DAY SURGERY S.r.l.<br>FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l. | 50.00<br>45.00<br>2.50<br>2.50 | 100.00 |
| CONSORZIO CASTELLO<br>Florence<br>Share Capital €401,000 | Real Estate | | NUOVE INIZIATIVE TOSCANE S.r.l. | 99.57 | 98.43 |

| | Sector | Percentage of control Direct | | Indirect | Group holding |
|---|---|---|---|---|---|
| DDOR NOVI SAD ADO<br>Novi Sad (Serbia)<br>Share Capital RSD 2,579,597,280 | Composite insurance | 99.99 | | | 99.99 |
| DDOR RE JOINT STOCK REINSURANCE COMPANY<br>Novi Sad (Serbia)<br>Share Capital RSD 575,550,000 | Insurance | | THE LAWRENCE R.E.<br>DDOR NOVI SAD ADO | 99.998<br>0.002 | 100.00 |
| DIALOGO ASSICURAZIONI S.p.A.<br>Milan<br>Share Capital €8,831,774 | Non-Life Insurance | | MILANO ASSICURAZIONI S.p.A. | 99.85 | 63.29 |
| DOMINION INSURANCE HOLDING Ltd<br>London (GB)<br>Share Capital GBP 35,438,267.65 | Financial | | FINSAI INTERNATIONAL S.A. | 100.00 | 100.00 |
| DONATELLO DAY SURGERY S.r.l.<br>Florence<br>Share Capital €20,000 | Services | | CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l. | 100.00 | 100.00 |
| EUROPA TUTELA GIUDIZIARIA S.p.A.<br>Milan<br>Share Capital €5,160,000 | Non-Life Insurance | 100.00 | | | 100.00 |
| EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l.<br>Turin<br>Share Capital €100,000 | Financial | 100.00 | | | 100.00 |
| FINITALIA S.p.A.<br>Milan<br>Share Capital €15,376,285 | Financial | | BANCASAI S.p.A. | 100.00 | 100.00 |
| FINSAI INTERNATIONAL S.A.<br>Luxembourg<br>Share Capital €44,131,900 | Financial | 19.92 | SAINTERNATIONAL S.A. in liquidation<br>SAILUX S.A. | 43.93<br>36.15 | 100.00 |
| FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l.<br>Florence<br>Share Capital €10,400 | Services | | CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l. | 100.00 | 100.00 |
| FONDIARIA-SAI NEDERLAND B.V.<br>Amsterdam (NL)<br>Share Capital €19,070 | Financial | 100.00 | | | 100.00 |
| GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.<br>Milan<br>Share capital €5,200,000 | Services | 64.16 | MILANO ASSICURAZIONI S.p.A.<br>SYSTEMA COMPAGNIA DI ASS.NI S.p.A.<br>DIALOGO ASSICURAZIONI S.p.A.<br>EUROPA TUTELA GIUDIZ. S.p.A.<br>FINITALIA S.p.A.<br>INCONTRA ASSICURAZIONI S.p.A.<br>THE LAWRENCE R.E.<br>BANCASAI S.p.A.<br>PRONTO ASSISTANCE S.p.A.<br>SAI MERCATI MOBILIARI SIM S.p.A.<br>LIGURIA SOC. DI ASSICURAZIONI S.p.A.<br>LIGURIA VITA S.p.A.<br>PRONTO ASSISTANCE SERVIZI S.c.a.r.l.<br>BIM VITA S.p.A.<br>SIAT SOC. ITALIANA ASS. E RIASS. S.p.A.<br>AUTO PRESTO&BENE S.r.l.<br>IMMOBILIARE LOMBARDA S.p.A. | 34.21<br>0.18<br>0.20<br>0.02<br>0.02<br>0.02<br>0.02<br>0.02<br>0.90<br>0.02<br>0.02<br>0.02<br>0.02<br>0.02<br>0.11<br>0.02<br>0.02 | 87.29 |

| | Sector | Percentage of control Direct | | Indirect | Group holding |
|---|---|---|---|---|---|
| IMMOBILIARE FONDIARIA-SAI S.r.l. Turin Share Capital €20,000 | Real Estate | 100.00 | | | 100.00 |
| IMMOBILIARE LITORELLA S.r.l. Milan Share Capital €10,329 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| IMMOBILIARE LOMBARDA S.p.A. Milan Share Capital €24,493,509.56 | Real Estate | 64.17 | MILANO ASSICURAZIONI S.p.A. | 35.83 | 86.88 |
| IMMOBILIARE MILANO ASSICURAZIONI S.r.l. Turin Share Capital €20,000 | Real Estate | | MILANO ASSICURAZIONI S.p.A. | 100.00 | 63.39 |
| INCONTRA ASSICURAZIONI S.p.A. Milan Share Capital €5,200,000 | Non-Life Insurance | 51.00 | | | 51.00 |
| INIZIATIVE VALORIZZAZIONI EDILI – IN.V.ED. S.r.l. Milan Share Capital €10,329 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. S.p.A. Milan Share Capital €2,580,000 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| ITALRESIDENCE S.r.l. Pieve Emanuele (MI) Share Capital €100,000 | Services | | ATAHOTELS S.p.A. | 100.00 | 82.06 |
| LIGURIA SOCIETÀ DI ASSICURAZIONI S.p.A. Milan Share Capital €36,800,000 | Non-Life Insurance | | MILANO ASSICURAZIONI S.p.A. | 99.97 | 63.37 |
| LIGURIA VITA S.p.A. Milan Share Capital €6,000,000 | Life Insurance | | LIGURIA SOC. DI ASSICURAZIONI S.p.A. | 100.00 | 63.37 |
| MARINA DI LOANO S.p.A. Milan Share Capital €5,536,000 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| MERIDIANO AURORA S.r.l. Milan Share Capital €10,000 | Real Estate | 100.00 | | | 100.00 |
| MERIDIANO BELLARMINO S.r.l. Turin Share Capital €10,000 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| MERIDIANO BRUZZANO S.r.l. Turin Share Capital €10,000 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| MERIDIANO SECONDO S.r.l. Turin Share Capital €10,000 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |

| | Sector | Percentage of control: Direct | | Indirect | Group holding |
|---|---|---|---|---|---|
| MILANO ASSICURAZIONI S.p.A.<br>Milan<br>Share Capital €373,682,600.42 | Composite insurance | 61.10 | FONDIARIA-SAI NEDERLAND B.V.<br>POPOLARE VITA S.p.A.<br>PRONTO ASSISTANCE S.p.A.<br>SAI HOLDING ITALIA S.p.A.<br>SAINTERNATIONAL S.A. in liquidation | 1.51<br>0.02<br>0.06<br>0.52<br>0.20 | 63.39 |
| MIZAR S.r.l.<br>Milan<br>Share Capital €10,329 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| NUOVE INIZIATIVE TOSCANE S.r.l.<br>Florence<br>Share Capital €26,000,000 | Real Estate | 96.88 | MILANO ASSICURAZIONI. S.p.A. | 3.12 | 98.86 |
| POPOLARE VITA S.p.A.<br>Verona<br>Share Capital €219,600,005 | Life Insurance | 24.39 | SAI HOLDING ITALIA S.p.A. | 25.61 | 50.00 |
| PROGETTO BICOCCA LA PIAZZA S.r.l.<br>in liquidation<br>Milan<br>Share Capital €3,151,800 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 74.00 | 74.00 |
| PRONTO ASSISTANCE S.p.A.<br>Turin<br>Share Capital €2,500,000 | Non-Life Insurance | 100.00 | | | 100.00 |
| PRONTO ASSISTANCE SERVIZI S.c.a.r.l.<br>Turin<br>Share Capital €516,000 | Services | 37.40 | MILANO ASSICURAZIONI S.p.A.<br>DIALOGO ASSICURAZIONI S.p.A.<br>LIGURIA SOC. DI ASSICURAZIONI S.p.A.<br>INCONTRA ASSICURAZIONI S.p.A.<br>SYSTEMA COMPAGNIA DI ASS.NI S.p.A.<br>BANCASAI S.p.A.<br>GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.<br>PRONTO ASSISTANCE S.p.A. | 28.00<br>24.00<br>2.20<br>0.15<br>0.35<br>0.10<br>0.10<br>7.70 | 79.92 |
| RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO S.r.l.<br>Milan<br>Share Capital €10,329 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| SAI HOLDING ITALIA S.p.A.<br>Turin<br>Share Capital €50,000,000 | Financial | 100.00 | | | 100.00 |
| SAI INVESTIMENTI S.G.R. S.p.A.<br>Turin<br>Share Capital €3,913,588 | Asset Management | 51.00 | MILANO ASSICURAZIONI S.p.A. | 29.00 | 69.38 |
| SAI MERCATI MOBILIARI SIM S.p.A.<br>Milan<br>Share Capital €13,326,395 | Real Estate Brokerage | 100.00 | | | 100.00 |
| SAIAGRICOLA S.p.A. SOCIETÀ AGRICOLA<br>Turin<br>Share Capital €66,000,000 | Agriculture | 92.01 | MILANO ASSICURAZIONI S.p.A.<br>PRONTO ASSISTANCE S.p.A. | 6.80<br>1.19 | 97.51 |
| SAIFIN-SAIFINANZIARIA S.p.A.<br>Turin<br>Share Capital €102,258,000 | Financial | 100.00 | | | 100.00 |

| | Sector | Percentage of control Direct | | Indirect | Group holding |
|---|---|---|---|---|---|
| SAILUX S.A. in liquidation<br>Luxembourg<br>Share Capital €30,000,000 | Financial | | SAIFIN-SAIFINANZIARIA S.p.A. | 100.00 | 100.00 |
| SAINT GEORGE CAPITAL MANAGEMENT S.A.<br>Lugano (CH)<br>Share Capital CHF 3,000,000 | Financial | | SAIFIN-SAIFINANZIARIA S.p.A. | 100.00 | 100.00 |
| SAINTERNATIONAL S.A. in liquidation<br>Luxembourg<br>Share Capital €154,000,000 | Financial | 100.00 | | | 100.00 |
| SERVICE GRUPPO FONDIARIA-SAI S.r.l.<br>Florence<br>Share Capital €104,000 | Services | 70.00 | MILANO ASSICURAZIONI S.p.A. | 30.00 | 89.02 |
| SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A.<br>Genoa<br>Share Capital €38,000,000 | Non-Life Insurance | | SAI HOLDING ITALIA S.p.A. | 94.69 | 94.69 |
| SIM ETOILE S.A.S.<br>Paris<br>Share Capital €3,049,011.34 | Real Estate | 100.00 | | | 100.00 |
| SINTESI SECONDA S.r.l.<br>Milan<br>Share Capital €10,400 | Real Estate | | IMMOBILIARE MILANO ASS.NI S.r.l. | 100.00 | 63.39 |
| SOCIETÀ EDILIZIA IMMOBILIARE SARDA S.E.I.S. S.p.A.<br>Cagliari<br>Share capital €3,877,500 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 51.67 | 51.67 |
| SOGEINT S.r.l.<br>Milan<br>Share Capital €100,000 | Other | | MILANO ASSICURAZIONI S.p.A. | 100.00 | 63.39 |
| SRP Services S.A.<br>Lugano (CH)<br>Share Capital CHF 1,000,000 | Services | | SAINTERNATIONAL S.A. in liquidation | 100.00 | 100.00 |
| STIMMA S.r.l.<br>Florence<br>Share Capital €10,000 | Real Estate | 100.00 | | | 100.00 |
| SYSTEMA COMPAGNIA DI ASS.NI S.p.A.<br>Milan<br>Share Capital €5,164,600 | Non-Life Insurance | | MILANO ASSICURAZIONI S.p.A. | 100.00 | 63.39 |
| THE LAWRENCE LIFE ASSURANCE CO. LTD<br>Dublin (IRL)<br>Share Capital €802,886 | Life Insurance | | POPOLARE VITA S.p.A. | 100.00 | 50.00 |
| THE LAWRENCE R.E. IRELAND LTD<br>Dublin (IRL)<br>Share Capital €635,000 | Composite insurance | | FONDIARIA-SAI NEDERLAND B.V. | 100.00 | 100.00 |

| | Sector | Percentage of control Direct | | Indirect | Group holding |
|---|---|---|---|---|---|
| TIKAL R.E. FUND | Real Estate | 59.65 | MILANO ASSICURAZIONI S.p.A. | 35.36 | 82.06 |
| TRENNO OVEST S.r.l.<br>Turin<br>Share Capital €10,000 | Real Estate | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 100.00 |
| VILLA RAGIONIERI S.r.l.<br>Florence<br>Share Capital €78,000 | Real Estate | 100.00 | | | 100.00 |
| **Companies valued at cost:** | | | | | |
| DDOR AUTO DOO<br>Novi Sad (Serbia)<br>Share Capital €9,260.97 | Services | | DDOR NOVI SAD ADO. | 100.00 | 99.99 |
| HOTEL TERME DI SAINT VINCENT S.r.l.<br>La Thuile (AO)<br>Share Capital €15,300 | Services | | ATAHOTELS S.p.A. | 100.00 | 82.06 |
| ITAL H & R S.r.l.<br>Pieve Emanuele (MI)<br>Share Capital €50,000 | Services | | ITALRESIDENCE S.r.l. | 100.00 | 82.06 |
| TOUR EXECUTIVE S.r.l.<br>in liquidation<br>Milan<br>Share Capital €118,300.08 | Services | | ATAHOTELS S.p.A. | 100.00 | 82.06 |
| **ASSOCIATED COMPANIES** | | | | | |
| **Companies valued under the equity method:** | | | | | |
| A 7 S.r.l.<br>in liquidation<br>Milan<br>Share Capital €200,000 | Real Estate | | IMMOBILIARE MILANO ASS.NI S.r.l. | 20.00 | 12.68 |
| BORSETTO S.r.l.<br>Turin<br>Share Capital €2,971,782.3 | Real Estate | | IMMOBILIARE MILANO ASS.NI S.r.l. | 44.93 | 28.48 |
| BUTTERFLY AM S.a.r.l.<br>Luxembourg<br>Share Capital €29,165 | Financial | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 28.57 | 28.57 |
| CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A.<br>Turin<br>Share Capital €1,040,000 | Services | 30.07 | | | 30.07 |
| FIN. PRIV S.r.l.<br>Milan<br>Share Capital €20,000 | Financial | 28.57 | | | 28.57 |
| FINADIN S.p.A.<br>Milan<br>Share Capital €60,591,071.29 | Financial | | SAIFIN-SAIFINANZIARIA S.p.A. | 40.00 | 40.00 |
| FONDIARIA-SAI SERVIZI TECNOLOGICI S.p.A.<br>Florence<br>Share Capital €120,000 | Services | 51.00 | | | 51.00 |

| | Sector | Percentage of control: Direct | | Indirect | Group holding |
|---|---|---|---|---|---|
| GARIBALDI S.C.A.<br>Luxembourg<br>Share Capital €31,000 | Financial | | MILANO ASSICURAZIONI S.p.A. | 32.00 | 20.28 |
| ISOLA S.C.A.<br>Luxembourg<br>Share Capital €31,000 | Financial | | MILANO ASSICURAZIONI S.p.A. | 29.56 | 18.74 |
| METROPOLIS S.p.A. in liquidation<br>Milan<br>Share Capital €1,120,720 | Real Estate | | IMMOBILIARE MILANO ASS.NI S.r.l. | 29.71 | 18.83 |
| PENTA DOMUS S.p.A.<br>Turin<br>Share capital €16,630,217 | Real Estate | | IMMOBILIARE MILANO ASS.NI S.r.l. | 24.66 | 15.63 |
| SERVIZI IMMOBILIARI<br>MARTINELLI S.p.A.<br>Cinisello Balsamo (MI)<br>Share Capital €100,000 | Real Estate | | IMMOBILIARE MILANO ASS.NI S.r.l. | 20.00 | 12.68 |
| SOCIETÀ FUNIVIE DEL PICCOLO<br>SAN BERNARDO S.p.A.<br>La Thuile (AO)<br>Share Capital €9,213,417.5 | Other | | IMMOBILIARE FONDIARIA-SAI S.r.l. | 27.38 | 27.38 |
| SVILUPPO CENTRO EST S.r.l.<br>Rome<br>Share Capital €10,000 | Real Estate | | IMMOBILIARE MILANO ASS.NI S.r.l. | 40.00 | 25.36 |
| VALORE IMMOBILIARE S.r.l.<br>in liquidation<br>Trieste<br>Share Capital €10,000 | Real Estate | | MILANO ASSICURAZIONI S.p.A. | 50.00 | 31.69 |
| **Companies valued at cost:** | | | | | |
| DDOR GARANT<br>Belgrade (Serbia)<br>Share Capital €3,309,619 | Services | | DDOR RE JOINT STOCK<br>REINSURANCE COMPANY<br>DDOR NOVI SAID ADO | <br>7.54<br>32.46 | 40.00 |
| SOCIETÀ FINANZ. PER LE GEST.<br>ASSICURATIVE S.r.l.<br>in liquidation<br>Rome<br>Share Capital €47,664,600 | Financial | 14.91 | MILANO ASSICURAZIONI S.p.A. | 7.50 | 19.66 |
| SOAIMPIANTI - ORGANISMI<br>DI ATTESTAZIONE S.r.l.<br>in liquidation<br>Monza<br>Share Capital €84,601 | Other | 21.64 | | | 21.64 |
| UFFICIO CENTRALE ITALIANO<br>S.c.a.r.l.<br>Milan<br>Share Capital €524,280 | Other | 13.75 | SIAT SOC. ITALIANA ASS. E RIASS. S.p.A.<br>MILANO ASSICURAZIONI S.p.A.<br>LIGURIA SOC. DI ASSICURAZIONI S.p.A.<br>INCONTRA ASSICURAZIONI S.p.A. | 0.092<br>10.676<br>0.301<br>0.002 | 20.80 |

# PART B – Information on the Consolidated Balance Sheet

Details and further notes to the consolidated financial statement accounts are presented below. Further information is provided pursuant to Regulation No. 7/07 of the Supervisory Authority and is included as an Attachment to the present information.

In application of IFRS 5, assets and liabilities held for sale are presented in item 6.1 of the Assets and the Liabilities, respectively. Please refer to "Part E - Information on business combinations and assets sold or discontinued" for additional information on these items.
In order to facilitate the understanding and reading of comparative information below, it was therefore considered appropriate to present the change in equity components attributable to reclassification on the basis of IFRS 5 separately from other operations-related changes.

# Balance Sheet - Assets

## 1. INTANGIBLE ASSETS

These are broken down as follows:

| (in €K) | 31/12/2013 | 31/12/2012 | IFRS 5 | Change |
|---|---|---|---|---|
| Goodwill | 969,674 | 1,101,715 | (129,930) | (2,111) |
| Other intangible assets | 39,673 | 58,512 | | (18,839) |
| **TOTAL** | **1,009,347** | **1,160,227** | **(129,930)** | **(20,950)** |

### 1.1 Goodwill

In accordance with IFRS 3.B67, the following table sets forth the reconciliation between the book value of the goodwill at the beginning of the year and the book value at the end of the year.

| (in €K) | 2013 | 2012 |
|---|---|---|
| Book value at beginning of year | 1,569,780 | 1,575,567 |
| Impairment recorded in previous years (-) | (468,065) | (207,830) |
| **Sub-total** | **1,101,715** | **1,367,737** |
| Increases in the year | - | - |
| Decreases due to disposals or reclassification under AFS assets | - | - |
| Permanent losses in value recognised in the year | (530) | (260,235) |
| Exchange differences | (1,581) | (5,787) |
| Other changes (IFRS 5) | (129,930) | - |
| **Value at year end** | **969,674** | **1,101,715** |

"Permanent losses in value recognised in the year" refers to the impairment of goodwill recognised for Fondiaria-SAI Servizi Group for the business unit acquisition.

The reduction of the "Exchange differences" relates to the appreciation of the Euro against the Serbian Dinar.

The Goodwill is broken down as follows:

| (in €K) | 31/12/2013 | 31/12/2012 | IFRS 5 | Change |
|---|---|---|---|---|
| Goodwill from the incorporation of La Fondiaria | 504,763 | 504,763 | - | - |
| Goodwill relating to the subsidiary Milano Assicurazioni | 92,567 | 167,227 | (74,660) | - |
| Other goodwill | - | 530 | - | (530) |
| Consolidation differences | 372,344 | 429,195 | (55,270) | (1,581) |
| **TOTAL** | **969,674** | **1,101,715** | **(129,930)** | **(2,111)** |

The details of goodwill are shown below:

| (in €K) | 2013 | 2012 |
|---|---|---|
| **Goodwill of the Fondiaria-SAI Group from the aggregation of the Fondiaria Group** | | |
| Fondiaria-SAI: incorporation of Fondiaria Assicurazioni in 2002 | 276,592 | 276,592 |
| Fondiaria-SAI: conferment of the company Fondiaria Assicurazioni in 1990 | 162,684 | 162,684 |
| Fondiaria-SAI: incorporation of Fondiaria Assicurazioni in 1995 | 65,488 | 65,488 |
| Milano Ass.ni: purchase of Card premium portfolio in 1991 | 16,956 | 33,053 |
| Milano Ass.ni: incorporation of Lloyd Internazionale in 1991 | 8,722 | 17,002 |
| Milano Ass.ni: acquisition of business unit Latina Assicurazioni in 1992 | 17,710 | 34,522 |
| Milano Ass.ni: conferment of the Life portfolio of La Previdente Assicurazioni in 1992 | 14,817 | 16,463 |
| Consolidation differences: | | |
| On consolidation of Milano Assicurazioni | 55,907 | 105,480 |
| On Milano Assicurazioni for former Previdente Vita | 1,680 | 3,275 |
| On Milano Assicurazioni for Dialogo Assicurazioni | - | - |
| **Total** | **620,556** | **714,559** |
| **Goodwill of the Milano Group prior to 31/12/2002** | | |
| Goodwill derived from the acquisition of the MAA Ass.ni portfolio by Nuova MAA | 33,414 | 65,134 |
| Goodwill relating to the acquisition by SIS of the Ticino portfolio in 1995 | - | - |
| **TOTAL** | **653,970** | **779,693** |

(in €K)

| **Other goodwill** | **2013** | **2012** |
|---|---|---|
| Goodwill relating to the transfer in 2001 of the portfolio of Maa Vita, subsequently incorporated into Milano | 947 | 1,052 |
| Goodwill on Fondiaria-SAI Servizi Scrl Group for the acquisition of business unit | - | 530 |
| *Consolidation differences:* | | |
| On Liguria Assicurazioni Group | 55,714 | 55,714 |
| On Incontra Assicurazioni S.p.A. | - | - |
| On SASA Danni S.p.A. | 4,322 | 8,424 |
| On Florence Centro di Chirurgia Ambulatoriale S.r.l. | - | - |
| On Popolare Vita S.p.A. | 201,601 | 201,601 |
| On DDOR Novi Sad ADO | 53,120 | 54,701 |
| **Total other goodwill** | **315,704** | **322,022** |
| **Total Group goodwill** | **969,674** | **1,101,715** |

## Impairment test on goodwill – Introduction

The notes below report the principal assumptions on which the impairment tests were carried out for the year 2013 on the goodwill recorded in the balance sheet.

The Group verifies the recovery of the goodwill allocated to the Cash Generating Units (CGUs) at least on an annual basis or more frequently when there is an indication of a loss in value.
In fact, in accordance with IAS 36 (Impairment of assets), goodwill, having an indefinite useful life, is not systematically amortised, but subject to an impairment test, in order to identify the existence of any permanent loss in value.

The goodwill subject to allocation at first-time adoption at the transition date to IFRS - IAS (1 January 2004) was equal to the total amount of the goodwill "inherited" at 31 December 2003, as no recalculation was made of the business combinations before that date, as permitted by IFRS 1.

The goodwill, independently of its origin, was allocated to the CGU which is expected to benefit from the synergies deriving from the business combination, in accordance with paragraph 80 of IAS 36.

## CGU book value for goodwill existing at 1 January 2004

The goodwill at the transition date to IAS/IFRS almost entirely originated from the business combination between the Sai Group and the Fondiaria Group in 2002. Goodwill includes that arising before the above-mentioned merger deriving from the acquisition by Nuova Maa (subsequently incorporated into Milano) of the business Maa Assicurazioni.
In this regard, four Cash Generating Units (CGUs) were identified as significant beneficiaries of the synergies from the business combination, represented by the Life and Non-Life Insurance Sectors operating through Fondiaria-SAI and Milano Assicurazioni.

This identification also complies with the Group management reporting system, in which the CGUs represent the minimum level at which the goodwill is monitored for internal management control purposes, in line with the definition of segments based on the primary representation required by IFRS 8.

The determination of the CGU's book value was made in line with the calculation of the cash flow streams to identify the recoverable value. Therefore if the future cash flow streams of each CGU include the inflows and outflows related to specific assets and liabilities, these are included in the book value.

Therefore, at 31 December 2013 the goodwill allocated to the CGUs is as follows:

| (in €K) | Fondiaria-SAI | | Milano | | |
|---|---|---|---|---|---|
| CGU | Fondiaria-SAI Non-Life | Fondiaria-SAI Life | Milano Non-Life | Milano Life | TOTAL |
| | 1 | 2 | 3 | 4 | Σ (1-4) |
| Goodwill allocated | 412,770 | 91,994 | 230,562 | 53,843 | **789,169** |
| IFRS 5 | - | - | (127,715) | (2,215) | **(129,930)** |
| Goodwill allocated (net of IFRS 5) | 412,770 | 91,994 | 102,847 | 51,628 | **659,239** |

## Other goodwill arising after 1 January 2004

The table below sets forth the breakdown of the goodwill deriving from business combinations after 1 January 2004:

(in €K)

| **Goodwill allocated** | **2013** | **2012** |
|---|---|---|
| Liguria Assicurazioni Group (100%) | 55,714 | 55,714 |
| Popolare Vita (50% +1 share) | 201,601 | 201,601 |
| DDOR (99.99%) | 53,120 | 54,701 |
| Sistemi Sanitari (100%) | - | 530 |

## Recoverable value of the CGUs

The recoverable value of the CGUs is the higher between the fair value net of selling costs and the value in use. The fair value of the CGU represents the amount attainable from its sale between knowledgeable and willing parties at arm's length, less selling costs.
The test based on the fair value, which reflects the goodwill from the listed prices of the entities, does not express the real value of the CGUs, considering that market capitalisation expresses values below the proportional shareholders' equity. For the determination of the recoverable value and the subsequent comparison with the book value of the CGU the value in use was utilised, as this permits an opinion on the impairment based on principles of economic rationality. IAS 36, in fact, proposing the methodology stated above in relation to the determination of the recoverable value, does not express any preference between the value in use and the realisable value.

The methods utilised to calculate the value in use of the Non-Life insurance classes are based on the application of financial methods, such as the DCF or the DDM, which discount the expected cash flows from the budget and/or business plans of the CGUs subject to valuation, also taking into account their terminal value and/or capital excess/deficit compared to the minimum capital requirements. The appraisal value method is used to calculate the value in use of the Life Insurance Sector.
The approach utilised is generally the so-called equity side which uses as the discount rate the cost of own capital (Ke).

The main assumptions for carrying out the impairment test are as follows:

| CGU | Method | Flows considered | Ke% | Terminal value | Growth factor % |
|---|---|---|---|---|---|
| FONDIARIA-SAI | | | | | |
| Non-Life Business | DDM | 2014-15 Plan + projections | 9.01 | Yes | 2 |
| Life Business | Appraisal Value | | - | - | - |
| MILANO ASS.NI | | | | | |
| Non-Life Business | DDM | 2014-15 Plan + projections | 9.01 | Yes | 2 |
| Life Business | Appraisal Value | | - | - | - |
| LIGURIA ASS.NI GROUP | DDM+Appraisal Value | 2014-18 Plan | 9.01 | Yes | 2 |
| DDOR NOVI SAD ADO | DDM | 2014-18 Plan | 14.0 | Yes | 2 |
| POPOLARE VITA | Appraisal Value | - | - | Yes | - |

With reference to the cash flows utilised for the valuation, the table above illustrates that for Fondiaria-SAI and Milano Assicurazioni these primarily derive from the 2014-2015 plan. Regarding the period 2016-2018, further estimates were made exclusively to support the impairment test.

The recoverable value of the CGUs relating to **Fondiaria-SAI**, **Milano Assicurazioni** and **Liguria Assicurazioni** was calculated using an analytical approach based on the DDM method for the Non-Life CGUs and the Appraisal Value method for the Life CGUs. Therefore the recoverable value of the Non-Life insurance and Life insurance sectors was calculated separately, taking into account, in the Non-Life insurance sector, the need to set up the regulatory capital (DDM with excess capital).

In particular:

1. The **Non-Life** insurance sector was valued using the DDM method (Dividend Discount Model), which utilised as a reference the expected dividend flow for the period 2014-2018, as taken from the Plan of the former Fondiaria SAI Group and the former Milano Assicurazioni Group for 2014-2015 and further projections for the period 2016-2018. For the 2016-2018 projections, the main assumptions were based on premium growth in line with the growth for the last year of the business plan, on a combined ratio and a target return on investments in line with the levels expected for 2015. Expected flows for Liguria Assicurazioni were based on those set forth in the last 2014-2018 Plan approved by the board.

2. The **Life** insurance sector was valued using the Appraisal Value method, i.e. the sum of adjusted shareholders' equity, value in force (VIF) and goodwill attributable to future new business.
   In particular, the VIF derives from the estimate of its value at 31 December 2013, net of the cost of capital and taxes.
   Goodwill is based on the calculation of the new business value at 31 December 2013, to which a multiple of 10 was applied, in line with market practice.

For **DDOR Novi Sad ADO** the impairment test was based on the forecast in the 2014-2018 business plan. The company was valued using the DDM method (Dividend Discount Model) with excess capital, which is based not only on the parameters shown in the table, but also on a minimum solvency capital ratio of 120% of the constituting elements, calculated in accordance with the rules currently in force in Serbia.
In accordance with paragraph 54 of IAS 36, the discount rate used a Ke in line with the foreign currency in which the future cash flows are estimated.
The valuation did not indicate the need to record an impairment of goodwill.

For **Popolare Vita** (and its subsidiary The Lawrence Life) the impairment test was in line with the control method used at the end of 2013.

Two separate valuation methods were utilised in the impairment test at 31 December 2013.
Firstly, the comparable transaction multiples method was used, and in particular, the Goodwill/Gross Premiums and Price/Shareholders' equity multiples concerning a sample of transactions on the Italian market in the 2008-2013 period. In particular, the multiples considered are 19.7% for Goodwill/Gross premiums and 1.60% for Price/Shareholders' equity. Based on the application of the method outlined above, recoverable values of €549.1m and €536.4m were calculated for the investment in Popolare Vita, respectively based on the Goodwill/Gross Premiums multiple and the Price/Shareholders' equity multiple.

The second control method adopted was the Appraisal Value of the subsidiary, utilising a time period consistent with the duration of the distribution agreement (and therefore until 2017). In this case the approach adopted was based on the Value in Use. The components considered for the application of the Appraisal Value are the following:

- Adjusted Net Asset Value at 31 December 2013;
- Value of in force business at 31 December 2013;
- New Business value on expiry (2017).

The New Business Value estimate was made utilising the 2013 new business and assuming a reasonably sustainable growth of premiums written for the next 4 years (residual duration of the distribution agreement), leaving new business profitability at the 2013 level. The estimated benefit deriving from the outsourcing contract between the Fondiaria-SAI and the subsidiary was added to the Appraisal Value. For this purpose, the 2014-2017 future cash flows estimated based on 2013 net revenues were discounted. This method also identified a range of values which includes the recoverable value calculated under the principal method.

**Excess of the recoverable value compared to the book value of the CGUs**

The following table shows the comparison between the recoverable value of the principal CGUs compared to the book value, noting that the values shown refer to the Group share:

| (€m) | Recoverable value | Book value | Excess |
|---|---|---|---|
| Fondiaria-SAI Non-Life | 1,882.5 | 1,114.1 | 768.4 |
| Fondiaria-SAI Life | 770.6 | 738.1 | 32.4 |
| Milano Assicurazioni Non-Life | 605.6 | 555.4 | 50.2 |
| Milano Assicurazioni Life | 340.4 | 336.4 | 3.9 |
| Liguria Assicurazioni Group | 89.7 | 81.7 | 8.0 |
| DDOR Novi Sad ADO | 98.5 | 91.2 | 7.3 |
| Popolare Vita | 544.2 | 508.8 | 35.4 |

For all of the valuations, sensitivity analyses were performed.
In particular, in relation to the Fondiaria-SAI Non-Life, Milano Assicurazioni Non-Life and Liguria Assicurazioni Group CGUs the following sensitivity analyses were carried out:

- changes in the combined ratio and in target investment returns of +/-0.25%;
- changes in the cost of own capital and in the long-term growth rate of +/- 0.25%;
- changes in the combined ratio of +/- 0.25% and Solvency Margin in the range 115%-125%.

In relation to the Fondiaria-SAI Life and Milano Assicurazioni Life CGUs, the sensitivity analyses performed were as follows:

- change in the synthetic multiplier within the range 8x-12x to estimate the Goodwill related to new business;
- change of +0.5% of the discount rate utilised in order to estimate the VIF and the NBV.

The results obtained in relation to the Fondiaria-SAI and Milano Assicurazioni Non-Life and Life CGUs confirmed, in all scenarios, the excess in the recoverable value over the book value. Additionally, based on the analysis performed, it is not considered that changes in the key variables could take place in these CGUs such as to eliminate the difference between the recoverable value and the book value.

A sensitivity analysis was performed on the recoverable value of the Popolare Vita CGU which determined a range of values between €488m and €640m and which consisted of changes of +/-1% in the discount rate and growth rate of premiums forecast in the period 2015-2017.

The recoverable value of the DDOR Novi Sad ADO CGU was within the interval €95-102m. These limits derive from the sensitivity analysis assuming a change of +0.25% in the discount rate and of -0.25% in the long-term growth rate (g rate).

## 1.2 Other Intangible Assets

Other intangible assets amount to €39,673k (€58,512k at 31/12/2012) and are broken down as follows:

| (in €K) | Gross carrying value | Amortisation and impairment | Net book value 2013 | Net book value 2012 |
|---|---|---|---|---|
| Studies and research expenses | 72,320 | (54,544) | 17,776 | 19,730 |
| Utilisation rights | 26,270 | (19,949) | 6,321 | 5,531 |
| Other intangible assets | 260,347 | (244,771) | 15,576 | 33,251 |
| **TOTAL** | **358,937** | **(319,264)** | **39,673** | **58,512** |

None of the above intangible assets were generated internally.

The above intangible assets have a definite useful life and are therefore amortised over their useful life. Studies and research expenses relate to the costs incurred for the preparation of IT technology and applications of a long-term nature, capitalised in 2013 and in previous years. They are amortised over a period of three or five years based on their characteristics and useful life.

These expenses are mainly incurred by the Consortium Fondiaria-SAI Servizi S.c.a.r.l. Group, which manages all resources, the assets and the services already existing and new acquisitions relating to the operations of the Group.

The utilisation rights refer prevalently to the use of software licenses acquired by the Group. The amortisation period is three years.

In the course of 2013, amortisation of the acquired customer portfolios of the subsidiaries Liguria and DDOR (Value in Force and VOBA) was completed. These portfolios were recognised at the time of the business combinations and classified as other intangible assets.

The details of the values relating to the customer portfolios acquired are provided below:

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| Liguria Assicurazioni S.p.A. | - | 2,958 | (2,958) |
| DDOR Novi Sad ADO | - | 589 | (589) |
| **TOTAL** | **-** | **3,547** | **(3,547)** |

The reconciliation between the opening and closing book values of the other intangible assets is shown below:

| (in €K) | 2013 | 2012 |
|---|---|---|
| Book value at beginning of year | 58,512 | 95,153 |
| Increases: | | |
| • *purchased and/or generated internally* | 17,218 | 13,397 |
| • *from business combinations* | - | - |
| • *from changes in consolidation method* | - | - |
| Decreases for disposals or reclassifications | (1,015) | (1,477) |
| Impairment recorded in the year | (9,762) | (7,865) |
| Write-backs recorded in the year | - | - |
| Amortisation in the year | (25,193) | (40,120) |
| Exchange differences | (52) | (576) |
| Other changes | (35) | - |
| **Book value at year end** | **39,673** | **58,512** |

Impairment for the year includes the write-down of the brand Atahotels by €5.8m and the impairment of €3.7m on leasehold improvements recognised by Atahotels.

## 2. PROPERTY, PLANT AND EQUIPMENT

The account amounts to €384,589k (€373,111k at 31/12/2012), an increase of €11,478k.

Property, plant and equipment are broken down as follows:

(in €K)

| | Property | | Land | | Other tangible assets | | Total | | Change (IFRS 5) |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| Gross carrying value | 205,291 | 192,731 | 163,928 | 156,642 | 211,037 | 209,488 | 580,256 | 558,861 | (299) |
| Depreciation and impairment | (50,335) | (45,170) | - | - | (145,332) | (140,580) | (195,667) | (185,750) | 232 |
| **Net book value** | **154,956** | **147,561** | **163,928** | **156,642** | **65,705** | **68,908** | **384,589** | **373,111** | **(67)** |

The changes in the year are shown below:

| (in €K) | Property | | Land | | Other tangible assets | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Book value at beginning of year | 147,561 | 289,668 | 156,642 | 25,832 | 68,908 | 86,244 | 373,111 | 401,744 |
| Increases | 6,471 | 7,373 | 2,929 | 2,261 | 17,568 | 5,588 | 26,968 | 15,222 |
| Disposals | (647) | (153) | - | - | (3,512) | (5,784) | (4,159) | (5,937) |
| Reclassifications or transfers from/to other categories | 9,562 | (131,518) | 5,524 | 130,458 | (5,365) | - | 9,721 | (1,060) |
| Assets from business combinations | - | - | - | - | - | - | - | - |
| Impairment recorded in the year | (3,849) | (12,584) | (1,167) | (1,909) | (925) | (4,386) | (5,941) | (18,879) |
| Write-backs recorded in the year | - | - | - | - | - | - | - | - |
| Depreciation in the year | (3,525) | (3,491) | - | - | (10,931) | (12,628) | (14,456) | (16,119) |
| Exchange differences | (617) | (1,734) | - | - | (38) | (126) | (655) | (1,860) |
| Other changes | - | - | - | - | - | - | - | - |
| **Book value at year end** | **154,956** | **147,561** | **163,928** | **156,642** | **65,705** | **68,908** | **384,589** | **373,111** |

The impairments refer to the properties held by Fondiaria-SAI and by some subsidiaries, whose book value is above the market value, and are therefore considered as permanent losses in value.

In relation to the accounts "Property" and "Land", the "Reclassifications or transfers from/to other categories" include some properties held by Fondiaria-SAI and the land held by the subsidiary Consorzio Castello, reclassified from "Investment property". The account also includes property improvements by the subsidiary SAI Agricola, formerly classified as "Other tangible assets".

The account relating to land represents the indefinite useful life component separated from the wholly owned buildings for own use. The separation of the land is made based on specific independent expert valuations at the transition date (01/01/2004), or, if more recently, at the acquisition date.
The properties included in the account property, plant and equipment are those serving the operating activities (i.e. properties for own use). These properties are recorded at cost and are depreciated over their useful lives only in relation to the definite useful life components. There are no restrictions on the ownership of the properties of the Group, nor have significant amounts been recorded in the income statement for reductions in value, losses, sales or damages.

The account also includes the properties owned by the subsidiaries of Immobiliare Fondiaria-SAI (excluding the subsidiary Società Edilizia Immobiliare Sarda S.E.I.S. and most of the properties owned by the subsidiary Marina di Loano) which are considered as inventories and therefore valued in accordance with IAS 2.

Independent appraisers are engaged annually to determine the fair value of land and buildings. In particular, for the insurance companies, this process complies with specific provisions of the Supervisory Authority and the requirements of IAS 40.
With the exception of the Garibaldi Repubblica buildable area owned by the subsidiary Meridiano Secondo, which is mortgaged, no other properties in this account are subject to restrictions on ownership, nor have any significant amounts been recorded in the income statement for reductions in value, losses, sales or damages.

With reference to the properties used by the company, the book value, at year end, is €148m lower than the expert valuations based on market values (€153m at 31/12/2012).

The residual "other tangible assets" mainly relates to assets utilised in the exercise of activities, such as hardware, furnishings, plant and office equipment, as well as the stock and final inventory of the companies operating in the agricultural sector valued in accordance with IAS 2.

## 3. TECHNICAL PROVISIONS - REINSURERS' SHARE

The total amount of the account is €741,655k (€807,304k at 31/12/2012) – a decrease of €65,649k, including:

| (in €K) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Non-Life premium provision – reinsurers' share | 156,564 | 152,117 | 4,447 |
| Non-Life claims provision – reinsurers' share | 518,204 | 576,951 | (58,747) |
| Other Non-Life provisions – reinsurers' share | - | - | - |
| Actuarial provisions – reinsurers' share | 63,564 | 76,214 | (12,650) |
| Provision for sums to be paid – reinsurers' share | 3,323 | 2,022 | 1,301 |
| Class D provisions – reinsurers' share | - | - | - |
| Other Life provision – reinsurers' share | - | - | - |
| **TOTAL** | **741,655** | **807,304** | **(65,649)** |

Of this amount €421m refers to outward reinsurance while €321m refers to retrocession provisions.

## 4. INVESTMENTS

These are broken down as follows:

| (in €K) | 31/12/2013 | 31/12/2012 | IFRS 5 | Change |
|---|---|---|---|---|
| Investment property | 2,064,924 | 2,200,774 | - | (135,850) |
| Investments in subsidiaries, associates and joint ventures | 159,402 | 125,799 | - | 33,603 |
| Investments held to maturity | 627,320 | 718,119 | - | (90,799) |
| Loans and receivables | 2,854,960 | 3,527,030 | (923) | (671,147) |
| AFS financial assets | 22,569,531 | 20,848,041 | - | 1,721,490 |
| Financial assets at fair value through profit or loss | 5,540,457 | 6,439,319 | | (898,862) |
| **TOTAL** | **33,816,594** | **33,859,082** | **(923)** | **(41,565)** |

## 4.1 Investment Property

The account includes all the properties for rental or for capital appreciation.
The investment property is recorded at purchase cost in accordance with IAS 16 (which IAS 40 refers to in the case of adoption of the cost model). Consequently, for accounting purposes the value of the properties owned has been separated from the value of the land, considering that this component has an indefinite useful life and must not be depreciated.
The separation of the land component from the buildings is made on the basis of updated expert valuations at the date of transition to the international accounting standards and, for acquisitions subsequent to 1 January 2004, on the basis of the independent expert valuation prepared at the time of acquisition.

The property component is depreciated on a straight line basis with regard to the residual useful life of the components therein. Among the significant components, those relating to the equipment are depreciated separately.

The fair value of the investment property is defined annually on the basis of the valuations of independent experts that provide specialist valuation services. The market value was determined through the separate valuation of each asset, applying typical property methods, integrated with elements which take account of the returns on the properties, in accordance with the provisions of the Supervisory Authority.
Overall, the carrying value of the investment property at 31 December 2013 was over €574m lower than the independent expert valuations (€550m at 31/12/2012).

The breakdown of the investment property and the changes in the year are shown below:

| (in €K) | 31/12/2013 | 31/12/2012 |
|---|---|---|
| **Gross carrying value** | **2,608,071** | **2,686,993** |
| Depreciation | (543,147) | (486,219) |
| **Net carrying value** | **2,064,924** | **2,200,774** |

The changes in the book value of investment property in the year are shown below:

| (in €K) | 2013 | 2012 |
|---|---|---|
| Book value at beginning of year | 2,200,774 | 2,759,245 |
| Increases: | | |
| For purchases and improvement expenses | 2,452 | 7,357 |
| Properties from business combinations | - | - |
| Decreases for disposals | (8,985) | (59,114) |
| Depreciation in the year | (67,737) | (72,537) |
| Impairment/write-backs recorded in the year | (35,647) | (279,875) |
| Exchange differences | (244) | (705) |
| Transfers from/to other categories | (25,689) | (153,597) |
| Other changes | - | - |
| | - | |
| **Book value at year end** | **2,064,924** | **2,200,774** |

The account “Transfers to/from other categories" includes:

- the property located in Milan at Via Boezio 20 and part of the property located in Moncalieri at Piazza Emanuele 8 held by Fondiaria-SAI, reclassified to “Assets held for sale”;
- some properties held by Fondiaria-SAI and the land held by the subsidiary Consorzio Castello, reclassified to “Property, plant and equipment”.

The impairments refer to the properties held by Fondiaria-SAI and by some subsidiaries, whose book value is above the market value, and are therefore considered as permanent losses in value.

The main impairments recorded on the real estate assets are reported below (Property, plant and equipment and Investment property):

| (in €K) | **31/12/2013** | **31/12/2012** |
|---|---|---|
| Milan - Via Tucidide | 8,500 | 8,310 |
| Florence - Area Castello NIT | 5,121 | 51,183 |
| Milan - Via Caldera | 3,731 | 19,666 |
| Milan - Via Fara | 3,067 | 7,476 |
| Civitella Paganico - Terme di Petriolo | 1,369 | 8,823 |
| Cisterna di Latina - Via Bufalareccia | 1,146 | - |
| Milan - Via dei Missaglia | 342 | 12,452 |
| Milan - Via Crespi | 114 | 6,398 |
| Pieve Emanuele - Via dei Pini | 56 | 5,400 |
| Pero - Via Keplero | - | 36,367 |
| Varese - Via Albani | - | 22,036 |
| Sesto Fiorentino - Via Ragionieri | - | 14,778 |
| Milan - Via Lancetti | - | 12,404 |
| Turin - Via Gobetti (Prinicipi di Piemonte) | - | 11,171 |
| Pinzolo - Campo Carlo Magno | - | 4,709 |
| Other property | 20,125 | 73,196 |

During the year, the rental income from investment property amounted to over €76m (€88m at 31/12/2012).

There are no significant limits on the sale of the investment property due to legal or contractual restrictions or restrictions of any other nature, with the exception of 3 buildings of Tikal Fund and SEIS which are mortgaged for the loans received.

## 4.2 Investments in subsidiaries, associates and joint ventures

In accordance with IAS 27.20 Fondiaria-SAI consolidates all subsidiaries on a line-by-line basis, including those which undertake dissimilar activities. As a result, the account includes the carrying value of some subsidiaries which are not significant in terms of size or nature of activities, and therefore are not important to ensure a true and fair view of the consolidated financial statements.

The relative Attachment should be referred to for details on investments in non-consolidated subsidiaries.

| (in €K) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Subsidiaries | 46 | 1,216 | (1,170) |
| Associates | 159,356 | 124,583 | 34,773 |
| Total | 159,402 | 125,799 | 33,603 |

The table below sets forth the most significant investments in associates:

| (€m) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Garibaldi S.C.A. | 76.5 | 70.3 | 6.2 |
| Fin. Priv. S.r.l. | 26.6 | 20.1 | 6.5 |
| Finadin S.p.A. | 20.3 | | 20.3 |
| Isola S.C.A. | 15.3 | 12.8 | 2.5 |
| Other | 20.7 | 21.4 | (0.7) |
| **Total** | **159.4** | **124.6** | **34.8** |

The loss recognised in the income statement due to the valuation of the investments in associated companies was €2m.

The value of the investments held in Garibaldi S.C.A. and Isola S.C.A. is prevalently represented by equity financial instruments whose remuneration is linked to the results of the issuer.
The issuers are involved in property projects in the Porta Nuova area of Milan. Considering both the nature of the project and the quality of the industrial partner, there are currently no elements which would impact the recoverability of the investment, also in light of the total net value of the related Real Estate Funds.

## 4.3 Investments held to maturity

This account amounts to €627,320k (€718,119k at 31/12/2012) and includes the following:

| (in €K) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Debt securities | 627,320 | 718,119 | (90,799) |
| **Total** | **627,320** | **718,119** | **(90,799)** |

The account includes financial instruments as per paragraph 9 of IAS 39. They relate only to debt securities with fixed maturities and fixed and determinable payments which the holders have the intention and capacity to hold until maturity.
The category mainly includes financial instruments from the Life insurance sector held for policies with specific assets as defined by the current sector regulations.

This category includes listed securities amounting to €508,675k. The current value of the debt securities classified in this account is €653,953k.

## 4.4 Loans and receivables

The account amounts to €2,854,960k (€3,527,030k at 31/12/2012) and is broken down as follows:

| (in €K) | **31/12/2013** | **31/12/2012** | **Change** |
|---|---|---|---|
| Due from banks for interbank deposits and from bank customers | 460,751 | 521,559 | (60,808) |
| Debt securities | 1,745,837 | 2,422,383 | (676,546) |
| Loans on life insurance policies | 33,972 | 39,017 | (5,045) |
| Deposits held by reinsurers | 19,104 | 22,358 | (3,254) |
| Receivables from new agents for indemnities paid to agents terminated | 250,610 | 243,385 | 7,225 |
| Other loans and receivables | 344,686 | 278,328 | 66,358 |
| **Total** | **2,854,960** | **3,527,030** | **(672,070)** |

Due from banks includes the deposits of the subsidiary BancaSai with other credit institutions for €516k (€2,853k at 31/12/2012), and loans to bank customers for €460,235k (€518,706k at 31/12/2012).

The account debt securities includes:

- the book values of some issues (in particular the securities of the special issues of Ania) for which it is considered appropriate to utilise the amortised cost and not the fair value in the absence of an active market. The account refers to financial assets for which it is considered that the relative fair value cannot be calculated in a reliable manner.
- some private placements of Italian sovereign securities, for €1,514m (€1,511m at 31/12/2012), with the purpose to guarantee stability in Group returns and eliminate the volatility in the valuation of such instruments where underwritten in a traditional market context. The classification in this category therefore is due to the absence of an active market;
- securities issued by corporate entities: this is the residual part of the transfer to this category in 2009 of financial structures primarily containing subordination clauses, since at the end of this year the majority of the securities included in this segment until that point were re-transferred, together with the corresponding residual AFS reserve, to the original category “Available for sale”. The book value of the re-allocated bonds is €679,459k, and the fair value amounts to €768,740k. The residual negative AFS reserve transferred amounts to €24,201k. There were no permanent losses in value (€16.2m at 31/12/2012) and the effect of the amortised cost resulted in the recognition in the income statement of gains of €15,504k. The AFS reserve recorded on these securities as of 1 January 2009 was negative and amounted to €75,222k, and is amortised in accordance with the provisions of IAS 39. The residual negative AFS reserve amounts to €330k.
  For further details on the classification refer to the section Accounting Principles.

The account “Other loans and receivables” principally includes €277.5m (€223.9m at 31/12/2012) of customer loans held by the subsidiary Finitalia.

The book value of the securities in this category at 31 December 2013, calculated in accordance with the amortised cost criteria, is €105m lower (€94m lower at the end of the previous year) than the fair value at the same date.

## 4.5 AFS financial assets

AFS financial assets include debt and equity securities, as well as investment fund units, not otherwise classified. Although a residual category, they represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.
The financial assets are broken down as follows:

| (in €K) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Equity securities | 665,011 | 914,069 | (249,058) |
| Fund units | 447,695 | 627,184 | (179,489) |
| Debt securities | 21,456,825 | 19,306,788 | 2,150,037 |
| **TOTAL** | **22,569,531** | **20,848,041** | **1,721,490** |

Equity securities include listed securities for €429.8m, while debt securities include listed securities for €21,411.2m.

It should be noted that the debt and equity securities included in the category are mainly valued at fair value.

The listed equity securities included in the "AFS financial assets" include the following investments:

| (in €K) | % holding (1) | Book value 2013 | Book value 2012 |
|---|---|---|---|
| Unicredit S.p.A. | n.s. | 58 | 37,639 |
| Atlantia S.p.A. | 0.83 | 112,258 | 67,282 |
| Mediobanca S.p.A. | - | - | 153,750 |
| Monte dei Paschi S.p.A. | - | - | 27 |
| RCS S.p.A. | 5.65 | 31,697 | 50,435 |
| Pirelli & C. S.p.A. | n.s. | 171 | 185,393 |
| **Total** | | **144,184** | **494,526** |
| Other investments | | 285,638 | 184,047 |
| **Total** | | **429,822** | **678,573** |

*(1) Percentage calculated on the total voting share capital.*

The book value is adjusted to the stock exchange price on the last day of the year.

With reference to the composition of the AFS reserve (for the Group share and gross of the fiscal effects and the amount borne by Life policyholders under the shadow accounting technique) the gross amount, positive for €733m, refers to a positive component of €633m from debt securities and investment fund units and a positive component of €100m from equity securities.

With reference to the Group **impairment policy** relating to the AFS financial instruments, reference should be made to the accounting principles section.

Therefore for the purposes of the recognition of the reduction of value, the Group has defined the conditions for a prolonged and significant reduction of fair value, defined alternatively on the basis of:

1. A reduction of the market value above 50% of the original cost at the reporting date of the financial statements;
2. Market value continuously lower than the original book value for a period of three years.

The total reduction in value for impairment relating to AFS assets amounted to €56m (€188m at 31/12/2012) and is summarised in the following table:

| (€m) | 2013 | 2012 |
|---|---|---|
| SHARES | 48.4 | 173.6 |
| FUND UNITS | 7.9 | 14.6 |
| **TOTAL** | **56.3** | **188.2** |

As mentioned above, securities issued by corporate entities with a book value of €679m have been transferred from “Loans and receivables”, since there are no longer critical issues associated with the calculation of their fair value.

The account includes the new equity investment in the Bank of Italy. Please refer to what has already been discussed in the “Equity investments in the Bank of Italy” paragraph in the Directors’ Report for information on the relative accounting treatment.

## 4.6 Financial assets at fair value through profit or loss

The breakdown is as follows:

| (in €K) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Equity securities | 59,156 | 50,000 | 9,156 |
| Fund units | 1,770,036 | 1,104,362 | 665,674 |
| Debt securities | 3,598,935 | 5,153,874 | (1,554,939) |
| Other financial investments | 112,330 | 131,083 | (18,753) |
| **TOTAL** | **5,540,457** | **6,439,319** | **(898,862)** |

The account includes financial assets designated at fair value through profit or loss of €5,463,243k (€6,381,299k at 31/12/2012) and investments where the risk is borne by the life insurance policyholders and from pension fund management for €5,429m (€6,335m at 31/12/2012).

The fair value of financial instruments traded on regulated markets is determined with the reference to the stock exchange prices recorded at the end of the final trading day of the year; it is also recalled that, in the case where the market price is not available, the reference price is the price available from the intermediaries.

## FAIR VALUE MEASUREMENT - IFRS 13

Regulation No. 1255/2012 endorsed IFRS 13 - *Fair value measurement*, which became effective on 1 January 2013. IFRS 13, which is applied prospectively, did not expand the area of application of fair value measurements; rather, it explains how to measure the fair value of financial instruments and non-financial assets and liabilities when such measurement is required or permitted under other IFRSs.

In 2013, the companies consolidated by Fondiaria-Sai complied with the requirements set forth under the new IFRS 13 on Fair value measurement. This standard:

a) defines fair value;
b) sets out in a single IFRS a framework for measuring fair value; and
c) 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 between market participants at the measurement date under current market conditions (i.e. the exit price).

Fair value is a market-based measurement, not an entity-specific measurement. As such, the measurements must be based on the primary assumptions and models used by market participants, including assumptions regarding the risk of the asset or liability being measured.
When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The fair value hierarchy defined in IFRS 13 is based on the observability of the inputs used in the fair value measurement techniques.

Section 4 of Accounting policies sets forth the fair value measurement methods and criteria adopted by the companies consolidated by Fondiaria-SAI.

## Fair value measurement on a recurring basis

The table below shows a comparison between the assets and liabilities measured at fair value at 31 December 2013 and 31 December 2012, broken down based on fair value hierarchy level.

Assets and liabilities measured at fair value on a recurring basis and on a non-recurring basis: breakdown by fair value levels

| (€m) | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Assets and liabilities measured at fair value on a recurring basis** | | | | | | | | |
| AFS financial assets | 21,918,020 | 20,207,157 | 26,492 | 21,657 | 625,019 | 619,227 | 22,569,531 | 20,848,041 |
| Financial assets at fair value through profit or loss: | | | | | | | | |
| Financial assets held for trading | 74,805 | 57,527 | - | 9 | 2,409 | 484 | 77,214 | 58,020 |
| Financial assets designated at fair value through profit or loss | 2,472,605 | 1,844,642 | 1,110,750 | 2,200,526 | 1,879,888 | 2,336,131 | 5,463,243 | 6,381,299 |
| Investment property | - | - | - | - | - | - | - | - |
| Property, plant and equipment | - | - | - | - | - | - | - | - |
| Intangible assets | - | - | - | - | - | - | - | - |
| **Total assets measured at fair value on a recurring basis** | **24,465,430** | **22,109,326** | **1,137,242** | **2,222,192** | **2,507,316** | **2,955,842** | **28,109,988** | **27,287,360** |
| Financial liabilities at fair value through profit or loss: | | | | | | | | |
| Financial liabilities held for trading | - | - | 113 | 511 | - | - | 113 | 511 |
| Financial liabilities designated at fair value through profit or loss | - | - | 554,116 | 568,064 | - | - | 554,116 | 568,064 |
| **Total liabilities measured at fair value on a recurring basis** | **-** | **-** | **554,229** | **568,575** | **-** | **-** | **554,229** | **568,575** |
| **Assets and liabilities measured at fair value on a non-recurring basis** | | | | | | | | |
| Non-current assets or disposal groups classified as held for sale | - | - | - | - | - | - | - | - |
| Liabilities of a disposal group held for sale | - | - | - | - | - | - | - | |

Financial instruments classified in level 3 at 31 December 2013 total €2,507.3m.
The details of changes in level 3 financial assets and liabilities in the same period are provided below.

Detail of changes in level 3 assets and liabilities measured at fair value on a recurring basis

| (€m) | AFS 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 | |
|---|---|---|---|---|---|---|---|---|
| | | Financial assets held for trading | Financial assets designated at fair value through profit or loss | | | | Financial liabilities held for trading | Financial liabilities designated at fair value through profit or loss |
| **Opening balance** | **619,227** | **484** | **2,336,131** | - | - | - | - | - |
| Acquisitions/Issues | 219,628 | 695 | 206,655 | - | - | - | - | - |
| Sales/Repurchases | (170,312) | (790) | (579,307) | - | - | - | - | - |
| Reimbursements | (20,014) | - | (20,328) | - | - | - | - | - |
| Gains or losses recognised through profit or loss | (20,362) | 981 | (71,281) | - | - | - | - | - |
| - of which valuation gains/losses | (20,362) | 985 | (71,740) | - | - | - | - | - |
| Gains or losses recognised in other comprehensive income statement items | (12,232) | - | 460 | - | - | - | - | - |
| Transfers to level 3 | - | 1,039 | 3,984 | - | - | - | - | - |
| Transfers to other levels | - | - | - | - | - | - | - | - |
| Other changes | 9,084 | - | 3,574 | - | - | - | - | - |
| **Closing balance** | **625,019** | **2,409** | **1,879,888** | - | - | - | - | - |

Transfers from level 1 to level 2 during the reference period are not significant.

### Fair value measurement on a non-recurring basis

IFRS 13 also governs the fair value measurement and disclosure for assets and liabilities not measured at fair value on a recurring basis.

The fair value of these assets and liabilities is measured only to comply with market disclosure requirements. Furthermore, since these assets and liabilities are not typically traded, their fair value is largely based on the use of internal parameters that cannot be directly observed in the market, with the sole exception of listed securities classified as Investments held to maturity.

Assets and liabilities not measured at fair value: breakdown by fair value levels

| (€m) | Book value | | Fair value | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Level 1 | | Level 2 | | Level 3 | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Assets** | | | | | | | | | | |
| Investments held to maturity | 627,320 | - | 566,322 | - | 86,136 | - | 1,486 | - | 653,944 | - |
| Loans and receivables | 2,854,960 | - | | - | 1,793,539 | - | 56,929 | - | 1,850,468 | - |
| Investments in subsidiaries, associates and joint ventures | 159,402 | - | - | - | - | - | 159,402 | - | 159,402 | - |
| Investment property | 2,064,924 | - | - | - | - | - | 2,638,579 | - | 2,638,579 | - |
| Property, plant and equipment | 384,589 | - | - | - | - | - | 532,147 | - | 532,147 | - |
| **Total assets** | **6,091,195** | **-** | **566,322** | **-** | **1,879,676** | **-** | **3,388,543** | **-** | **5,834,541** | **-** |
| **Liabilities** | | | | | | | | | | |
| Other financial liabilities | 1,694,084 | - | - | - | - | - | 1,694,084 | - | 1,694,084 | - |

## DISCLOSURE ON SOVEREIGN DEBT

The table below provides details on sovereign debt exposures, i.e. bonds issued by central and local governments and government entities as well as loans granted to the same, held by the companies consolidated by Fondiaria-SAI at 31 December 2013.

| (€m) | Par value | Book value | Market value |
|---|---|---|---|
| **Italy** | **19,662.7** | **19,790.6** | **19,815.6** |
| Financial assets at fair value through profit or loss | 502.2 | 531.8 | 531.5 |
| AFS financial assets | 17,431.9 | 17,531.7 | 17,450.7 |
| Loans and receivables | 1,530.0 | 1,523.4 | 1,617.2 |
| Investments held to maturity | 198.6 | 203.7 | 216.2 |
| **Spain** | **89.4** | **87.7** | **86.2** |
| Financial assets at fair value through profit or loss | 13.9 | 14.4 | 14.4 |
| AFS financial assets | 75.5 | 73.3 | 71.8 |
| **France** | **88.1** | **88.1** | **88.1** |
| Financial assets at fair value through profit or loss | 18.6 | 18.9 | 18.9 |
| AFS financial assets | 69.5 | 69.3 | 69.3 |
| **Germany** | **86.8** | **89.0** | **89.0** |
| Financial assets at fair value through profit or loss | 8.8 | 9.0 | 9.0 |
| AFS financial assets | 78.1 | 79.9 | 79.9 |
| **Serbia** | **36.0** | **34.9** | **34.9** |
| Financial assets at fair value through profit or loss | 21.5 | 20.9 | 20.9 |
| AFS financial assets | 2.0 | 1.9 | 1.9 |
| Loans and receivables | 12.5 | 12.2 | 12.2 |
| **Belgium** | **33.8** | **34.8** | **34.7** |
| Financial assets at fair value through profit or loss | 0.8 | 0.8 | 0.8 |
| AFS financial assets | 33.1 | 34.0 | 34.0 |
| **Ireland** | 15.0 | 17.1 | 16.1 |
| AFS financial assets | 15.0 | 17.1 | 16.1 |
| **Portugal** | **14.0** | **13.8** | **13.6** |
| AFS financial assets | 14.0 | 13.8 | 13.6 |
| **The Netherlands** | **13.9** | **14.3** | **14.3** |
| Financial assets at fair value through profit or loss | 2.1 | 2.2 | 2.2 |
| AFS financial assets | 11.8 | 12.1 | 12.1 |
| **United States** | **12.2** | **11.5** | **11.5** |
| Financial assets at fair value through profit or loss | 7.0 | 7.2 | 7.2 |
| AFS financial assets | 5.2 | 4.2 | 4.2 |
| **Austria** | 11.6 | 12.9 | 12.9 |
| Financial assets at fair value through profit or loss | 0.1 | 0.1 | 0.1 |
| AFS financial assets | 11.5 | 12.8 | 12.8 |
| **Great Britain** | **3.3** | **3.5** | **3.5** |
| Financial assets at fair value through profit or loss | 3.3 | 3.5 | 3.5 |
| **Other Countries (*)** | **42.0** | **43.7** | **43.4** |
| Financial assets at fair value through profit or loss | 6.0 | 6.2 | 6.2 |
| AFS financial assets | 36.0 | 37.5 | 37.1 |
| **Total** | **20,108.9** | **20,241.8** | **20,263.8** |

*(*) Finland, Switzerland, Mexico, Hungary, Canada*

At 31 December 2013, the book value of sovereign debt exposures is €20,242m (€18,332m at 31/12/2012), 97.8% of which consists of Italian government bonds (97.2% at 31/12/2012).

# FINANCIAL DERIVATIVES

The Group makes a limited use of derivative financial instruments. In fact the characteristics and the nature of insurance activity requires that the use of derivative financial instruments be regulated in accordance with Supervisory Authority Regulation No. 36/2011. On 31 January 2011, IVASS issued Regulation No. 36 concerning guidelines about investments, including derivative instruments and structured securities and also repealed, among other provisions, 297/1996.

In particular, Regulation No. 36 recalls that operations in derivative financial instruments with the purpose of efficient management must be limited within a tolerable level of the available solvency margin. Group operations in derivative financial instruments have the principal purpose to hedge against the price risk on equity securities (equity risk) through the use of options designated as fair value hedging instruments and to hedge the risks deriving from changes in interest rates on bank loans through the use of Interest Rate Swap contracts designated as cash flow hedge instruments.

## OPEN POSITIONS

### Fair value hedging instruments

**Interest Rate Swaps**
At 31 December 2013, the Group held through the 100% subsidiary BancaSai S.p.A. IRS interest risk hedge contracts deriving from fixed interest rate commitments to clients for a total notional amount of €25m. The valuation at 31 December 2013 of IRS hedges corresponds to a negative fair value of approx. €340k (€912k negative fair value at 31/12/2012).

The principal contractual conditions of the IRS are illustrated below:

| (in €K) | | | | | Fair value | |
|---|---|---|---|---|---|---|
| **Company** | **Notional** | **Expiry** | **Fixed rate %** | **Floating rate** | **31/12/2013** | **31/12/2012** |
| BancaSai | 25,000 | 2-Feb-14 | 3.050 | Euribor 6 m Act/360 | (340) | (912) |
| **Total** | **25,000** | | | | **(340)** | **(912)** |

## Cash Flow hedging instruments

### Interest Rate Swaps

Against cash flow hedges, on 31 December 2013, the Group held Interest Rate Swaps (IRS) to manage the risks deriving from changes in interest rates on the debt exposure with banks, converting a part of these loans from a variable interest rate to a fixed interest rate.
Of these, three hedges on the subordinated loan of €400m stipulated by Fondiaria-SAI expired on 23 July 2013, so the notional value of these instruments currently totals €725m (€1,125m at 31/12/2012).
The fair value of the IRS designated as Cash Flow Hedges at 31 December 2013 amounts to a liability of €44m (liability of €72m at 31/12/2012). The shareholders' equity reserve which includes a negative fair value of the hedge instruments at 31 December 2013, net of the share of non-controlling interests and the tax effect, was negative and amounts to €28m (negative reserve of €47m at 31/12/2012).

The principal contractual conditions of these IRS are illustrated below:

| (in €K) | | | | | **Fair value** | |
|---|---|---|---|---|---|---|
| **Company** | **Notional** | **Expiry** | **Fixed rate %** | **Floating rate** | **31/12/2013** | **31/12/2012** |
| Fondiaria-SAI | - | expired | - | - | - | (3,953) |
| Fondiaria-SAI | - | expired | - | - | - | (1,954) |
| Fondiaria-SAI | - | expired | - | - | - | (1,987) |
| Fondiaria-SAI | 150,000 | 14-Jul-16 | 3.180 | Euribor 6 m Act/360 | (9,636) | (13,908) |
| Fondiaria-SAI | 100,000 | 30-Dec-15 | 3.080 | Euribor 6 m Act/360 | (5,110) | (7,796) |
| Fondiaria-SAI | 100,000 | 14-Jul-18 | 3.309 | Euribor 6 m Act/360 | (9,706) | (13,360) |
| Fondiaria-SAI | 150,000 | 14-Jul-18 | 2.145 | Euribor 6 m Act/360 | (6,753) | (10,483) |
| Milano Ass.ni | 50,000 | 14-Jul-16 | 3.180 | Euribor 6 m Act/360 | (3,254) | (4,637) |
| Milano Ass.ni | 100,000 | 14-Jul-18 | 2.350 | Euribor 6 m Act/360 | (5,352) | (8,111) |
| Tikal | 25,000 | 30-Dec-16 | 3.185 | Euribor 6 m Act/360 | (1,805) | (2,399) |
| Tikal | 30,000 | 30-Dec-16 | 3.140 | Euribor 6 m Act/360 | (2,126) | (2,829) |
| Marina di Loano | 20,000 | 31-Mar-14 | 2.550 | Euribor 3m 30/360 | (113) | (510) |
| **Total** | **725,000** | | | | **(43,855)** | **(71,927)** |

## CLOSED POSITIONS

### Fair value hedging instruments

In the course of 2013, Fondiaria-SAI and Milano Assicurazioni closed all put/call options designated to hedge strategic risks as set forth in the attached statements:

(in €K)

| Derivative Purchase put-sale call equity hedge | Number Options | Number Options | Company | Assets for Hedging derivatives | | Liabilities for Hedging derivatives | | Total adjustment in the carrying value of the AFS equities hedged | |
|---|---|---|---|---|---|---|---|---|---|
| | 31/12/2013 | 31/12/2012 | | 31/12/2013 | 31/12/2012 | 31/12/2013 | 31/12/2012 | 31/12/2013 | 31/12/2012 |
| Pirelli & C. ord. (Non-Life) | - | 19,867,831 | Fondiaria-SAI | - | 2,671 | - | - | - | (2,671) |
| Unicredit (Non-Life) | - | 3,595,302 | Fondiaria-SAI | - | 2,852 | - | - | - | (2,852) |
| Mediobanca (Non-Life) | - | 3,931,000 | Fondiaria-SAI | - | - | - | 1,268 | - | 1,268 |
| Mediobanca (Life) | - | 5,974,500 | Fondiaria-SAI | - | - | - | 1,213 | - | 1,213 |
| Unicredit (Non-Life) | - | 6,455,262 | Milano Assicurazioni | - | - | - | 889 | - | 889 |
| Unicredit (Life) | - | 3,882 | Milano Assicurazioni | - | 6 | - | - | - | (6) |
| **Total** | | | | | **5,529** | **-** | **3,370** | **-** | **(2,159)** |

**FONDIARIA-SAI**

(in €K)

| | Quantity | Gains realised on options | Losses realised on options | Net gains/losses realised on sale of underlying asset | Valuation gains/losses already recognised in the Income Statement |
|---|---|---|---|---|---|
| UNICREDIT (Non-Life): | | | | | |
| Underlying asset | 3,595,302 | - | - | 643 | - |
| Options | | 58 | (39) | - | - |
| PIRELLI & C. ord. (Non-Life): | | | | | |
| Underlying asset | 21,105,413 | - | - | 29,671 | 8,530 |
| Options | | 15,213 | (51,243) | - | - |
| MEDIOBANCA (Life): | | | | | |
| Underlying asset | 5,974,500 | - | - | 7,233 | (3,474) |
| Options | | 5 | (10,387) | - | 6,139 |
| MEDIOBANCA (Non-Life): | | | | | |
| Underlying asset | 21,079,771 | - | - | 32,604 | (12,146) |
| Options | | 551 | (4,846) | - | 2,518 |
| **Valuation gains/losses already recognised in the Income Statement** | **-** | **-** | **-** | **-** | **1,567** |
| **Result from sale of underlying asset** | **-** | **-** | **-** | **70,151** | **-** |
| **Result from closure of options** | **-** | **15,827** | **(66,515)** | **-** | **-** |

**MILANO ASSICURAZIONI**

(in €K)

| | Quantity | Gains realised on options | Losses realised on options | Net gains/losses realised on sale of underlying asset | Valuation gains/losses already recognised in the Income Statement |
|---|---|---|---|---|---|
| UNICREDIT (Non-Life): | | | | | |
| Underlying asset | 6,455,262 | - | - | 4,714 | - |
| Options | - | 3,302 | (3,611) | - | - |
| UNICREDIT (Life): | | | | | |
| Underlying asset | 3,882 | - | - | 9 | - |
| Options | - | - | (6) | - | - |
| PIRELLI & C. ord. (Non-Life): | | | | | |
| Underlying asset | 53,939 | - | - | 219 | (43) |
| Options | - | 39 | (4) | - | - |
| **Valuation gains/losses already recognised in the Income Statement** | **-** | **-** | **-** | **-** | **(43)** |
| **Result from sale of underlying asset** | **-** | **-** | **-** | **4,942** | **-** |
| **Result from closure of options** | **-** | **3,341** | **(3,621)** | **-** | **-** |

## Hedging derivatives

### Interest Rate Swaps

(in €K)

| Notional | Expiry | Counterparty | Fixed rate % | Floating rate | Negative spreads 2013 |
|---|---|---|---|---|---|
| 200,000 | 23-Jul-13 | Mediobanca | 3.970 | Euribor 6 m Act/360 | (4,027) |
| 100,000 | 23-Jul-13 | Mediobanca | 3.990 | Euribor 6 m Act/360 | (2,025) |
| 100,000 | 23-Jul-13 | Mediobanca | 3.930 | Euribor 6 m Act/360 | (1,991) |
| **400,000** | | | | | **(8,043)** |

## Fondiaria-SAI derivatives for efficient management

### Sale of call options on Mediobanca shares

Options closed before expiry

- Call option sale agreements were entered into in 2013 on 3,000,000 shares with a strike price of 5.50 for which the options were closed before the expiry with a realised gain of €403k, and on 4,000,000 shares with a strike price of 5.70, which were closed with a realised gain of €296k.

Options abandoned by the counterparty

- In 2013 call option sale agreements were entered into on 1,000,000 shares with a strike price of 6.00 which were abandoned by the counterparty, on 3,000,000 shares with a strike price of 6.60 and on 1,000,000 shares with a strike price of 6.70, and the premiums collected, amounting to €182k, €115k and €43k, respectively, were accounted for as realised gains.

**Acquisition of put options on Mediobanca shares**

- Put option acquisition agreements were entered into on 32,700,000 Mediobanca shares in 2013. The options were closed before expiry and resulted in a realised loss of €5,501k and a realised gain of €1,535k.

**Sale of call options on Carrefour shares**

- In 2013 call option sale agreements were entered into on 79,000 Carrefour shares with a strike price of 28. The 50,000 options sold and, at expiry, abandoned by the counterparty, resulted in a realised gain of €41k. The premium of €24k collected on the 29,000 options sold and exercised by the counterparty on expiry was accounted for as an increase in revenue from the sale of the underlying shares, with a realised gain of €141k.

**Sale of call options on Bnp Paribas shares**

- In 2013 call option sale agreements were entered into on 20,000 Bnp Paribas shares with a strike price of 48. The premium of €56k collected on the options, which were exercised by the counterparty on expiry, was accounted for as an increase in revenue from the sale of the underlying shares, with a realised loss of €4k.

## Milano Assicurazioni derivatives for efficient management

**Sale of call options on Mediobanca shares**

- In 2013, call option sale agreements were entered into on 1,600,000 shares with a strike price of 6.70 which were abandoned by the counterparty on expiry. The premium collected, amounting to €60k, was accounted for as a realised gain.

**Acquisition of put options on Mediobanca shares**

- Put option acquisition agreements were entered into on 4,600,000 Mediobanca shares in 2013. The options were closed before expiry and resulted in a realised loss of €906k.

**Sale of call options on Carrefour shares**

- In 2013 call option sale agreements were entered into on 118,000 Carrefour shares with a strike price of 28. The premium of €98k collected on the options, which were exercised by the counterparty on expiry, was accounted for as an increase in revenue from the sale of the underlying shares, with a realised gain of €350k.

**Sale of call options on Bnp Paribas shares**

- In 2013 call option sale agreements were entered into on 29,000 Bnp Paribas shares with a strike price of 48. The premium of €82k collected on the options, which were exercised by the counterparty on expiry, was accounted for as an increase in revenue from the sale of the underlying shares, with a realised gain of €44k.

## 5. OTHER RECEIVABLES

The breakdown of the account is as follows:

| (in €K) | **31/12/2013** | **31/12/2012** | **IFRS 5** | **Change** |
|---|---|---|---|---|
| Receivables from direct insurance operations | 1,081,730 | 1,322,826 | (26,472) | (214,624) |
| Receivables from reinsurance operations | 98,421 | 62,750 | - | 33,671 |
| Other receivables | 720,750 | 703,419 | (13) | 17,344 |
| **TOTAL** | **1,900,901** | **2,090,995** | **(26,485)** | **(163,609)** |

It is estimated that the book value of trade and other receivables approximates their fair value. Trade receivables are non-interest bearing and are generally due within 90 days.
The net balance of the taxes on sales is generally non-interest bearing and settled with the relevant Tax Authorities on a monthly basis.

The table below sets forth the breakdown of the **receivables from direct insurance operations**:

| (in €K) | **31/12/2013** | **31/12/2012** | **IFRS 5** | **Change** |
|---|---|---|---|---|
| Receivables from policyholders for premiums in the year | 550,359 | 639,299 | - | (88,940) |
| Receivables from policyholders for premiums in previous years | 14,207 | 11,429 | - | 2,778 |
| Receivables from insurance intermediaries | 366,059 | 441,273 | (26,472) | (48,742) |
| Receivables from insurance companies | 49,293 | 111,961 | - | (62,668) |
| Amounts to be recovered from policyholders & third parties | 101,812 | 118,864 | - | (17,052) |
| **TOTAL** | **1,081,730** | **1,322,826** | **(26,472)** | **(214,624)** |

With reference to receivables from policyholders for premiums, agents and other intermediaries, as well as insurance and reinsurance companies, there are no significant concentrations of credit risk, as the credit exposure is divided among a large number of counterparties and clients.

The **receivables from reinsurance operations** include €98,254k (€64,022k in 2012) of receivables from insurance and reinsurance companies for reinsurance operations and €167k (€728k in 2012) from reinsurance intermediaries. During the year no significant write-downs were made on reinsurance assets.

The account **other receivables** amounts to €720.8m compared to €703.4m at 31 December 2012.
The other receivables include trade receivables of €62,603k, principally comprising receivables from customers (€77,192k at 31/12/2012), as well as receivables from Tax Authorities of €339,825k for reimbursements requested, VAT receivables and payments on account for tax on insurance as per Decree Law 282/04 (€309,801k at 31/12/2012).

The account includes amounts due from the former related parties Im.Co. and Sinergia (as well as their subsidiaries) totalling €86.2m. These receivables are presented net of total impairment of roughly €145m previously recognised in 2011 and 2012, also as a result of the judgment declaring the bankruptcy of Im.Co., Sinergia and Europrogetti in June 2012.
No further write-downs were recognised at 31 December 2013.

Other receivables also include €47,300k against cash collateral as guarantee of market losses on all derivatives in place (Credit Support Annex), as follows: Royal Bank of Scotland €18,530k, Unicredit €13,590k, JP Morgan €280k, Unione di Banche Svizzere €8,660k and Mediobanca €6,240k.

The account also includes receivables from the sale of the property in Località Castel Giubileo in Rome for €7,000k and €14,000k of receivables from Carlyle Real Estate SGR S.p.A. which represents the residual price still to be received for the sale of the office building at Piazza S. Maria Beltrade No. 1 in Milan, in addition to related interest.

## 6. OTHER ASSETS

The total amount of the account is €1,423,539k (€1,534,590k in 2012) and it decreased by €289,182k compared to the previous year, not considering the effects of the application of IFRS 5.

These include:

| (in €K) | 31/12/2013 | 31/12/2012 | IFRS 5 | Change |
|---|---|---|---|---|
| Non-current assets or disposal groups classified as held for sale | 203,755 | 3,335 | 181,199 | 19,221 |
| Deferred acquisition costs | 63,282 | 52,250 | (488) | 11,520 |
| Deferred tax assets | 695,244 | 954,429 | - | (259,185) |
| Current tax assets | 217,054 | 299,485 | - | (82,431) |
| Other assets | 244,204 | 225,091 | (2,580) | 21,693 |
| **TOTAL** | **1,423,539** | **1,534,590** | **178,131** | **(289,182)** |

## 6.1 Non-current assets or disposal groups classified as held for sale

At 31 December 2013, assets held for sale amount to €203,755k (€3,335k at 31/12/2012) and include the following:

The account comprises:

- €181.2m for assets held for sale, identified as part of the insurance asset portfolio to be disposed of in compliance with the provisions of the Antitrust Authority of 19 June 2012. The details are provided in Part E - Information on business combinations and assets sold or discontinued;

- €15.8m relating to the property located in Milan at Via Boezio 20 and part of the property located in Moncalieri at Piazza Emanuele 8 held by Fondiaria-SAI S.p.A., for which the preliminary sale agreements were stipulated;

- €3.4m relating to the assets of the subsidiary Saint George Capital Management S.A., considering the Group's exit from the initiative;

- €3.4m relating to the property located in Grugliasco (TO) at Via Grandi 2, held by the subsidiary Auto Presto&Bene, for which activities to identify potential buyers are currently in progress.

## 6.2 Deferred acquisition costs

Deferred acquisition costs, amounting to €63,282k (€52,250k at 31/12/2012), principally refer to the acquisition commissions to be amortised on the long-term contracts in the Non-Life and Life insurance sectors relating to the traditional insurance companies. These amounts are deferred and amortised, for the Non-Life classes, on a straight-line basis over three years, while for the Life Classes, up to the respective loadings, on the basis of the relative contracts, and in any event for a period not greater than ten years.

In accordance with IFRS 4.IG39 the table below shows the changes in these costs in the year:

| | 31/12/2013 | | | |
|---|---|---|---|---|
| (in €K) | **Non-Life** | **Life** | **Total** | **31/12/2012** |
| Balance at beginning of year | 19,311 | 32,939 | 52,250 | 30,301 |
| Increases in the year | 26,752 | 13,052 | 39,804 | 41,941 |
| Amortisation in the year (-) | (18,401) | (9,883) | (28,284) | (19,992) |
| Impairment recorded in the year (-) | - | - | - | - |
| Other changes (IFRS 5) | (488) | - | (488) | - |
| **Balance at year end** | **27,174** | **36,108** | **63,282** | **52,250** |

## 6.3 Deferred tax assets

Deferred tax assets amount to €695,244k (€954,429k in 2012) and are calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the financial statements and the respective tax value according to the "balance sheet liability method" as per IAS 12 in relation to the probability of their recovery related to the capacity to generate assessable taxable income in the future.
The balance at year end takes into account the compensation made, by each of the Group companies, with the corresponding deferred tax liabilities, in accordance with IAS 12.

The breakdown of deferred tax assets at the end of the year is shown below:

(in €K)

| | |
|---|---|
| Tax loss | 132,985 |
| Goodwill and other intangible assets | 275,159 |
| Write-down of receivables from policyholders for premiums | 117,869 |
| Write-down of other receivables | 51,487 |
| Technical provisions | 268,604 |
| Property and investment property | 169,466 |
| Provisions, contingent liabilities and contingent assets | 68,319 |
| Financial instruments | 55,528 |
| Other temporary changes | 129,047 |
| Offsetting IAS 12 | (573,220) |
| **Total** | **695,244** |

It is highlighted that Decree Law 98/2011 amended Article 84 of the Consolidated Income Tax Act establishing the possibility to carry forward tax losses indefinitely. This change, together with the reasonable possibility to recover the losses, permits the recognition of the deferred assets.

## 6.4 Current tax assets

Current tax assets, amounting to €217,054k (€299,485k at 31/12/2012), refer to the tax receivables for payments on account, withholding taxes and income tax receivables.
The account also includes the amounts paid as advance pursuant to Article 1, paragraph 2 of Decree Law 209/02, converted by Article 1 of Law 265/2002, as supplemented, in accordance with ISVAP Regulation No. 7/2007, as not within the scope of IAS 12.

The balance at year end is net of the tax liabilities for the current fiscal year in accordance with the legal right to offset these amounts with the amount recorded by the individual companies and by Fondiaria-SAI on behalf of the companies which, as they are included in the tax consolidation, settle the IRES income taxes jointly.
The account does not include the amount related to tax receivables classified as "Other receivables" for miscellaneous tax receivables requested as a tax reimbursement.

### 6.5 Other assets

The other assets amount to €244,204k (€225,091k at 31/12/2012) and comprise:

| (in €K) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Transitory reinsurance accounts | 3,911 | 3,528 | 383 |
| Deferred commission expenses for Life investment management services | 36 | 55 | (19) |
| Actuarial provision tax on account as per Decree Law No. 209/03 | 61,928 | 68,242 | (6,314) |
| Indemnities paid not applied | 25,608 | 24,022 | 1,586 |
| Other assets | 152,721 | 129,244 | 23,477 |
| **TOTAL** | **244,204** | **225,091** | **19,113** |

## 7. CASH AND CASH EQUIVALENTS

The account amounts to €598,630k (€560,228k at 31/12/2012).
The reclassification pursuant to IFRS 5 amounts to €20,726k.

It includes the liquidity held by the Group and deposits and bank current accounts with maturity of less than 15 days. They include highly liquid assets (cash and deposits on demand), cash equivalents and short-term financial investments, readily convertible into cash amounts and which are not subject to changes in value.
The book value of these assets closely approximates their fair value. The deposits and bank accounts are remunerated at fixed or variable interest rates which mature and/or are credited on a quarterly basis or in relation to the lesser duration of the restrictions on the deposits.

# Balance Sheet – Shareholders' Equity & Liabilities

## 1. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity, amounting to €3,226,481k, includes the result for the year and of non-controlling interests, and increased by €463,807k compared to 2012.

The table below sets forth the changes in the year:

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| **Shareholders' Equity attributable to the Group** | **2,510,290** | **2,115,707** | 394,583 |
| Share capital | 1,194,573 | 1,194,573 | - |
| Other equity instruments | - | - | - |
| Capital reserves | 198,876 | 669,626 | (470,750) |
| Retained earnings and other equity reserves | 613,383 | 898,822 | (285,439) |
| *Treasury shares* | *(68,197)* | *(68,197)* | - |
| Reserve for currency translation differences | (68,785) | (65,970) | (2,815) |
| Gains or losses on AFS financial assets | 284,884 | 257,597 | 27,287 |
| Other gains and losses recorded directly in equity | 25,762 | (21,027) | 46,789 |
| Profit (loss) for the year attributable to the Group | 329,794 | (749,717) | 1,079,511 |
| **Shareholders' Equity attributable to non-controlling interests** | **716,191** | **646,967** | **69,224** |
| Non-controlling interest capital and reserves | 574,487 | 673,611 | (99,124) |
| Gains and losses recorded directly in equity | 54,944 | 23,236 | 31,708 |
| Profit (loss) for the year attributable to non-controlling interests | 86,760 | (49,880) | 136,640 |
| **TOTAL** | **3,226,481** | **2,762,674** | **463,807** |

Reference should be made to the consolidated statement of changes in shareholders' equity.

The disclosures required by IAS 1.79 are provided below:

| | Ordinary 31/12/2013 | Savings Class A 31/12/2013 | Savings Class B 31/12/2013 | Ordinary 31/12/2012 | Savings Class A 31/12/2012 | Savings Class B 31/12/2012 |
|---|---|---|---|---|---|---|
| **Number of shares issued** | 920,565,922 | 1,276,836 | 321,762,672 | 920,565,922 | 1,276,836 | 321,762,672 |

| Changes in shares outstanding | Ordinary | Savings Class A | Savings Class B | Total |
|---|---|---|---|---|
| Shares existing at 1/1/2013 | 920,565,922 | 1,276,836 | 321,762,672 | 1,243,605,430 |
| Treasury shares (-) | 143,825 | - | - | 143,825 |
| Shares outstanding: balance at 1/1/2013 | 920,422,097 | 1,276,836 | 321,762,672 | 1,243,461,605 |
| Increases: | | | | |
| Share capital increase | - | - | - | - |
| Sale of treasury shares | - | - | - | - |
| Exercise of warrants | - | - | - | - |
| Decreases: | | | | |
| Purchase of treasury shares | - | - | - | - |
| Shares outstanding: balance at 31/12/2013 | 920,422,097 | 1,276,836 | 321,762,672 | 1,243,461,605 |

At 31 December 2013, the ordinary, Class A savings and Class B savings shares have no par value.

**Nature and purpose of the other reserves**
Retained earnings and other equity reserves include the other shareholders' equity reserves booked in the separate financial statements of Fondiaria-SAI, which in turn decreased to cover the loss from the previous year.

### 1.1.5 Treasury shares

The account amounts to €68.2m (€68.2m 31/12/2012). This account includes the carrying value of the equity instruments of Fondiaria-SAI for €64.4m while the residual amount refers to the positions held by the subsidiaries Milano Assicurazioni (€3.4m) and Sai Holding S.p.A. (€0.4m).
The account is negative in accordance with the provisions of IAS 32. Following the sale/purchases transactions during the year, no gains or losses were recognised in the income statement.

### 1.1.6 Reserve for currency translation differences

The balance is a negative amount of €68,785k (negative €65,970k at 31/12/2012) and includes the currency translation differences due to the conversion of the foreign subsidiaries' financial statements into Euro.

### 1.1.7 Gains or losses on AFS financial assets

The account is positive for €284,884k and includes the gains and losses deriving from the valuation of the AFS financial assets. The balance is presented net of the related deferred tax liability, both for the part attributable to the policyholders and allocated to the insurance liabilities. In particular the account includes a positive amount of €733m relating to the AFS financial instruments in portfolio and a negative amount of €338m relating to the application of the shadow accounting technique. The account also includes €110m (negative) relating to the tax effects of the two matters described above.

### 1.1.8 Other gains and losses recorded directly in equity

The account, amounting to €25.8m, includes €-28.5m related to gains or losses on cash flow hedging instruments, net of the related tax effect, in addition to €54.3m of reserves for the reversal of gains realised on investments in subsidiaries.
In fact, as illustrated in the accounting principles, the transactions concerning the shares of subsidiaries and which do not result in the loss or acquisition of control do not impact the result of the consolidated financial statements as they are considered as simple modifications in the ownership structure of the Group. The results in the segregated funds of the Life Insurance Sector are an exception to this treatment. The residual amount refers principally to actuarial losses due to the application of IAS 19.

## 1.2 Shareholders' equity attributable to non-controlling interests

Shareholders' equity attributable to non-controlling interests, including the result for the year, reports an increase of €69.2m due to the positive stock market price trends during 2013, reflected in the reserve for gains/losses on AFS financial assets attributable to non-controlling interests.

Reference should be made to the consolidated statement of changes in shareholders' equity.

## Reconciliation between the financial statements of Fondiaria-SAI and the Consolidated Financial Statements

The table below sets forth the reconciliation between the shareholders' equity and result for the year of Fondiaria-SAI S.p.A. and of the Group as per Consob Communication No. DEM 6064293.

| (in €K) | Result for the year | |
|---|---|---|
| | **31/12/13** | **31/12/12** |
| **Financial Statements of Fondiaria-SAI S.p.A. Italian GAAP** | **333,741** | **(722,724)** |
| *IAS 38 "Intangible assets"* | | |
| Goodwill | 15,366 | 15,366 |
| Other intangible assets | 14,262 | 12,458 |
| *IAS 16-40 "Property and investment property"* | | |
| Property | 2,298 | 26,177 |
| *IAS 19 "Employee Benefits"* | | |
| Post-employment and other employee benefits | (17) | 1,143 |
| *IAS 37 "Provisions, contingent liabilities and contingent assets"* | | |
| Risk provisions | 249 | (1,284) |
| *IAS 39 "Financial Instruments"* | | |
| Financial assets | (79,049) | (194,384) |
| Financial liabilities | (3,246) | (3,062) |
| *IFRS 4 "Insurance contracts"* | | |
| Equalisation and premium provisions | 6,066 | (68,847) |
| Actuarial provisions | (1,155) | (27,159) |
| Tax effect on IAS/IFRS adjustments | (25) | 83,874 |
| **Financial Statements of Fondiaria-SAI S.p.A. IAS/IFRS** | **288,490** | **(878,442)** |
| **Consolidation adjustments:** | | |
| Results of consolidated companies: | | |
| Line-by-line | 211,009 | 438,838 |
| Under the equity method | (126) | (11,583) |
| Application of group accounting principles, currency translation of financial statements and other | 27 | (14,911) |
| Amortisation VOBA/Goodwill impairment | (577) | (267,097) |
| Elimination of effects of intra-group transactions: | | |
| Intra-group dividends | (71,974) | (73,465) |
| Other intra-group transactions | (18,627) | 5,362 |
| Tax effects of the consolidation adjustments | 8,332 | 1,698 |
| **Consolidated Result as per IAS/IFRS** | **416,554** | **(799,600)** |
| **NON-CONTROLLING INTERESTS** | **(86,760)** | **49,880** |
| **Group Result as per IAS/IFRS** | **329,794** | **(749,720)** |

| (in €K) | Shareholders' Equity incl. result | |
|---|---|---|
| | **31/12/13** | **31/12/12** |
| **Financial Statements of Fondiaria-SAI S.p.A. Italian GAAP** | **1,627,333** | **2,350,057** |
| *IAS 38 "Intangible assets"* | | |
| Goodwill | 366,467 | 351,101 |
| Other intangible assets | (44,282) | (56,680) |
| *IAS 16-40 "Property and investment property"* | | |
| Property | (135,947) | (162,124) |
| *IAS 19 "Employee Benefits"* | | |
| Post-employment and other employee benefits | (29,561) | (31,200) |
| *IAS 37 "Provisions, contingent liabilities and contingent assets"* | | |
| Risk provisions | (4,528) | 1,998 |
| *IAS 39 "Financial Instruments"* | | |
| Financial assets | | |
| Available for sale | 494,485 | 260,930 |
| Fair value through profit or loss and other financial assets | 170,612 | 359,996 |
| Financial liabilities | (47,564) | (66,740) |
| *IFRS 4 "Insurance contracts"* | | |
| Equalisation and premium provisions | 49,889 | 118,736 |
| Actuarial provisions | (167,757) | 47,808 |
| Service component linked policies (IAS 18) | (206) | (206) |
| Tax effect on IAS/IFRS adjustments | (158,120) | (188,783) |
| **Financial Statements of Fondiaria-SAI S.p.A. IAS/IFRS** | **2,120,821** | **2,984,893** |
| **Consolidation adjustments:** | | |
| Difference between carrying value and shareholders' equity of the consolidated companies: | | |
| Line-by-line | 837,766 | 738,111 |
| Under the equity method | 3,523 | (10,536) |
| Elimination of effects of intra-group transactions: | | |
| Intra-group dividends | 1,807 | 1,616 |
| Other intra-group transactions | (138,303) | (146,169) |
| Application of group accounting principles | 44,325 | 60,880 |
| Effect of currency translation of financial statements | (2,815) | (9,198) |
| Tax effects of the consolidation adjustments | 11,000 | 10,871 |
| Elimination of treasury shares | (68,197) | (68,197) |
| **Consolidated Shareholders' Equity as per IAS/IFRS** | **2,809,927** | **3,562,271** |
| **NON-CONTROLLING INTERESTS** | **(629,431)** | **(696,847)** |
| **Group shareholders' equity as per IAS/IFRS** | **2,180,496** | **2,865,424** |

## 2. PROVISIONS

The account amounts to €316,899k (€271,877k at 31/12/2012) and comprises:

| (in €K) | 2013 | 2012 | IFRS 5 | Change |
|---|---|---|---|---|
| Provisions for taxes | 380 | 61 | - | 319 |
| Other provisions | 316,519 | 271,816 | (15,113) | 59,816 |
| **TOTAL** | **316,899** | **271,877** | **(15,113)** | **60,135** |

Other provisions include amounts for which uncertainty exists regarding the payment date or the amount of future expenses required to comply with the obligation. The movements in the year are shown below:

| (in €K) | Urbanisation charges | Claims other than taxes | Personnel charges | Non-recoverable amounts from intermediaries | Other charges | Total |
|---|---|---|---|---|---|---|
| **Book value at beginning of year** | **4,334** | **164,719** | **17,856** | **48,757** | **36,150** | **271,816** |
| Increases in the year | - | 6,180 | 76,615 | 861 | 27,037 | 110,693 |
| Utilisation in the year | - | (14,270) | (10,465) | (3,300) | (22,842) | (50,877) |
| Reclassifications | - | - | - | (15,113) | - | (15,113) |
| Changes for financial expenses matured or for changes in rates | - | - | - | - | - | - |
| **Book value at year end** | **4,334** | **156,629** | **84,006** | **31,205** | **40,345** | **316,519** |

With reference to the other provisions, further information is provided below.

### Disputes other than taxes

The provision includes the best possible estimates made by the Group to meet disputes with intermediaries, policyholders, personnel and third parties.
Total provisions are adequate with respect to the estimated charges resulting from all legal disputes in which the Group is involved. The estimate of the provisions was made with reference to past internal experience and technical evaluations made by the legal advisors of the Group.
For disputes in course it is considered that the time period for the payments is not such as to discount the amounts. The net effect in the income statement of the discounting made was a positive amount of €0.2m and results from the recalculation of the estimated timing for potential payments.

The provision also includes the amounts accrued in relation to the “Public Purchase Offer”, described in the Directors’ Report in the litigation section.

## Personnel charges

The provision includes probable liabilities which may arise from past employment services. In particular, the provision includes leaving incentive charges already formally agreed between the employee and management.
In this case, considering the limited time period for the financial payments it was not considered necessary to apply any discount to the amount.
The provision includes €72.6m for the expected expense due to voluntary participation by personnel in the "Solidarity Fund Access Plan" based on the provisions of the union agreement of 18 December 2013.

## Non-recoverable amounts from intermediaries

The provision includes the best estimate made for valuing the current charge deriving from possible liabilities consequent of the recharge, as per the agents' national contract, to the new intermediaries in the agency mandates which have expired.
The estimate of the charge was made following the discounting process of the indemnities matured by the agents of the Group at the reporting date. On this amount, the past experience of the Group determined the possible loss which was in turn discounted using a risk free interest rate curve as a financial assumption.

## Urbanisation charges

These charges represent the certain but estimated liability related to the urbanisation work to be completed, as well as the charges to be paid. The account refers to the subsidiary Immobiliare Lombarda S.p.A., operating in the real estate sector. There were no changes in the period.

## Other charges

These provisions are set aside for sundry events of insignificant amounts.

The provisions for risks and charges in the financial statements are sufficient to meet litigation in progress.

With reference to the provisions of IAS 37, the Group is not aware of any potential assets or liabilities of a significant size for which it is necessary to provide specific information, with the exception of the following.

## Castello Area

In relation to the criminal proceedings pending before the Court of Florence in which Fondiaria-SAI S.p.A. is involved for the offences pursuant to Articles 319 and 320 referred to in Articles 5 and 25 of Legislative Decree 231/2001 with regard to the urbanisation of the Castello area in the municipality of Florence, on 6 March 2013 the Court of Florence fully acquitted Fondiaria-SAI (as the facts were not proven) of all charges.

The Court also granted the release from seizure and the restitution of the Castello Area. The Company legal representatives therefore pursued the execution of the release from seizure by the legal police which occurred in November 2008. The Public Prosecutor's Office of Florence has challenged the Court judgment before the Court of Appeal.

The expert valuation of property pertaining to the Castello Area at 31 December 2013 was approximately €111.2m (€111.5m at 31/12/2012).
This amount is consistent with the scenario that construction can continue and, therefore, with the assumption of the operational continuity of the asset.

## Civil and criminal proceedings

On the reporting date, compensation applications have been submitted to the civil court (by two parties: the "Civil Cases") and the criminal court (in proceedings Gen. criminal records reg. 21713/13 and Gen. criminal records reg. 24630/2013, for a total of roughly 1,850 parties: the "Criminal Cases") by various investors who acquired shares of Fondiaria-SAI, Milano Assicurazioni and Premafin as well as by various "entities representing widespread interests".
In the Civil Cases, the plaintiffs in brief affirmed that they had acquired and subscribed Fondiaria-SAI shares as a result of inducement to do so by information contained in the prospectuses published by Fondiaria-SAI on 24 June 2011 and 12 July 2012 in relation to the rights issue based capital increases resolved upon by the company on 14 May 2011 - 22 June 2011 and on 19 March 2012, respectively.
UnipolSai (formerly Fondiaria-SAI) appeared before the court in both Civil Cases and disputed the plaintiffs' claims. The Civil Cases are in the introductory stage: the first hearing for one case was held on 4 March 2014, and the first hearing for the other case will be held on 11 November 2014.

There are currently two Criminal Cases pending:
(a) Criminal Case (Gen. criminal records reg. 21713/13) with a fast-track trial against defendants Salvatore Ligresti, Jonella Ligresti, A. Talarico, F. Marchionni and E. Erbetta;
(b) Criminal Case (Gen. criminal records reg. 24630/2013) with an ordinary trial against defendants Gioacchino Paolo Ligresti, P. G. Bedogni, F. Gismondi, G. Marino, M. Spadacini, A. D'Ambrosio, R. Ottaviani, A. Virgilio and UnipolSai (allegedly liable pursuant to Legislative Decree 231/2001).

On the reporting date, in the Criminal Cases approximately 1,850 parties had appeared before the court as civil claimants against the defendants and requested authorisation to summon UnipolSai as "civilly liable" for the offences with which the defendants are charged; in neither of the two Criminal Cases has it yet been authorised to summon UnipolSai as "civilly liable".
A preliminary and summary analysis of the records of the Criminal Cases shows that the parties appearing as civil claimants lodged compensation applications via which they affirmed, in brief: *(i)* in some cases that they were "*investors in securities of Fondiaria Sai*" and "*Milano Assicurazioni*" and "*injured parties*" in the Criminal Cases; *(ii)* in other cases, that they had acquired Fondiaria-SAI and Milano Assicurazioni shares because they were "induced" by the allegedly "misleading" Fondiaria-SAI 2010 financial statements; *(iii)* that they were entitled to compensation for damages, in many cases without quantifying such damages.

As mentioned above, UnipolSai Assicurazioni S.p.A., formerly Fondiaria-SAI S.p.A., is charged with the administrative offence set forth in Art. 25-sexies of Legislative Decree 231/2001 in relation to the crime of market manipulation with which the former Company management is charged in criminal proceedings gen. reg. no. 23858/13, pending before the Preliminary Investigations Judge at the Court of Turin.
As regards the criminal proceedings in question, during the investigation stage (on 10 August 2013) the Preliminary Investigations Judge issued the attachment order concerning assets up to the value of €251,600,000 against Salvatore, Jonella, Gioacchino Paolo and Giulia Maria Ligresti, Antonio Talarico, Emanuele Erbetta, Fausto Marchionni and the Company in relation to the charge pursuant to Art. 25-sexies of Legislative Decree 231/2001 in accordance with Articles 9 and 19 of Legislative Decree 231/2001.

On 12 September 2013 the Company requested a review of that measure from the Court of Turin, as it considered groundless and unfair both the precautionary measure and that it was possible to identify profit earned by the Company equal to the change in value of the security allegedly caused by stock manipulation.
The Court of review of Turin issued an order on 1 October 2013 accepting the request for review precisely due to the aspect claimed by the Company's defence team.
The Public Prosecutor's Office lodged an appeal before the Supreme Court against that measure on 10 October 2013. The hearing before the Supreme Court, Fifth Criminal Division, is set for 3 April 2014.

Moreover, at the recent preliminary hearing on 18 March 2014 as part of the proceedings of Gen. criminal records reg. 24630/13 against UnipolSai and G.P. Ligresti, P. Bedogni, F. Gismondi, M. Spadacini, B. Marino, A. D'Ambrosio, R. Ottaviani and A. Virgilio, the Preliminary Hearings Judge declared his own lack of jurisdiction in favour of the Court of Milan, only with respect to G.P. Ligresti, Bedogni, Gismondi and UnipolSai, since they were also (or only) charged with the crime of stock manipulation which, according to the Judge, would have allegedly taken place in the Lombard capital.
The cases of Marino, Spadacini, D'Ambrosio, Ottaviani and Virgilio concerning the crimes of false statements in financial reporting and false certification will instead remain at the Court of Turin. The former statutory auditors Marino, Spadacini and D'Ambrosio have already submitted a request for simplified and shortened proceedings, which will be decided upon at the hearing on 3 April 2014.
If the same decision is taken at the hearing of 10 April 2014 as part of the fast-track proceedings pending before the Court of Turin (Gen. criminal records reg. 21713/2013), and therefore if the cases of all defendants are transferred to the Milan Public Prosecutor's Office, the civil claimant appearances and the relative requests to summon UnipolSai as civilly liable will become null and void. In the proceedings under Gen. criminal records reg. 24630/13 this has already happened as the proceedings against G.P. Ligresti and Bedogni have been transferred to Milan.

On the basis of legal opinions and information obtained to date, it is not currently necessary to recognise provisions for risks and charges in relation to any requirement to pay compensation that could arise for UnipolSai in the hypothetical case that it were found guilty in the Civil and Criminal Cases.
In fact, on the basis of international accounting standards (IAS 37), a provision should be recognised for an obligation if "*it is probable (i.e. the event is more likely than not to occur) that an outflow of resources embodying economic benefits will be required to settle the obligation*" and, furthermore, if "*a reliable estimate can be made of the amount of the obligation*".

In the case in question, these conditions (IAS 37) are not satisfied due to multiple factors, which currently do not make it possible:

(i) to assess whether the risk that UnipolSai will be found guilty in the Civil and Criminal Cases should be deemed "probable" or "improbable";

(ii) to estimate with enough reliability the amount of any obligation of UnipolSai to pay compensation as a result of a hypothetical negative outcome in the Civil and Criminal Cases.

It is also not currently possible to assess any risk associated with the adoption of a new precautionary measure intended to seize the profit, which could arise if the Public Prosecutor's appeal before the Supreme Court is accepted.

## Consob sanction proceedings

In notices dated 19 April 2013, Consob initiated two separate sanction proceedings against Fondiaria-SAI and Milano Assicurazioni relating to charges concerning their respective 2010 consolidated financial statements.

Pursuant to Art. 187-septies, paragraph 1 of the Consolidated Finance Act, Consob charged Ms. Jonella Ligresti and Mr. Emanuele Erbetta, relating to the roles they held in Fondiaria-SAI at the time of the events, with the violation established in Art. 187-ter, paragraph 1 of the Consolidated Finance Act. Fondiaria-SAI is also charged with this violation as a party bearing joint and several liability; Fondiaria-SAI is also charged with the offence set forth in Art. 187-quinquies, paragraph 1, letter a), of the Consolidated Finance Act for the aforementioned violation of Art. 187-ter, paragraph 1 of the Consolidated Finance Act by Ms. Jonella Ligresti and Mr. Emanuele Erbetta, acting in the abovementioned capacities.

Consob also made the same charge against Milano Assicurazioni. In this regard, pursuant to Art. 187-septies, paragraph 1 of the Consolidated Finance Act, the Commission charged Mr. Emanuele Erbetta, for the role he held in the subsidiary at the time of the events, with the violation established in Art. 187-ter, paragraph 1 of the Consolidated Finance Act.

Milano Assicurazioni is also charged with this violation as a party bearing joint and several liability; Milano Assicurazioni is also charged with the offence set forth in Art. 187-quinquies, paragraph 1, letter a), of the Consolidated Finance Act for the aforementioned violation of Art. 187-ter, paragraph 1 of the Consolidated Finance Act by Mr. Emanuele Erbetta, acting in the abovementioned capacity.

Fonsai and Milano Assicurazioni, assisted by their legal representatives, submitted their pleadings and requested that the administrative sanctions pursuant to Articles 187-ter, 187-quinquies and 187-septies of the Consolidated Finance Act not be applied.

The proceedings initiated by Consob are under way and are currently pending before the Administrative Sanctions Office where the "judgment phase" takes place.

As things currently stand, in consideration of the serious, formal and substantial defence pleadings submitted by the Companies, it is difficult to foresee the outcome of the proceedings. In addition, due to the objective uncertainty of the issues and the extremely wide range of statutory sanctions established by the Consolidated Finance Act, it is also difficult to predict the extent of any sanctions that the Authority may impose.

## 3. TECHNICAL PROVISIONS

The account amounts to €32,782,529k, with a total difference of €856,684k compared to the 2012 figure, excluding the effects of the application of IFRS 5.

The table below sets forth the breakdown of the technical provisions:

| (in €K) | 31/12/2013 | 31/12/2012 | IFRS 5 | Change |
|---|---|---|---|---|
| **NON-LIFE INSURANCE SECTOR** | | | | |
| Premium provision | 2,203,660 | 2,494,731 | (18,685) | (272,386) |
| Claims provision | 9,392,096 | 10,018,136 | - | (626,040) |
| Other | 6,808 | 9,346 | (1) | (2,537) |
| **Total Non-Life Sector** | **11,602,564** | **12,522,213** | **(18,686)** | **(900,963)** |
| **LIFE INSURANCE SECTOR** | | | | |
| Actuarial provisions | 15,572,532 | 14,945,399 | - | 627,133 |
| Provision for sums to be paid | 285,354 | 248,244 | - | 37,110 |
| Technical provisions where investment risk is borne by policyholders and from pension fund management | 4,926,221 | 5,861,051 | - | (934,830) |
| Other | 395,858 | 80,992 | - | 314,866 |
| **Total Life Sector** | **21,179,965** | **21,135,686** | **-** | **44,279** |
| **TOTAL TECHNICAL PROVISIONS** | **32,782,529** | **33,657,899** | **(18,686)** | **(856,684)** |

The Non-Life premium provisions classified as liabilities held for sale pursuant to IFRS 5 have been calculated with reference to existing insurance policies as at 31 December 2013 stipulated through agents whose mandates are part of the transferred business unit and only in relation to the estimated unearned premiums of such policies for the period subsequent to the portfolio transfer.

With reference to the Non-Life insurance sector, the **premium provision** includes the provision for unearned premiums of €2,169,419k and the provision for unexpired risks of €34,241k.
The **claims provision** includes €802,012k accrued against claims incurred at year end but not yet reported at the balance sheet date.
The **other provisions** refer entirely to the ageing provision pursuant to Article 37 of Legislative Decree 209/05.

With reference to the Life insurance sector, the **actuarial provisions** include the additional provision on the financial risk, equal to €57,036k (€80,111k at 31/12/2012), as per ISVAP Regulation No. 21 of 28 March 2008, and already implemented by Article 25, paragraph 12 of Legislative Decree 174/95.

The **other technical provisions** include the deferred liabilities to policyholders against the contracts with a discretionary profit participation component (IFRS 4.1G22f) for €330,028k (€9,846k at 31/12/2012). The residual amount principally relates to provisions for future expenses.
In particular, the Group regarded the revaluable contracts in the Life sector, related to the returns in the segregated funds, as contracts containing a discretionary profit participation element. In this case, the policyholder may discretionally intervene in determining the rate of retrocession and the return. The shadow accounting treatment was applied to these contracts. The provision for deferred liabilities with policyholders therefore represents the portion of net capital gains and losses on investments of the segregated funds in the Life classes attributable to policyholders. For the purposes of determining this amount:

- the time period for the realisation of the net losses was assumed to be within 5 years;
- the rates of retrocession on net capital gains and losses are determined based on the changes in the return on the segregated funds following the realisation of the capital losses, taking into account the minimum withholding from the yield and the different levels of financial guarantees.

Financial liabilities relating to contracts with discretionary participation features, as defined by IFRS 4.2 b), are classified as technical provisions and their book value amounts to €9,203,236k (€8,377,581k at 31/12/2012).

In relation to these contracts, in the absence of new regulations and best practice on the valuation methodology to determine the fair value of the insurance provisions, difficulties exist in providing precise quantifications since specific decisions need to be taken on this matter at a regulatory level.

## 4. FINANCIAL LIABILITIES

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| Financial liabilities at fair value through profit or loss | 554,229 | 568,574 | (14,346) |
| Other financial liabilities | 1,694,084 | 1,747,051 | (52,967) |
| **Total** | **2,248,313** | **2,315,625** | **(67,313)** |

### 4.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are:

### Financial liabilities held for trading

The account amounts to €113k (€511k at 31/12/2012).

### Financial liabilities designated at fair value through profit or loss

The account amounts to €554,116k (€568,064k at 31/12/2012).
In accordance with IAS 39, the account includes the investment contracts not within the scope of IFRS 4 as they do not have a significant insurance risk and, therefore, are accounted in accordance with the Deposit Accounting method. The account amounts to €502,882k (€480,260k at 31/12/2012).
There are no financial liabilities in the "Fair value through profit or loss" for which the changes in fair value are not due to changes in market prices.

### 4.2 Other financial liabilities

The account amounts to €1,694,084k (€1,747,051k at 31/12/2012).
The account includes the financial liabilities defined and governed by IAS 39 not included in the category "Financial liabilities at fair value through profit or loss".
They include deposits as guarantee in relation to risks ceded in reinsurance of €134,975k (€153,236k at 31/12/2012) and subordinated liabilities of €1,050,643k (€1,048,074k at 31/12/2012). This latter refers, for €151,715k, to the Milano Assicurazioni Group.

With regard to the **subordinated loan** agreement of **€300m** of 22 June 2006 (50% subscribed by Fondiaria-SAI S.p.A. and 50% by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) establishes, as a general obligation for Fondiaria-SAI, the continued control (pursuant to Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A. This condition now no longer applies as a result of the merger by incorporation of Milano Assicurazioni into Fondiaria-SAI.

In relation to the **hybrid loan** of **€350m** of 14 July 2008, the conversion into Fondiaria-SAI shares (or of the subsidiary Milano Assicurazioni for the part this company issued of €100m) is, in addition to any resolution by the extraordinary shareholders' meeting of Fondiaria-SAI of a share capital increase to service the conversion in line with the contractual terms indicated, subordinated to the occurrence at the same time (and for a consecutive three year period) of the following situations:

(i) the downgrading of the Standard & Poor's rating (or any other agency to which Fondiaria-SAI is voluntarily subject, being no longer subject to the Standard & Poor's rating) of the beneficiary companies to "BBB-" or a lower grade;

(ii) the reduction in the solvency margin of the beneficiary companies, as established by Article 44 of the Insurance Code, to a level below or equal to 120% of the solvency margin required by Article 1, paragraph hh) of the Insurance Code;

if (a) the situation causing the above stated events is not resolved, for both events, in the two fiscal years immediately subsequent, or (b) the solvency margin in the two subsequent fiscal years is not rectified to at least 130% of the requested solvency margin, thereby providing Fondiaria-SAI and Milano Assicurazioni with the possibility, over a period of more than two years, to put in place measures to enable compliance with the requested parameters.

As a result of the merger, the above references to companies involved in the merger must be considered to refer to UnipolSai.

The loan agreements in the Fondiaria-SAI Group do not include covenants (other than those indicated above) which limit the use of significant financial resources for the activities of the Issuer.

The characteristic factor of the subordinated and/or hybrid loans is in general not only that they are redeemable after the repayment of any other debts owed by the borrower on the settlement date, but also the need to obtain prior authorisation for redemption from IVASS.

Note that the measures imposed by the Antitrust Authority Provision referred to above also envisage that the Unipol Group reduces its overall debt to Mediobanca by €350m - and that this debt is then gradually repaid in full - as follows:

- reduction by €250m in the period 2013-2015;

- as part of the disposal of insurance assets, the sale of a further €100m.

In reference to the disposal of insurance assets, note that under the terms of the agreement signed between UnipolSai and Allianz on 15 March 2014, the latter excluded the intention of purchasing the outstanding debt with Mediobanca for a total of €100m. Unipol Gruppo Finanziario and UnipolSai intend to achieve the reduction in this loan by the amount stated by other means, if necessary also through early repayment of the amount, by the date envisaged for finalisation of the sale in question.

With reference to the decrease in the total outstanding debt with Mediobanca of €250m, techniques are currently being assessed for finalising and consequently complying with the Provision.

With reference to the other payables to banks and other lenders amounting to €508,466k (€545,741k in 2012), the most significant amounts are reported below:

- €111.5m (€111.3m at 31/12/2012) refers to the loan of the Tikal R.E. Closed Real Estate Fund with Mediobanca as Agent Bank. The loan, originally for €119m, was granted for the purchase of property and improvements. The cost of the loan is at the 6M Euribor rate plus a credit spread of 90 basis points. Since 2008, the Fund has utilised derivative instruments to implement a hedging policy on the potential risk of an increase in interest rates on the loan granted;

- €18.4m (€84.8m at 31/12/2012) refers to the bonds issued in 2009 and 2010 by BancaSai, partially at floating rate and partially at fixed rate, with different maturity dates from 2012 to 2014. In March and June 2013 bond loans were redeemed for a total of approx. €63m;

- €53.6m (€53.7m at 31/12/2012) refers entirely to the consolidated debt of the subsidiary Immobiliare Fondiaria-SAI. This refers principally to the bank loan entered into by Marina di Loano with Intesa Sanpaolo as the agent bank with maturity on 17 March 2014 and an interest rate of 3M Euribor +300 basis points. The company utilised a derivative instrument to implement a hedging policy on the potential risk of an increase in interest rates on the loan granted;

- €10m refers to a short-term loan taken out by Finitalia with Banca Nazionale del Lavoro;

- the residual amount relates to other insignificant payable positions.

The account also includes customer deposits of the subsidiary BancaSai of €164,539k (€167,242k at 31/12/2012).

## 5. PAYABLES

The account amounts to €654,916k and is comprised of:

| (in €K) | 2013 | 2012 | IFRS 5 | Change |
|---|---|---|---|---|
| Payables from direct insurance operations | 94,849 | 96,388 | (644) | (895) |
| Payables from reinsurance operations | 73,411 | 67,876 | - | 5,535 |
| Other payables | 486,656 | 600,658 | - | (114,002) |
| **Total** | **654,916** | **764,922** | **(644)** | **(109,362)** |

Payables from direct insurance operations consist of:

| (in €K) | 31/12/2013 | 31/12/2012 | IFRS 5 | Change |
|---|---|---|---|---|
| Payables to insurance intermediaries | 71,882 | 70,752 | (644) | 1,774 |
| Payables to insurance companies | 13,014 | 15,488 | | (2,474) |
| Payables for policyholder deposits | 7,073 | 8,009 | | (936) |
| Payables for guarantee provisions for policyholders | 2,880 | 2,139 | | 741 |
| **Total** | **94,849** | **96,388** | **(644)** | **(895)** |

The payables from reinsurance operations refer to reinsurance companies for €72,516k (€51,062k in 2012) and to reinsurance intermediaries for €895k (€16,814k in 2012).

The breakdown of the “other payables” is shown below:

| (in €K) | **2013** | **2012** | **Change** |
|---|---|---|---|
| Trade payables | 229,914 | 259,028 | (29,114) |
| Post-employment benefits | 52,131 | 62,971 | (10,840) |
| Policyholders’ tax due | 80,276 | 87,350 | (7,074) |
| Other taxes due | 82,288 | 117,163 | (34,875) |
| Social security and welfare institutions | 18,220 | 18,925 | (705) |
| Other payables | 23,827 | 55,221 | (31,394) |
| **Total** | **486,656** | **600,658** | **(114,002)** |

Other taxes due include €62,456k relating to the payment on account of the tax on the life actuarial provisions pursuant to Article 1, paragraphs 2 and 2 bis of Decree Law 209/2002 (converted by Law 265/2002).

## Post-employment benefits

Due to the 2007 Finance Act (Law No. 296/2006) the Supplementary Pension Reform was brought forward to 1 January 2007.
Based on this reform, employees of private sector companies with 50 or more employees had the option by 30 June 2007 to allocate the post-employment benefits (TFR) accrued from 1 January 2007 to supplementary pension funds or maintain the amount in the company, which must then transfer these amounts to a Treasury Fund managed by INPS.
For the employees of companies with less than 50 employees this choice was optional. Where no choice was made by employees the post-employment benefits accrued remained in the company.
For the purposes of the actuarial valuation of the liability related to the provision of the post-employment benefits in accordance with IAS 19, and as per the indications of the technical organisations (Abi, Assirevi, Actuarial Body and OIC), the different cases were divided as follows:

- For employees that chose to maintain the post-employment benefits at the company: the actuarial criteria provided by IAS 19 for defined benefit plans were used;
- For employees that chose to allocate the post-employment benefits to supplementary pension schemes: the portion of post-employment benefits accruing from 1 January 2007 as a defined contribution plan, does not fall within the scope of IAS 19.

The changes in the year are shown below:

| (in €K) | **31/12/2013** | **31/12/2012** | **Change** |
|---|---|---|---|
| **Balance at beginning of period** | **62,971** | **65,262** | **(2,291)** |
| Provisions to income statement for Interest Cost | 2,587 | 2,796 | (209) |
| Provisions to income statement for Service Cost | 44 | 47 | (3) |
| Actuarial Gains/Losses | (739) | 9,988 | (10,727) |
| Utilisations | (6,594) | (9,713) | 3,119 |
| IFRS 5 | (4,559) | - | (4,559) |
| Other changes | (1,579) | (5,409) | 3,830 |
| **Balance at year end** | **52,131** | **62,971** | **(10,840)** |

The principal statistical-actuarial and financial assumptions used to calculate the post-employment benefits in accordance with IAS 19 are shown below.

| (values in %) | Post-employment benefits provision | | | | |
|---|---|---|---|---|---|
| | **1** | **2** | **3** | **4** | **5** |
| ATAHOTELS | 2.91 | 1.50 | 1.50 | 0.39 | 0.89 |
| BANCASAI | 2.17 | 1.50 | 1.50 | 0.39 | 0.89 |
| CASA DI CURA VILLA DONATELLO | 2.72 | 1.50 | 1.50 | 0.39 | 0.89 |
| CASA DI CURA VILLANOVA | 2.47 | 1.50 | 1.50 | 0.39 | 0.89 |
| DIALOGO | 3.29 | 1.50 | 1.50 | 0.57 | 2.13 |
| EUROPA | 3.17 | 1.50 | 1.50 | 0.57 | 2.13 |
| FINITALIA | 3.04 | 1.50 | 1.50 | 0.57 | 2.13 |
| FONDIARIA-SAI | 2.72 | 1.50 | 1.50 | 0.39 | 0.89 |
| GRUPPO FONDIARIA-SAI SERVIZI | 3.17 | 1.50 | 1.50 | 0.39 | 0.89 |
| IMMOBILIARE LOMBARDA | 2.91 | 1.50 | 1.50 | 0.39 | 0.89 |
| LIGURIA DANNI | 2.91 | 1.50 | 1.50 | 0.39 | 0.89 |
| LIGURIA VITA | 2.47 | 1.50 | 1.50 | 0.39 | 0.89 |
| MARINA DI LOANO | 3.41 | 1.50 | 1.50 | 0.39 | 0.89 |
| MILANO ASSICURAZIONI (*) | 2.47 | 1.50 | 1.50 | 0.57 | 2.13 |
| PRONTO ASSISTANCE | 3.52 | 1.50 | 1.50 | 0.39 | 0.89 |
| SIAT | 2.47 | 1.50 | 1.50 | 0.39 | 0.89 |
| SYSTEMA | 3.29 | 1.50 | 1.50 | 0.57 | 2.13 |

(*) includes SASA Assicurazioni

1 = Discount rate
2 = Expected rate of salary increase (gross of inflation)
3 = Expected inflation rate
4 = Pension
5= Turn Over

The methodological choices made for the analytical definition of the principal economic/financial assumptions are described below:

- Discount rate: in line with the previous year the Euro composite A curve rate was utilised (source: Bloomberg) with reference to the market yields of primary corporate bonds at the valuation date.
- Expected rate of salary increase: updating of the historical series (period 2012-2013) of salaries and inflation adjustment. Salary increase assumptions were differentiated by contract category and by employee service period.
- Turn Over: updating of the historical series (period 2012-2013) relating to the departure of employees from the company. The turnover assumptions were differentiated by contract, age and gender.
- Inflation rate: the inflation scenario used was taken from the “2013 Economic and Finance Update Document”.
- Projections from updated contribution and statistic data with the increases in the expected life span contained in recent pension reform regulations.

## Health insurance post service

The Group has in place some health insurance programmes for retired directors and their families. This benefit is payable to surviving spouses and dependent children. The accounting method and the actuarial assumptions are similar to those utilised for a defined benefit pension plan.
The tables below set forth the analytical information relating to the changes of the liabilities related to the Executive Health Insurance Post-Service Coverage, as well as the principal demographic and financial assumptions adopted for the calculation of the Fund in accordance with the "Projected Unit Credit Method".

| **Company**<br>(in €K) | **Provision at 31/12/2013** | **Service Cost 2013** | **Provision at 31/12/2012** | **Service Cost 2012** |
|---|---|---|---|---|
| FONDIARIA-SAI | 23,729 | 371 | 24,065 | 364 |
| MILANO ASSICURAZIONI(*) | 11,455 | 31 | 11,790 | 29 |
| SIAT | 743 | 5 | 718 | 5 |
| **Total Group** | **35,927** | **408** | **36,573** | **397** |

(*) includes SASA Assicurazioni

| (values in %) | **Executive Assistance** | | | |
|---|---|---|---|---|
| | **1** | **2** | **3** | **4** |
| FONDIARIA-SAI | 2.66 | - | 1.50 | 11.75 |
| MILANO ASSICURAZIONI | 2.66 | - | 1.50 | 11.75 |
| SIAT | 2.66 | - | 1.50 | 11.75 |

1 = Discount rate
2 = Expected rate of salary increase
3 = Expected inflation rate
4 = Turn Over

# 6. OTHER LIABILITIES

These are broken down as follows:

| (in €K) | **2013** | **2012** | **IFRS 5** | **Change** |
|---|---|---|---|---|
| Liabilities of a disposal group held for sale | 52,612 | - | 51,269 | 1,343 |
| Deferred tax liabilities | 132,891 | 178,189 | - | (45,298) |
| Current tax liabilities | 67,625 | 54,101 | - | 13,524 |
| Other liabilities | 392,989 | 380,249 | (12,267) | 25,007 |
| **TOTAL** | **646,117** | **612,539** | **39,002** | **(5,424)** |

## 6.1 Liabilities of a disposal group held for sale

This item includes the liabilities of €51,269k held for sale in compliance with the provisions of the Antitrust Authority of 19 June 2012 and €1,343k relating to the liabilities of the company Saint George Capital Management S.A.

## 6.2 Deferred tax liabilities

Deferred tax liabilities, amounting to €132,891k (€178,189k at 31/12/2012), include all the temporary tax differences, relating to balance sheet and income statement accounts, which will reverse in future years.
Where permitted the balance is net of offsetting with the corresponding deferred tax assets in accordance with IAS 12.
The impact of the deferred tax liabilities recognised in the income statement was positive for €42,275k (€148,856k in 2012).

The breakdown of deferred tax liabilities at the end of the year is shown below:

(in €K)

| | |
|---|---|
| Goodwill and other intangible assets | 217,333 |
| Amortisation, depreciation and adjustments - tax only | 19,680 |
| Technical provisions | 25,085 |
| Property and investment property | 6,961 |
| Provisions, contingent liabilities and contingent assets | 641 |
| Financial instruments | 376,978 |
| Other temporary changes | 59,433 |
| Offsetting IAS 12 | (573,220) |
| **Total** | **132,891** |

## 6.3 Current tax liabilities

The account amounts to €67,625k (€54,101k at 31/12/2012) and refers to the income tax for the year accrued by the Group at year-end and calculated on the respective taxable income, determined through prudent estimates of the tax rates in force at year end.
As already reported the amount recorded at the end of the year is net of offsetting with the corresponding current tax assets, by each individual company and by subsidiaries that participate in the tax consolidation of Fondiaria-SAI.

## 6.4 Other liabilities

The Other liabilities amount to €392,989k (€380,249k at 31/12/2012) and are comprised of:

| (in €K) | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|
| Commissions on premium collection | 88,706 | 98,425 | (9,719) |
| Deferred commissions on contracts out of the scope of IFRS 4 | 45 | 68 | (23) |
| Cheques issued because of claims and amounts paid to life policyholders after year end | 10,804 | 2,345 | 8,459 |
| Transitory reinsurance accounts | 3,610 | 3,231 | 379 |
| Other liabilities | 289,824 | 276,180 | 13,644 |
| **TOTAL** | **392,989** | **380,249** | **12,740** |

## Risks and commitments not recorded in the Balance Sheet

In accordance with the international accounting standards IAS/IFRS the financial statements must not solely contain accounting data, but also information on risks and uncertainties of the company, in addition to resources and obligations not present in the Balance Sheet.

The classification proposed by these accounting standards requires that the memorandum accounts are shown "under the line" of the Balance Sheet relating to risks and commitments assumed by the company and assets of third parties held.

### Secured guarantees by the Group in favour of third parties

This account amounts to €104,347k compared to €129,228k last year, and includes: €15,500k for mortgages on property owned in favour of lending banks, decreasing €19,200k; €40,665k for secured guarantees relating to bank deposits with pledges, in relation to claims disputes; €4,047k relating to assets on deposit to guarantee inward reinsurance; €28,506k for deposits pledged to back Group commitments.

### Other guarantees provided by the Group in favour of third parties

Other guarantees have not changed since last year and amount to €3,680k.

### Guarantees provided by third parties on behalf of the Group

At year-end these guarantees amount to €109,565k (€108,728k in 2012) and prevalently include guarantees given in favour of the Direct Indemnity Consortium and in favour of CONSAP to guarantee the commitments deriving from the CARD agreement.

### Guarantees received

At year-end these guarantees amount to €184,436k (€195,476k in 2012) and principally include bank guarantees provided on behalf of third parties to guarantee policies issued in the Bonds Class for €100,000k.

### Commitments

Commitments amount to €173,763k and include various commitments from securities to real estate.

These commitments include real estate operations of €127,311k for commitments provided by Nuove Iniziative Toscane S.r.l. in relation to urbanisation works in Florence.

Milano Assicurazioni also underwrote financial commitments in the form of Profit Participating Bonds with the company Garibaldi S.C.A. for €37,137k and with Isola S.C.A. for €4,140k.

# PART C – Information on the Consolidated Income Statement

## 1.1 NET PREMIUMS

Consolidated net premiums amount to €9,650,144k (€9,967,235k in 2012).
The Group's gross premiums written amounted to €9,707,149k (a decrease of 3.24% on the previous year), as follows:

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| Gross Life insurance premiums written | 3,914,958 | 3,611,582 | 303,376 |
| Gross Non-Life insurance premiums written | 5,792,191 | 6,420,807 | (628,616) |
| Change in gross premium provision | (271,368) | (244,778) | (26,590) |
| Total Non-Life Sector | 6,063,559 | 6,665,585 | (602,026) |
| **Gross premiums written** | **9,978,517** | **10,277,167** | **(298,650)** |

Gross premiums written do not include the cancellation of securities issued in previous years, which were recorded as "Other costs". The above amounts are net of intra-group reinsurance. For the breakdown of gross premiums written by Class and between direct and indirect business reference should be made to the Directors' Report.

The premiums ceded, amounting to €326,903k, represent 3.4% of the total premiums written (3.0% in 2012).

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| Life Sector | 7,504 | 8,553 | (1,049) |
| Non-Life Sector | 319,399 | 293,294 | 26,105 |
| Change in reinsurers premium provision | 1,470 | 8,085 | (6,615) |
| Total Non-Life Sector | 320,869 | 301,379 | 19,490 |
| **Premiums ceded to re-insurers** | **328,373** | **309,932** | **18,441** |

The reinsurance policy impacted the consolidated accounts for €72,026k (€72,881k in the Non-Life Sector).
In accordance with IFRS 4.37 b ii, gains and losses deriving from reinsurance are not deferred and amortised.

For further details
on item 1.1 of the Income Statement broken down by the Non-Life Insurance and Life Insurance Sectors, reference should be made to the Attachment at the end of the financial statements.

## 1.2 COMMISSION INCOME

Commission income in 2013 amounted to €7,993k, a decrease of €7,430k on the previous year.

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| Commission income | 7,993 | 15,423 | (7,430) |

The account includes both the explicit and implicit loading relating to the investment contracts issued by the Group companies and, as such, not within the scope of IFRS 4, and commissions for the management of internal funds.
The account also includes approx. €6,855m of commission income matured by the companies operating in the asset management and consumer credit sectors.

## 1.3 NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The account amounts to €142,516k, a decrease of €402,165k compared to 2012.

| (in €K) | Interest | Other net income | Profits realised | Losses realised | Valuation gains and recovery in values | Valuation losses and adjust. in values | Total 2013 | Total 2012 | Change |
|---|---|---|---|---|---|---|---|---|---|
| *Result of investments from:* | | | | | | | | | |
| Financial assets held for trading | 918 | 0 | 1,165 | -181 | 29,191 | -55 | 31,038 | 6,174 | 24,864 |
| Financial assets designated at fair value through profit or loss | 72,737 | 75,296 | 91,535 | -86,061 | 82,173 | -124,143 | 111,537 | 539,775 | -428,238 |
| Financial liabilities held for trading | | | | | | -59 | -59 | -1,268 | 1,209 |
| **Total** | 73,655 | 75,296 | 92,700 | -86,242 | 111,364 | -124,257 | 142,516 | 544,681 | -402,165 |

The result of the investments deriving from financial assets designated at fair value through profit or loss includes €196,969k relating to Class D investments, offset by similar negative changes in the commitments to policyholders.

# 1.4-1.5-2.3-2.4 FINANCIAL INCOME AND EXPENSES FROM INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

| (in €K) | Net interest | Other net income | Profits realised | Losses realised | Valuation gains and recovery in values | Valuation losses and adjust. in values | Total 2013 | Total 2012 | Change |
|---|---|---|---|---|---|---|---|---|---|
| *Result from:* | | | | | | | | | |
| Investment property | - | 16,826 | 19,104 | (31) | 2,908 | (106,292) | (67,485) | (301,830) | 234,345 |
| Investments in subsidiaries, associates and joint ventures | - | 7,502 | - | - | - | (1,813) | 5,689 | (18,927) | 24,616 |
| Investments held to maturity | 37,663 | (14) | - | - | - | - | 37,649 | 42,300 | (4,651) |
| Loans and receivables | 161,978 | (50) | 583 | (7,025) | 223 | (6,833) | 148,876 | 147,647 | 1,229 |
| AFS financial assets | 679,333 | 25,883 | 411,921 | (55,229) | 9,027 | (56,314) | 1,014,621 | 498,292 | 516,329 |
| Other receivables | 9,471 | (28) | - | - | - | - | 9,443 | 3,842 | 5,601 |
| Cash and cash equivalents | 9,502 | (435) | - | - | - | - | 9,067 | 14,222 | (5,155) |
| Other financial liabilities and other payables | (48,880) | (400) | 6 | - | - | - | (49,274) | (60,000) | 10,726 |
| **Total** | **849,067** | **49,284** | **431,614** | **(62,285)** | **12,158** | **(171,252)** | **1,108,586** | **325,546** | **783,040** |

The investment property valuation losses include €68m of depreciation in the year.
The residual refers to the write-downs of property assets following the updated expert valuation on all Group property.
The valuation loss on AFS financial instruments, amounting to €56m, includes the impairments recognised in accordance with the valuation policy already illustrated relating to the asset accounts.
Interest expense on other financial liabilities includes charges on Group borrowings.
During the year financial assets impaired in previous years did not bear interest income (IAS 32.94h).

# 1.6 OTHER INCOME

Other income amounted to €463,443k (€502,141k in 2012) and is summarised in the table below:

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| Gains realised on non-current assets | 2 | 15 | (13) |
| Other technical income | 67,948 | 67,491 | 457 |
| Utilisation of provisions | 93,815 | 96,003 | (2,188) |
| Exchange differences | 883 | 3,399 | (2,516) |
| Non-recurring income | 23,484 | 38,357 | (14,873) |
| Profits realised on property, plant and equipment | 120 | 37 | 83 |
| Other income | 277,191 | 296,839 | (19,648) |
| **Total** | **463,443** | **502,141** | **(38,698)** |

In particular, the account "Other income" includes the following amounts:

- €115m (€119m at 31/12/2012) for operating revenues of the subsidiary Atahotels;
- €61m (€58m at 31/12/2012) for revenues of the subsidiary Auto Presto&Bene;
- €45m (€45m at 31/12/2012) for revenues of the Group's clinic subsidiaries;
- €18m (€18m at 31/12/2012) for revenues of the subsidiaries Immobiliare Lombarda, Immobiliare Fondiaria-SAI and Immobiliare Milano. The properties owned by the latter two are treated as inventories and are recorded under property, plant and equipment: the relative change in inventory amounts to €4m;
- €6m (€10m at 31/12/2012) for revenues from the agricultural business.

## 2.1 NET CHARGES RELATING TO CLAIMS

Claims paid, sums of the Life insurance classes and related expenses, gross of the quota ceded in reinsurance, amount to €9,585,543k, a decrease of 18.28% on the previous year.

The tables below show the breakdown of the accounts relating to direct and indirect business, as well as the reinsurers' share and the comparison with 2012.

### 2.1.2 Charges relating to claims: amounts paid and changes in technical provisions

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| *Non-Life Sector* | | | |
| Amounts paid | 4,988,818 | 5,254,709 | (265,891) |
| Change in recoveries | (116,223) | (121,448) | 5,225 |
| Change in other technical provisions | (102) | (256) | 154 |
| Change in claims provision | (626,374) | 163,252 | (789,626) |
| **Total Non-Life Insurance** | **4,246,119** | **5,296,257** | **(1,050,138)** |
| *Life Sector* | | | |
| Amounts paid | 4,596,725 | 6,474,814 | (1,878,089) |
| Change in actuarial provisions and other technical provisions | 608,346 | (195,538) | 803,884 |
| Change in technical provisions where investment risk is borne by policyholders and from pension fund management | (936,535) | (1,808,967) | 872,432 |
| Change in provision for sums to be paid | 41,231 | (106,537) | 147,768 |
| **Total Life Insurance** | **4,309,767** | **4,363,772** | **(54,005)** |
| ***Total Non-Life Insurance + Life Insurance*** | ***8,555,886*** | ***9,660,029*** | ***(1,104,143)*** |
| **Amounts paid** | **9,469,320** | **11,608,075** | **(2,138,755)** |
| **Change in provisions** | **(913,434)** | **(1,948,046)** | **1,034,612** |

### 2.1.3 Charges relating to claims - reinsurers' share

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| *Non-Life Sector* | | | |
| Amounts paid | 228,208 | 174,490 | 53,718 |
| Change in recoveries | (2,197) | (954) | (1,243) |
| Change in other technical provisions | - | - | - |
| Change in claims provision | (56,573) | 123,408 | (179,981) |
| **Total Non-Life Insurance** | **169,438** | **296,944** | **(127,506)** |
| *Life Sector* | | | |
| Amounts paid | 18,541 | 20,420 | (1,879) |
| Change in actuarial provisions and other technical provisions | (12,619) | (13,765) | 1,146 |
| Change in provision for sums to be paid | 1,309 | (1,124) | 2,433 |
| **Total Life Insurance** | **7,231** | **5,531** | **1,700** |
| ***Total Non-Life Insurance + Life Insurance*** | ***176,669*** | ***302,475*** | ***(125,806)*** |
| **Amounts paid** | **244,552** | **193,956** | **50,596** |
| **Change in provisions** | **(67,883)** | **108,519** | **(176,402)** |

The change in Non-Life insurance technical provisions amounts to €-569,903k, a decrease of €609,491k compared to 2012.

Life insurance technical provisions including the provision for sums to be paid, decreased by €275,648k (by €2,096,153k in 2012).

For further details on item 2.1 of the Income Statement broken down by the Non-Life Insurance and Life Insurance Sectors, reference should be made to Attachment 10 at the end of the financial statements.

## 2.2 COMMISSION EXPENSES

Commission expenses in 2013 amounted to €6,314k, a decrease compared to 2012 of €1,047k.

| (in €K) | **2013** | **2012** | **Change** |
|---|---|---|---|
| Commission expenses | 6,314 | 7,361 | (1,047) |

The account includes the acquisition costs related to investment contracts issued by the insurance companies which do not fall within the scope of IFRS 4.

## 2.5 OPERATING EXPENSES

| (in €K) | **2013** | **2012** | **Change** |
|---|---|---|---|
| *Non-Life Sector* | | | |
| Acquisition commissions and changes in deferred acquisition costs | 794,624 | 848,115 | (53,491) |
| Other acquisition expenses | 222,259 | 212,074 | 10,185 |
| Collection commissions | 125,046 | 139,053 | (14,007) |
| Reinsurers' commissions and profit participation | (78,550) | (73,607) | (4,943) |
| **Total Non-Life Insurance** | **1,063,379** | **1,125,635** | **(62,256)** |
| *Life Sector* | | | |
| Acquisition commissions and changes in deferred acquisition costs | 93,072 | 90,393 | 2,679 |
| Other acquisition expenses | 25,897 | 26,653 | (756) |
| Collection commissions | 6,143 | 7,032 | (889) |
| Reinsurers' commissions and profit participation | (1,128) | (962) | (166) |
| **Total Life Insurance** | **123,984** | **123,116** | **868** |
| *Inter-segment eliminations* | | | |
| Other acquisition expenses | (13,838) | - | (13,838) |
| Investment management expenses | 23,995 | 15,984 | 8,011 |
| Other administration expenses | 411,904 | 433,582 | (21,678) |
| **Total** | **1,609,424** | **1,698,317** | **(88,893)** |

## 2.6 OTHER COSTS

Other costs amount to €725,584k (€1,224,579k in 2012) and are summarised in the table below:

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| Other technical charges | 200,722 | 300,815 | (100,093) |
| Provisions | 90,183 | 186,300 | (96,117) |
| Write-down of receivables | 49,561 | 112,977 | (63,416) |
| Non-recurring expenses | 21,589 | 37,287 | (15,698) |
| Depreciation of property, plant and equipment | 14,456 | 14,704 | (248) |
| Amortisation of intangible assets | 25,193 | 40,120 | (14,927) |
| Reduction in value of property, plant and equipment | 5,941 | 18,879 | (12,938) |
| Reduction in value of intangible assets | 10,292 | 268,100 | (257,808) |
| Exchange differences | 2,976 | 1,354 | 1,622 |
| Other costs | 304,671 | 244,043 | 60,628 |
| **Total** | **725,584** | **1,224,579** | **(498,995)** |

The sub-item "Other costs" includes €72.6m for the expected expense due to voluntary participation by personnel in the "Solidarity Fund Access Plan" based on the provisions of the union agreement of 18 December 2013.

"Other costs" in the table above also includes the following costs:

- €93m (€100m in 2012) for labour costs and spare parts of the subsidiary Auto Presto&Bene;
- €72m (€81m in 2012) relating to operating costs of the subsidiary Atahotels;
- €40m (€41m in 2012) in costs incurred by the clinic subsidiaries for operating and personnel costs;
- €23m (€24m in 2012) for operating costs of the subsidiaries Immobiliare Lombarda, Immobiliare Fondiaria SAI and Immobiliare Milano;
- €7m (€6m in 2012) for costs incurred by the subsidiary Saiagricola.

# 3. INCOME TAXES

The table below illustrates the current and deferred taxes and the comparison with the previous year.

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| Costs (revenues) for current taxes | 137,644 | 55,792 | 81,852 |
| Adjustments recorded in the year for current taxes of prior years | 13,306 | (3,161) | 16,467 |
| Deferred tax liabilities arising in the year | 22,755 | 25,649 | (2,894) |
| Deferred tax liabilities utilised in the year | (65,030) | (174,505) | 109,475 |
| Deferred tax assets arising in the year | (101,933) | (191,363) | 89,430 |
| Deferred tax assets utilised in the year | 227,276 | 156,226 | 71,050 |
| Other | 334 | - | 334 |
| **Total** | **234,352** | **(131,362)** | **365,714** |

Income taxes for the year amount to net expense of €234,352k (income of €131,362k in 2012) as the combined effect of income taxes for the year of €150,950k and deferred tax expense of €83,402k, including €334k due to adjustments made by the subsidiary Lawrence Re.
Income taxes include the higher taxes relating to previous years totalling €13,306k.
This amount is the sum of €13,390k in higher taxes, basically as a result of the amount paid during the year by the Parent Company Fondiaria-SAI for the settlement of tax assessments relating to previous years net of the amount already set aside at the end of last year in the provision for tax disputes, which was withdrawn in 2013, and €83k in lower income taxes as a result of tax reimbursements or adjustments of amounts previously recognised.

Income taxes are determined based on the tax rates in force at the reporting date in the individual countries. Italian income taxes (IRES income tax and IRAP regional tax) are determined by applying the rates in force: 27.5% for IRES and 3.9% for IRAP. For IRES, the additional tax of 8.5%, established by Art. 2 of Decree Law 133/2013, was also taken into consideration. Only for the 2013 tax period, this tax must be paid by credit and financial institutions and companies and entities working in the insurance business.
To calculate the IRAP regional tax for the year, any increases or reductions in rates made by some regions with reference to particular categories were taken into account, through prudent valuations.
Income taxes also include substitute income taxes for the year, if applicable.

Deferred taxes resulted in an increase of the fiscal charge of €83,402k.

| (in €K) | 2013 | 2012 | Change |
|---|---|---|---|
| Profit (Loss) before taxes | 652,142 | (932,783) | 1,584,925 |
| Theoretical taxes on income (IRES 27.5%) | 179,339 | (256,515) | 435,854 |
| Tax effect from permanent changes in taxable income | (18,703) | 170,939 | (189,642) |
| Tax effect from utilisation of losses carried forward without recognition of deferred tax assets | (2,402) | (1,196) | (1,206) |
| Tax effect from share of results of associates | 25 | 842 | (817) |
| Tax effect from foreign tax rates | 622 | (2,997) | 3,619 |
| Tax effect from changes in the tax rate | - | - | - |
| Other differences | (5,743) | (38,120) | 32,377 |
| **Income taxes (IRES 27.5%)** | **153,138** | **(127,047)** | **280,186** |
| IRAP | 52,615 | (4,315) | 56,930 |
| Substitute tax on Bank of Italy | 17,998 | - | 17,998 |
| IRES increase 8.5% | 10,601 | - | 10,601 |
| **Total income taxes for the year** | **234,352** | **(131,362)** | **365,714** |

# 4. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

At 31 December 2013, this account totalled €-1,237k and included the loss of the company Saint George Capital Management S.A.
At 31 December 2012, it totalled €1,825k and included the gain of €2.3m from the disposal of IGLI S.p.A. The remaining amount was for the write-down of the property, classified as "Assets held for sale", owned by the subsidiary Auto Presto&Bene.

# FURTHER INFORMATION

With reference to the nature of the costs for the year (IAS 1.93), in addition to that already listed in the accounts under "Other costs", it is reported that the total cost of Group personnel decreased by 7.2% on the previous year.

## Earnings per share

The earnings/(loss) per share is calculated by dividing the Group net result attributable to the ordinary shareholders of Fondiaria-SAI by the weighted average number of ordinary shares outstanding during the year. It is reported that, when applicable, the weighted average number of shares outstanding is reduced by the weighted average number of the treasury shares held by the Group and increased by the weighted average number of shares from any capital increases during the year.

In accordance with IAS 33, information is shown below for the calculation of the basic and diluted earnings (loss) per share:

| | **2013** | **2012** |
|---|---|---|
| Operating profit (loss) for the year attributable to shareholders of the parent (€K) | 328,557 | (751,084) |
| Profit (Loss) attributable to savings shareholders (€K) | (110,560) | (36,715) |
| Net profit (loss) attributable to the ordinary shareholders of Fondiaria-SAI (€K) | 217,997 | (787,799) |
| Weighted average number of ordinary shares to calculate the basic earnings (loss) per share | 920,422,097 | 350,891,130 |
| Basic earnings (loss) per share | 0.24 | (2.25) |
| | | |
| Total profit (loss) for the year attributable to the shareholders of the parent (€K) | 329,794 | (749,717) |
| Profit (Loss) attributable to savings shareholders (€K) | (110,880) | (36,715) |
| Net profit (loss) attributable to the ordinary shareholders of Fondiaria-SAI (€K) | 218,914 | (786,432) |
| Weighted average number of ordinary shares to calculate the basic earnings (loss) per share | 920,422,097 | 350,891,130 |
| Basic earnings (loss) per share | 0.24 | (2.24) |
| | | |
| *Effect of the dilution:* | | |
| Adjusted weighted average number of ordinary shares to calculate the diluted earnings (loss) per share | 920,422,097 | 350,891,130 |
| Diluted earnings (loss) per share | 0.24 | (2.24) |

It should be noted that:

- the net result of operating activities attributed to ordinary shareholders of Fondiaria-SAI is calculated as the net result of operating activities attributable to shareholders of the parent net of the portion of the result for the year attributable to savings shareholders;
- the weighted average number of ordinary shares in circulation is calculated net of the weighted average number of treasury shares held and is calculated on a pro-rata temporis basis, relating to the shares prior to the share capital increase, the shares issued at the end of the offer period and those issued following the sale on the stock exchange of the rights not exercised;

- profit from discontinued operations is not significant.

### Dividends paid and proposed

Fondiaria-SAI has not issued dividends in the past two years.

## Group solvency margin

In accordance with the provisions of the Supervisory Authority in relation to the adjusted solvency margin and the application of the prudential filters, following the introduction of the new IAS/IFRS standards, in 2013 the ratio between the constituting elements and the amount of the required adjusted solvency margin was approx. 1.2% (1.1 at 31/12/2012). In particular, the amount of the required adjusted solvency margin is €2,110m, and constituting elements totalled €2,445m. These results are irrespective of the effects of the application of IFRS 5 in relation to the portfolio of insurance contracts to be disposed of in accordance with the instructions set forth in Antitrust Authority provision of 19 June 2012. Similar to last year, the company did not make recourse to the anti-crisis measures established by Regulation No. 43 of 12 July 2012 (previous Regulation No. 37 of 15/03/2011).

In application of Title III of ISVAP Regulation No. 18 of 12 March 2008, the adjusted solvency of parent companies is verified, pursuant to the joint provisions of Articles 28 and 29 of the aforementioned Regulation, using the consolidated accounts method, by UnipolSai Assicurazioni S.p.A., an insurance company which, on its own behalf or as the incorporating company of Unipol Assicurazioni S.p.A., presents the greatest amount of total assets as at 31 December 2013.

The available solvency margins of the indirect Parent Company Unipol Gruppo Finanziario S.p.A. and of its Parent Company Finsoe S.p.A, parent company of the financial conglomerate to which this company belongs, exceed the required margin as at 31 December 2013.

The available solvency margin of the indirect Parent Company Premafin Finanziaria S.p.A. is equal to 95.4% of the required margin. This gap has now been remedied due to the merger of Premafin with Fondiaria-SAI, which became legally effective on 6 January 2014.

In order to verify the solvency of the Parent Companies referred to above, as at 31 December 2013 the faculty, established by Article 10 of ISVAP Regulation No. 43 of 12 July 2012, concerning the valuation of government debt securities or securities guaranteed by the European Union recognised in the individual financial statements under long term securities and in the consolidated financial statements in the assets available for sale category, was not exercised. This right was instead exercised last year by the Parent Companies Unipol Gruppo Finanziario S.p.A. and Finsoe S.p.A.

# PART D – Segment Information

In accordance with IFRS 8, segment information provides the readers of the financial statements with an additional tool for a better understanding of the Group's operating and financial performance.
The underlying logic in the application of the standard is to provide information regarding the manner in which the Group's results are derived, and consequently on its overall operations, and, particularly, on those areas where profits and risks are concentrated.

The primary reporting of the Group is by sector of activity. The companies of the Group are organised and managed separately based on the nature of their products and services, by each operating segment which represents a strategic business unit that offers different products and services.
To identify the primary segments, the Group analysed the risk-return profile of the sectors and examined the internal reporting structure. The Non-Life Insurance sector provides insurance cover pursuant to Article 2, paragraph 3 of Legislative Decree 209/2005. The Life insurance sector offers insurance cover with payment of capital or an annuity against a life related event.

The Real Estate sector rents offices, buildings and residential homes which exceed the coverage requirements of the technical provisions of the Group and also actively operates in the management and enhancement of investment property.
The Other Activities sector, by its nature residual, offers, *inter alia*, products and services in asset management and the agricultural and hotel sectors. The identification of the residual segment is based on a discretionary valuation to illustrate the primary sources of risks and benefits for the Group.
Inter-sector transactions are generally carried out under arm's length conditions.
ISVAP Regulation No. 7/07 deemed it appropriate to highlight the Non-Life Insurance and Life Insurance sectors as a minimum disclosure required for segment reporting.

The activities of the Group during 2013 were prevalently in the European Union.

The following pages report the balance sheet and income statement by segment.

**Balance Sheet by activity sector**

(in €K)

| | | Non-Life | | Life | | Real Estate | | Other | | Inter-segment eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| 1 | **INTANGIBLE ASSETS** | **547,316** | **682,057** | **426,952** | **428,669** | **777** | **995** | **34,302** | **48,507** | | **-1** | **1,009,347** | **1,160,227** |
| 2 | **PROPERTY, PLANT AND EQUIPMENT** | **65,680** | **85,050** | **6,708** | **7,216** | **182,122** | **182,573** | **130,105** | **98,298** | **-26** | **-26** | **384,589** | **373,111** |
| 3 | **TECHNICAL PROVISIONS - REINSURERS' SHARE** | **674,768** | **729,068** | **66,887** | **78,236** | | | | | | | **741,655** | **807,304** |
| 4 | **INVESTMENTS** | **9,408,476** | **9,016,485** | **22,448,659** | **22,854,202** | **1,100,981** | **1,151,582** | **1,171,490** | **1,202,107** | **-313,012** | **-365,294** | **33,816,594** | **33,859,082** |
| 4.1 | Investment property | 1,047,288 | 1,129,419 | 3,653 | 3,845 | 992,850 | 1,044,749 | 21,133 | 22,761 | 0 | 0 | 2,064,924 | 2,200,774 |
| 4.2 | Investments in subsidiaries, associates and joint ventures | 31,857 | 108,854 | 91,831 | -1 | 15,419 | 15,742 | 20,295 | 1,204 | 0 | 0 | 159,402 | 125,799 |
| 4.3 | Investments held to maturity | 0 | 0 | 621,891 | 712,687 | 7,620 | 7,548 | 0 | 0 | -2,191 | -2,116 | 627,320 | 718,119 |
| 4.4 | Loans and receivables | 812,571 | 752,188 | 1,331,631 | 2,060,857 | 30,081 | 30,076 | 991,120 | 988,472 | -310,443 | -304,563 | 2,854,960 | 3,527,030 |
| 4.5 | AFS financial assets | 7,497,637 | 7,009,587 | 14,889,553 | 13,686,850 | 55,011 | 50,592 | 127,508 | 153,141 | -178 | -52,129 | 22,569,531 | 20,848,041 |
| 4.6 | Financial assets designated at fair value through profit or loss | 19,123 | 16,437 | 5,510,100 | 6,389,964 | 0 | 2,875 | 11,434 | 36,529 | -200 | -6,486 | 5,540,457 | 6,439,319 |
| 5 | **OTHER RECEIVABLES** | **1,836,233** | **2,073,906** | **270,759** | **226,342** | **66,493** | **70,360** | **303,640** | **346,561** | **-576,224** | **-626,174** | **1,900,901** | **2,090,995** |
| 6 | **OTHER ASSETS** | **985,832** | **1,011,424** | **405,694** | **422,594** | **58,670** | **54,388** | **65,242** | **76,137** | **-91,899** | **-29,953** | **1,423,539** | **1,534,590** |
| 6.1 | Deferred acquisition costs | 27,175 | 19,311 | 36,107 | 32,939 | 0 | 0 | 0 | 0 | | | 63,282 | 52,250 |
| 6.2 | Other assets | 958,657 | 992,113 | 369,587 | 389,655 | 58,670 | 54,388 | 65,242 | 76,137 | -91,899 | -29,953 | 1,360,257 | 1,482,340 |
| 7 | **CASH AND CASH EQUIVALENTS** | **274,515** | **452,430** | **586,613** | **277,260** | **67,427** | **96,164** | **188,406** | **296,198** | **-518,331** | **-561,824** | **598,630** | **560,228** |
| | **TOTAL ASSETS** | **13,792,820** | **14,050,420** | **24,212,272** | **24,294,519** | **1,476,470** | **1,556,062** | **1,893,185** | **2,067,808** | **-1,499,492** | **-1,583,272** | **39,875,255** | **40,385,537** |
| 1 | **SHAREHOLDERS' EQUITY** | | | | | | | | | | | **3,226,481** | **2,762,674** |
| 2 | **PROVISIONS** | **239,546** | **216,893** | **37,166** | **26,616** | **20,168** | **15,803** | **20,019** | **12,566** | | **-1** | **316,899** | **271,877** |
| 3 | **TECHNICAL PROVISIONS** | **11,602,564** | **12,522,213** | **21,179,965** | **21,135,686** | | | | | | | **32,782,529** | **33,657,899** |
| 4 | **FINANCIAL LIABILITIES** | **1,060,490** | **1,085,512** | **920,874** | **920,824** | **172,438** | **175,520** | **914,601** | **1,059,729** | **-820,090** | **-925,959** | **2,248,313** | **2,315,626** |
| 4.1 | Financial liabilities designated at fair value through profit or loss | 30,500 | 54,293 | 519,345 | 507,632 | 4,044 | 5,737 | 340 | 912 | | 1 | 554,229 | 568,575 |
| 4.2 | Other financial liabilities | 1,029,990 | 1,031,219 | 401,529 | 413,192 | 168,394 | 169,783 | 914,261 | 1,058,817 | -820,090 | -925,960 | 1,694,084 | 1,747,051 |
| 5 | **PAYABLES** | **629,067** | **750,783** | **147,490** | **164,344** | **47,868** | **42,963** | **414,173** | **429,575** | **-583,682** | **-622,743** | **654,916** | **764,922** |
| 6 | **OTHER LIABILITIES** | **507,283** | **346,568** | **182,594** | **238,152** | **29,401** | **30,839** | **22,716** | **31,704** | **-95,877** | **-34,724** | **646,117** | **612,539** |
| | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **39,875,255** | **40,385,537** |

**Income Statement by activity sector**

(in €K)

| | | Non-Life | | Life | | Real Estate | | Other | | Inter-segment eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| 1.1 | Net premiums | 5,742,690 | 6,364,206 | 3,907,454 | 3,603,029 | 0 | 0 | 0 | 0 | 0 | 0 | 9,650,144 | 9,967,235 |
| *1.1.1* | *Gross premiums written* | *6,063,559* | *6,665,585* | *3,914,958* | *3,611,582* | | | | | | | 9,978,517 | 10,277,167 |
| *1.1.2* | *Premiums ceded to reinsurers* | *-320,869* | *-301,379* | *-7,504* | *-8,553* | | | | | | | -328,373 | -309,932 |
| 1.2 | Commission income | 0 | 0 | 1,137 | 2,562 | | | 18,722 | 23,372 | -11,866 | -10,511 | 7,993 | 15,423 |
| 1.3 | Income and charges from financial instruments at fair value through profit or loss | *-51,584* | *-12,517* | 194,511 | 557,133 | -1,578 | -2,798 | 1,167 | 2,863 | 0 | 0 | 142,516 | 544,681 |
| 1.4 | Income from investments in subsidiaries, associates and joint ventures | *191* | *615* | 7,605 | 0 | 18 | 26 | 2 | 0 | 0 | 0 | 7,816 | 641 |
| 1.5 | Income from other financial instruments and investment property | 515,036 | 413,450 | 868,893 | 703,787 | 50,313 | 55,825 | 62,478 | 56,510 | -45,961 | -47,913 | 1,450,759 | 1,181,659 |
| 1.6 | Other revenues | 442,538 | 448,505 | 50,873 | 69,195 | 21,564 | 20,762 | 634,264 | 637,098 | -685,796 | -673,418 | 463,443 | 502,142 |
| 1 | **TOTAL REVENUES AND INCOME** | **6,648,871** | **7,214,259** | **5,030,473** | **4,935,706** | **70,317** | **73,815** | **716,633** | **719,843** | **-743,623** | **-731,842** | **11,722,671** | **12,211,781** |
| 2.1 | Net charges relating to claims | -4,076,681 | -4,999,313 | -4,302,536 | -4,358,241 | 0 | 0 | 0 | 0 | 0 | 0 | -8,379,217 | -9,357,554 |
| *2.1.2* | *Amounts paid and changes in technical provisions* | *-4,246,119* | *-5,296,257* | *-4,309,767* | *-4,363,772* | | | | | | | -8,555,886 | -9,660,029 |
| *2.1.3* | *Reinsurers' share* | *169,438* | *296,944* | *7,231* | *5,531* | | | | | | | 176,669 | 302,475 |
| 2.2 | Commission expenses | 0 | 0 | -699 | -1,777 | | 0 | -5,615 | -5,584 | | 0 | -6,314 | -7,361 |
| 2.3 | Expenses from investments in subsidiaries, associates and joint ventures | -300 | -12,836 | 0 | 0 | -166 | -2,089 | -1,661 | -4,642 | | -1 | -2,127 | -19,568 |
| 2.4 | Expenses from other financial instruments and investment property | -175,296 | -435,331 | -68,234 | -147,662 | -91,879 | -245,514 | -22,020 | -22,857 | 9,567 | 14,178 | -347,862 | -837,186 |
| 2.5 | Operating expenses | -1,334,484 | -1,407,374 | -202,640 | -203,474 | -189 | -196 | -313,250 | -315,448 | 241,139 | 228,175 | -1,609,424 | -1,698,317 |
| 2.6 | Other costs | -649,156 | -924,804 | -96,760 | -259,325 | -47,140 | -63,386 | -425,445 | -466,554 | 492,917 | 489,490 | -725,584 | -1,224,579 |
| 2 | **TOTAL COSTS AND CHARGES** | **-6,235,917** | **-7,779,658** | **-4,670,869** | **-4,970,479** | **-139,374** | **-311,185** | **-767,991** | **-815,085** | **743,623** | **731,842** | **-11,070,528** | **-13,144,565** |
| | **NET PROFIT (LOSS) FOR THE YEAR BEFORE TAXES** | **412,954** | **-565,399** | **359,604** | **-34,773** | **-69,057** | **-237,370** | **-51,358** | **-95,242** | **0** | **0** | **652,143** | **-932,784** |

# PART E - Information on business combinations and assets sold or discontinued

## Disposals planned in compliance with the Antitrust Authority Provision

Please refer to the Directors' Report.

The table below shows, based on the originally attributed classification in the financial statements, the assets and liabilities held for sale associated with the business unit subject to disposal as defined by the Boards of Directors of Unipol Gruppo Finanziario S.p.A. and UnipolSai Assicurazioni S.p.A. on 21 January 2014 in compliance with Antitrust Authority Provision of 19 June 2012 and on the basis of the agreement entered into on 15 March 2014 between UnipolSai Assicurazioni S.p.A. and Allianz S.p.A. for the acquisition of certain insurance assets of the former Milano Assicurazioni S.p.A.
Please note that the application of IFRS 5 did not result in a loss.

| (€k) | ASSETS | Non-Life | Life | Other | Total |
|---|---|---|---|---|---|
| **1** | **INTANGIBLE ASSETS** | **127,715** | **2,215** | **-** | **129,930** |
| **2** | **PROPERTY, PLANT AND EQUIPMENT** | **9** | **-** | **57** | **66** |
| **3** | **TECHNICAL PROVISIONS - REINSURERS' SHARE** | **-** | **-** | **-** | **-** |
| **4** | **INVESTMENTS** | **924** | **-** | **-** | **924** |
| 4.1 | Investment property | - | - | - | - |
| 4.2 | Investments in subsidiaries, associates and joint ventures | - | - | - | - |
| 4.3 | Investments held to maturity | - | - | - | - |
| 4.4 | Loans and receivables | 924 | - | - | 924 |
| 4.5 | AFS financial assets | - | - | | - |
| 4.6 | Financial assets at fair value through profit or loss | - | - | | - |
| **5** | **OTHER RECEIVABLES** | **26,472** | - | **13** | **26,485** |
| **6** | **OTHER ASSETS** | **3,068** | - | **-** | **3,068** |
| 6.1 | Deferred acquisition costs | 488 | - | - | 488 |
| 6.2 | Other assets | 2,580 | - | - | 2,580 |
| **7** | **CASH AND CASH EQUIVALENTS** | **20,526** | **-** | **201** | **20,727** |
| | **TOTAL ASSETS** | **178,714** | **2,215** | **271** | **181,200** |

| (€k) | LIABILITIES | Non-Life | Life | Other | Total |
|---|---|---|---|---|---|
| **2** | **PROVISIONS** | **15,113** | **-** | **-** | **15,113** |
| **3** | **TECHNICAL PROVISIONS** | **18,686** | **-** | **-** | **18,686** |
| **4** | **FINANCIAL LIABILITIES** | - | - | - | - |
| 4.1 | Financial liabilities at fair value through profit or loss | - | - | - | - |
| 4.2 | Other financial liabilities | - | - | - | - |
| **5** | **PAYABLES** | **4,998** | **-** | **205** | **5,203** |
| **6** | **OTHER LIABILITIES** | **12,202** | | **66** | **12,268** |
| | **TOTAL LIABILITIES** | **50,999** | | **271** | **51,270** |

## Disposal of Saint George Capital Management S.A.

On 18 July 2013 the Saifin-Saifinanziaria S.p.A. Board of Directors resolved to dispose of, or alternatively to liquidate, the investment held in Saint George Capital Management S.A., a company which manages speculative undertakings for collective investment.
The assets, liabilities and income statement items of Saint George Capital Management at 31 December 2013 are reported below.

**(€k)**

| | | |
|---|---|---|
| **1** | **INTANGIBLE ASSETS** | **35** |
| **2** | **PROPERTY, PLANT AND EQUIPMENT** | **178** |
| **4** | **INVESTMENTS** | **69** |
| 4.5 | AFS financial assets | 69 |
| **5** | **OTHER RECEIVABLES** | **19** |
| **6** | **OTHER ASSETS** | **432** |
| 6.2 | Other assets | 432 |
| **7** | **CASH AND CASH EQUIVALENTS** | **2,670** |
| | **TOTAL ASSETS** | **3,403** |
| **5** | **PAYABLES** | **1,246** |
| **6** | **OTHER LIABILITIES** | **97** |
| | **TOTAL LIABILITIES** | **1,343** |

**(€k)**

| | | |
|---|---|---|
| 1.2 | Commission income | 2,571 |
| 1.3 | Income and charges from financial instruments at fair value through profit or loss | (10) |
| 1.5 | Income from other financial instruments and investment property | 2 |
| 1.5.1 | Interest income | 2 |
| 1.6 | Other income | 52 |
| **1** | **TOTAL REVENUES AND INCOME** | **2,615** |
| 2.2 | Commission expenses | (18) |
| 2.4 | Expenses from other financial instruments and investment property | (2) |
| 2.4.2 | Other charges | (2) |
| 2.5 | Operating expenses | (3,021) |
| 2.5.3 | Other administration expenses | (3,021) |
| 2.6 | Other costs | (918) |
| **2** | **TOTAL COSTS AND CHARGES** | **(3,959)** |
| | **NET PROFIT (LOSS) FOR THE YEAR BEFORE TAXES** | **(1,344)** |
| 3 | Income taxes | (3) |
| | **NET PROFIT (LOSS) FOR THE YEAR AFTER TAXES** | **(1,347)** |

# PART F - Additional disclosures

The breakdown by maturity of the financial liabilities with exclusion of those in which the investment risk is borne by the Life policyholders is shown below.

## Financial Liabilities

| (€m) | 31/12/2013 | 31/12/2012 |
|---|---|---|
| up to 1 year | 479 | 422 |
| from 1 to 5 years | 213 | 351 |
| from 6 to 10 years | 352 | 363 |
| over 10 years | 699 | 696 |
| **Total** | **1,743** | **1,832** |

The main financial liabilities are subordinated liabilities, which account for approx. 60% of the total financial liabilities of the Group and over half have maturity above 5 years.
On the other hand, the positions due within one year mainly relate to deposits held by BancaSai with its customers for €165m, deposits from reinsurers for €135m and bank deposits of Group companies for €57m.

In relation to the subordinated liabilities, the table below shows by maturity or, if existing, with reference to the next call date, the contractual cash flows not discounted and the book value of the liabilities.

## Subordinated liabilities

| (€m) | 31/12/2013 | | 31/12/2012 | |
|---|---|---|---|---|
| | Cash flow non discounted contracts | Book value | Cash flow non discounted contracts | Book value |
| up to 1 year | - | - | - | - |
| from 1 to 5 years | - | 352 | - | - |
| from 6 to 10 years | 507 | 397 | 516 | 352 |
| over 10 years | 1,141 | 302 | 1,166 | 696 |
| **Total** | **1,648** | **1,051** | **1,682** | **1,048** |

## Insurance liabilities of the Non-Life insurance sector

In relation to the Non-Life insurance sector, the table below shows the amounts of the claims provisions and the gross direct premium provisions by maturity. The total provisions are shown by duration in proportion to the expected cash flows for each interval shown.

| (€m) | 31/12/2013 | 31/12/2012 |
|---|---|---|
| up to 1 year | 4,920 | 5,522 |
| from 1 to 5 years | 4,923 | 5,022 |
| from 6 to 10 years | 1,242 | 1,119 |
| over 10 years | 345 | 297 |
| **Total** | **11,431** | **11,960** |

The total includes the premium provision for €2,172m (€2,470m at 31/12/2012), the claims provisions for €9,252m (€9,482m at 31/12/2012) and the other technical provisions represented by the ageing provision of the Health Class for €7m (€9m at 31/12/2012).

## Insurance liabilities of the Life sector and deposit accounting

In relation to the insurance liabilities of the Life insurance sector, the Group considers the impact on the expected profitability of all the incoming and outgoing funds, with particular focus on those relating to redemptions. In fact, the assumptions utilised to create product tariffs and value amounts and risks, are periodically updated with the effective observations on the expected outflows.

The table below shows the amounts of the provisions of the direct business of the Life insurance segment divided by contractual maturities. For contracts without expiry (annuities and whole life contracts), an expected exit date was considered consistent with the assumptions used to measure the Value in Force.

| (€m) | **31/12/2013** | **31/12/2012** |
|---|---|---|
| up to 1 year | 2,962 | 2,321 |
| from 1 to 5 years | 8,104 | 9,486 |
| from 6 to 10 years | 7,826 | 7,106 |
| over 10 years | 2,380 | 2,605 |
| **Total** | **21,273** | **21,518** |

The total, which refers to gross direct business, includes actuarial provisions for €15,559m (€14,930m at 31/12/2012), technical provisions where investment risk is borne by policyholders and deriving from management of pension funds for €4,926m (€5,861m at 31/12/2012), liabilities from financial contracts issued by insurance companies for which the investment risk is borne by the policyholders for €150m (€162m at 31/12/2012), and management of the pension funds for €353m (€318m at 31/12/2012) and zero for deposit accounting.
Also included is the provision for sums to be paid of €284m at 31 December 2013 (€247m at 31/12/2012), which by its nature has a residual maturity substantially at one year.

## Disclosure on the real or potential effects of offsetting agreements

In order for the real or potential effects of offsetting agreements on the Unipol Group to be assessed, the information on the financial instruments under framework executive offsetting agreements is provided below. The operations listed in the tables below concern financial derivatives.
With reference to them, the agreements contained in the ISDA Master Agreements regulating operations in these instruments require that between credit and debit items, including any cash deposits or financial instruments used as guarantees, be offset in the case one of the contractual parties becomes insolvent.

### Table 7 - Financial assets

(€m)

| Type | Gross amount (A) | Amount of financial liabilities offset in financial statements (B) | Net amount of financial assets reported in financial statements (C)=(A)-(B) | Related amounts not offset in financial statements | | Net amount (F)=(C)-(D)-(E) |
|---|---|---|---|---|---|---|
| | | | | Financial instruments (D) | Cash deposits received as guarantee (E) | |
| Derivative operations [1] | 47.0 | - | 47.0 | 44.0 | - | 3.0 |
| Repurchase agreements | - | - | - | - | - | - |
| Securities lending | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| **Total** | **47.0** | **-** | **47.0** | **44.0** | **-** | **3.0** |

[1] *The amounts given include the fair value in the financial statements of the derivative instruments covered by the offsetting agreements and any cash deposits received or given as guarantee.*

### Table 8 - Financial Liabilities

(€m)

| Type | Gross amount (A) | Amount of financial assets offset in financial statements (B) | Net amount of financial liabilities reported in financial statements (C)=(A)-(B) | Related amounts not offset in financial statements | | Net amount (F)=(C)-(D)-(E) |
|---|---|---|---|---|---|---|
| | | | | Financial instruments (D) | Cash deposits received as guarantee (E) | |
| Derivative operations [1] | 46.0 | - | 46.0 | - | 44.0 | 2.0 |
| Repurchase agreements | - | - | - | - | - | - |
| Securities lending | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| **Total** | **46.0** | **-** | **46.0** | **-** | **44.0** | **2.0** |

[1] *The amounts given include the fair value in the financial statements of the derivative instruments covered by the offsetting agreements and any cash deposits received or given as guarantee.*

## Trend in claims

In accordance with the requirements of paragraph 39 of IFRS 4, information is provided below relating to changes in the Non-Life Sector claims (not including the Assistance class).
The tables below are compiled from official data from forms provided to the Supervision Authority by the former Fondiaria-SAI Group (ref. form 28, form 29, attachment 1/28, attachment 1/29, form 29A). The scope of interest refers to the principal Group companies, and includes FondiariaSai, Milano, Liguria and SIAT.

Each piece of data on the "triangle" represents a snapshot of the generation cost at 31 December of the year of observation, represented by the sum of the following components:

- cumulative payment in the year of occurrence at 31 December of the year of observation;
- provision on open claims, referred to 31 December of the year of observation;
- estimate of the IBNR claims of the year of occurrence at 31 December of the year of observation.

The "Estimated final cost", the "Payments made" and the "Provision amount" refer to the most recent year of observation i.e. the largest diagonal of the triangle.

(€m)

**TOTAL NON-LIFE SECTOR (NOT INCLUDING ASSISTANCE CLASS)**

| **Years** | **2004 **** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Estimated cost** | | | | | | | | | | |
| AY | 4,674 | 5,000 | 5,049 | 5,015 | 4,946 | 5,466 | 5,271 | 4,875 | 4,376 | 3,840 |
| After one year | 4,629 | 4,915 | 5,145 | 4,920 | 5,109 | 5,577 | 5,297 | 4,696 | 4,232 | |
| After two years | 4,612 | 4,888 | 5,194 | 5,004 | 5,242 | 5,732 | 5,519 | 4,754 | | |
| After three years | 4,532 | 4,956 | 5,156 | 5,118 | 5,401 | 5,872 | 5,551 | | | |
| After four years | 4,570 | 4,968 | 5,274 | 5,236 | 5,532 | 5,899 | | | | |
| After five years | 4,586 | 5,042 | 5,473 | 5,350 | 5,566 | | | | | |
| After six years | 4,660 | 5,166 | 5,472 | 5,388 | | | | | | |
| After seven years | 4,745 | 5,197 | 5,494 | | | | | | | |
| After eight years | 4,779 | 5,227 | | | | | | | | |
| After nine years | 4,793 | | | | | | | | | |
| **Estimated final cost** | **4,793** | **5,227** | **5,494** | **5,388** | **5,566** | **5,899** | **5,551** | **4,754** | **4,232** | **3,840** |
| **Payments** | **4,576** | **4,900** | **5,109** | **4,924** | **5,028** | **5,199** | **4,674** | **3,788** | **2,928** | **1,445** |
| **Provision amount** | **217** | **327** | **385** | **464** | **538** | **700** | **878** | **966** | **1,303** | **2,396** |

*** year 2004 does not include Siat*

**NOTES:**

- each amount of the triangle is comprised of:
  **cumulative payment in the year of occurrence** (from the year of commencement to the year of observation)
  **+ provision relating to the year of occurrence on claims reported** (in the year of observation)
  **+ provision relating to the year of occurrence on IBNR claims** (in the year of observation)
- the "estimated final cost" is the cost of the last year of observation
- "payments" is the cumulative payments in the year of occurrence in the last year of observation
- "provision amount" is the provision relating to the year of occurrence in the last year of observation

Using the data in the trend in claims table as input for actuarial models such as the Chain-Ladder must be done with extreme caution. In the case of strengthening provisions, repeating the changes in cost recorded in the past may lead to the paradox that the higher the strengthening is, the higher the insufficiency that these methods might improperly project.

The table below sets forth the situation of the claims for the companies Fondiaria-SAI and Milano Assicurazioni still open at the end of 2013, compared with the number of claims reported in the various years.

| Occurrence | Number of reported claims (*) | Number of open claims | % on reported claims |
|---|---|---|---|
| 2002 | 987,098 | 1,197 | 0.12 |
| 2003 | 959,946 | 1,611 | 0.17 |
| 2004 | 929,973 | 1,823 | 0.20 |
| 2005 | 929,388 | 2,703 | 0.29 |
| 2006 | 912,798 | 3,857 | 0.42 |
| 2007 | 882,694 | 4,577 | 0.52 |
| 2008 | 828,451 | 7,453 | 0.90 |
| 2009 | 865,000 | 11,544 | 1.33 |
| 2010 | 818,587 | 15,671 | 1.91 |
| 2011 | 749,328 | 20,735 | 2.77 |
| 2012 | 573,580 | 32,174 | 5.61 |
| 2013 | 490,052 | 111,729 | 22.80 |

*(*) Excluding the CID Mandates from 1 January 2007 with the introduction of the Direct Compensation which are considered the claims caused (No Card + Debtor Card)*

**Management CARD from 1 February 2007**

| Occurrence | Number of reported claims | Number of open claims | % on reported claims |
|---|---|---|---|
| 2007 | 428,094 | 1,328 | 0.31 |
| 2008 | 537,499 | 2,995 | 0.56 |
| 2009 | 665,073 | 5,905 | 0.89 |
| 2010 | 614,066 | 7,572 | 1.23 |
| 2011 | 549,100 | 10,046 | 1.83 |
| 2012 | 411,490 | 12,300 | 2.99 |
| 2013 | 354,773 | 60,181 | 16.96 |

## Guaranteed return provisions

With reference to the commitments assumed in respect of policyholders, the breakdown of the Life provision for the Group’s companies, as set out below, shows over 59.4% (61% in 2012) equal to €10,112m (€10,647m in 2012) relate to policies with guaranteed returns of 1% to 3%, while 11.4% (13.4% in 2012) equal to €1,945m (€2,356m in 2012) relate to policies with guaranteed returns of 3% to 5%.
In comparison, the provision for non-guaranteed contracts are modest (€475.8m decreasing on €531.2m in 2012) while, compared to the previous year, the provisions with guaranteed interest rates on maturity increased from €3,442.3m in 2012 to about €4,020m in 2013 while the provisions for guaranteed contracts tied to specific assets dropped from €577.9m in 2012 to €450m in 2013.

## Insurance provisions of the Life segment: guaranteed return (*)

| (€m) | 2013 | 2012 |
|---|---|---|
| **Provisions with guaranteed annual interest rate** | **12,063.2** | **13,008.5** |
| from 0% to 1% | 6.3 | 5.5 |
| from 1% to 3% | 10,111.8 | 10,646.6 |
| from 3% to 5% | 1,945.1 | 2,356.4 |
| **Provisions without guaranteed interest rate** | **475.8** | **531.2** |
| **Provisions related to specific assets** | **450.4** | **577.9** |
| **Provisions with guaranteed interest rate at expiry** | **4,019.8** | **3,442.3** |
| **Total** | **17,009.2** | **17,559.9** |

(*) The total includes the amount of the direct gross actuarial provisions and the technical provisions where the investment risk is borne by the policyholders.
Companies considered: Fondiaria-SAI, Milano Assicurazioni, Popolare Vita and Liguria Vita.

# PART G – Information on risks and uncertainties

## Risk Report

The purpose of the Risk Report is to provide additional supporting information to allow stakeholders make an assessment of the Group's equity and financial situation in the Risk Management perspective that operates in accordance with the general principles contained in ISVAP Regulation no. 20/2008, presently being updated, and in the Solvency II regulation, which is expected to go into force by 1 January 2016.

## Internal Control and Risk Management System

The Risk Management structure and process at Fondiaria-SAI and in the Unipol Group are part of the broader internal control and risk management system that is broken down onto several levels in its configuration when at full performance:

- line controls (level 1 controls) aimed at ensuring that operations are carried out correctly. They are carried out by the operating structures (e.g. hierarchical, systematic and random controls), also through different units that report to the managers of the operating structures, or performed by back office; they are incorporated in the IT procedures as far as possible. The operating structures are the first responsible for the risk management process. During daily operations these structures have to identify, measure or evaluate, monitor, lessen and report the risks arising from the ordinary company activities in conformity with the risk management process; they have to ensure compliance with the established level of risk appetite and the procedures in which the risk management system is set out;
- risk and conformity controls (level 2 controls) whose purpose is to ensure, among other things:
  - proper implementation of the risk management system;
  - observance of the operating limits assigned to the various functions;
  - compliance with the company operations rules.

  The functions in charge of these controls are separate from the production functions; they contribute to defining the risk governance policies and the risk management process;
- internal audit (level 3 controls), activities for checking completeness, practicality and adequacy of the internal control and risk management system (including the level 1 and level 2 controls).

With regard to Fondiaria-SAI's risk governance system in effect in 2013, roles, purposes and principles are described hereunder.

- Subject to the opinion of the Control and Risk Committee, the **Board of Directors** defines the guidelines of the internal control and risk management system so that the major risks pertaining to the Company and the Operating Companies are properly identified and adequately measured, managed and monitored. It is responsible for approving the Risk Management Policy, in which the guidelines and policies for identifying, assessing, controlling and mitigating the most significant risks are defined consistent with the company's level of risk appetite. At the time it defines the guidelines and risk management, it approves the risk appetite, its limitations, the principle policies and the strategies for managing the risk. The Board of Directors makes use of Risk Management to monitor the risks. Its task is to ensure an integrated assessment of the various risks, Enterprise Risk Management (ERM), on the Group level.

- The **Control and Risk Committee** submits its opinions on the definition of the risk management system guidelines and on the assessment of the adequacy of the risk management system with reference to the company's characteristics and the assumed risk profile, as well as its effectiveness, to the Board of Directors.

- The **Director in charge** of the internal control and risk management system (the Vice Chairman of the Board of Directors) identifies the principle company risks while bearing in mind the characteristics of the activities carried out, of the Company and of the Operating Companies. He or she periodically submits them to Board of Directors for its review, and also implements execution of the guidelines the Board of Directors defines by overseeing the design, execution and management of the internal control and risk management system and constantly checking that they are adequate and effective.
- **Risk Management** has the job of ensuring an integrated assessment of the various risks, Enterprise Risk Management (ERM), on the Unipol Group level, and it supports Top Management, the Chairman and the Board of Directors in assessing the design and effectiveness of the risk management system by reporting its conclusions to them, pointing out any shortcomings and suggesting how to solve them. Risk Management performs this activity within the "Own Risk Solvency Assessment" process for the insurance segment and the "Internal Capital Adequacy Assessment Process" for the banking segment. It ensures coordination of the activities that the various company structures tied to risk management carry out, in line with the best practices of the market and in observance of the regulations dictated by the Supervisory Boards. Nevertheless, the single operating departments are responsible for the operational management of the risks pertaining to their respective activities since they are the structures themselves that are equipped with the suitable tools and expertise. Risk Management supports the various Group entities with regard to the ex ante and ex post assessment of the impact of strategic decisions on the risk profile of the strategic business decisions, particular transactions analysed, products and tariffs; it also monitors exposure to risks and observance of the risk appetite levels.
  In this context Risk Management, in agreement with the other competent structures, supports the Director in charge and Top Management in circulating and reinforcing risk awareness. This activity addresses all staff levels within the organisation in order to create awareness of the role they play in the internal control and risk management system, and so they are fully involved.

## New reorganisation of the Unipol Group

With regard to the control governance functions, the organisation structure of the parent company Unipol, resolved by the Unipol Board of Directors on 19 December 2013, requires that the control governance functions operating under the coordination of the Director in charge of the internal control and risk management system directly report to the Board of Directors pursuant to the applicable segment regulations. They comprise:

- the Audit Department;
- the Risk Management Department;
- the Compliance and Anti-money Laundering Department.

The Risk Management and Compliance and Anti-money Laundering departments hierarchically report to the Chief Risk Officer, whose duty is to guarantee integrated monitoring of risks. While preserving the independence and separation of the individual control functions as well as guaranteeing compliance with the principle of separation between operating departments and control functions, this control governance function structure further strengthens the integrated monitoring of risks to which the Unipol Group is exposed in the various fields in which it carries on its business.

The company UnipolSai also adopts the organisation structure explained above.

The process of outlining a joint governance structure for the entire new Group, with standardisation of the principles, policies and risk awareness within the new company structure continued as part of the Unipol Group integration plan in 2013.

Alignment of the policies and standardisation of the processes and controls to adapt and fit the risk management provisions to the operational complexity and transformed risk profile of the new Group was started.

## The risk management system

The following activities are carried out within the risk management process:

- identification of the risks;
- assessment of the risks (including risk measurement);
- control of the risks (including risk reporting);
- mitigation of the risks.

Special policies setting out suitable guidelines for addressing the risk taking and management activities were issued for the most important risks. The definitions of the risk, how to calculate it, any limitations, the control system and everything else necessary in order to properly govern the risk are explained in these guidelines.

The **identification** activity led to singling out the risks considered important, i.e. those whose consequences might jeopardise the Group's solvency or constitute a serious obstacle in attaining the company's objectives. These risks are classified following a taxonomy that considers both the structure of the Group and the specifics of the businesses managed by the different operating companies. The risk classes identified are:

- Technical-Insurance Risk in the Non-Life and Life Sectors;
- Financial Risk (Market, Liquidity/ALM);
- Credit Risk;
- Operating Risk;
- Emerging Risks;
- Other Risks.

The **assessment** phase consists of measuring the risk and identifying the impact of a potential event on the attainment of company objectives. Measurement is made by jointly using several methodologies:

*Solvency* I - Regulatory method in force that introduced the minimum capital requirement (minimum solvency margin) and relates it to indicators such as premiums and claims, actuarial provisions and capital at risk.

*Solvency* II: Internal Model for measuring the Solvency Capital Requirement - As part of the process of adopting the *Solvency* II regulation, the Unipol Group is developing its risk management procedures and adapting them to *Solvency* II, also by developing and using an Internal Model for assessing and measuring identified risks, which uses sophisticated financial and actuarial analysis tools. By integrating these risks in the Internal Model, we get a holistic measurement of company risks. These measurements are also made with the standard Formula determined on the basis of the specifications of the last quantitative impact study with a confidence level of 99.5%.

Stress testing - Stress testing is one of the internal risk management tools and is a quantitative technique with which companies assess their vulnerability to extreme, though plausible, events. Stress tests are used in assessing the effects of specific events or joint movements of a set of economic-financial variables in hypothetical adverse scenarios on the economic, financial and equity conditions. These techniques therefore allow us to gain additional information on the company's actual exposure to different risk factors, and contribute toward forming a more thorough assessment of the adequacy of the capital resources and toward suggesting strategies and methods for responding these extreme events. Risk Management contributes takes part in performing stress tests for all the operating companies of the Group in connection with the type of risks deemed most harmful for the company's operations. In order to report the results of the analyses and make the individual companies aware of the assessed risks, Risk Management sets up flows of information going to Top Management and the respective Boards of Directors at the end of the stress testing.

<u>Basel II for measuring capital requirements</u> - The BancaSai banking group has deemed it opportune to abide by the instructions provided in Bank of Italy Circular no. 263 of 27 December 2006 and subsequent updates, and has adopted the more easy to determine methodological solutions allowed to the intermediaries for their class of reference and has taken decisions in line with the regulatory practices in order to encourage communication with the Supervisory Authority to the utmost.

<u>Basel III new rules on the capital and liquidity of banks</u> - On 27 June 2013 the texts of (EU) Regulation no. 575/2013 ("CRR") and Directive 2013/36/EU ("CRD IV") on prudential supervision were published in the Official Journal of the European Union. The texts transpose the standards established by the Basel Committee on Banking Supervision in the European Union. These new regulations entered into force on 1 January 2014, and a provisional regime was scheduled for application of the regulatory capital (own funds) and capital reserve (buffer) provisions.

**Control and reporting**: an organised "internal" and "external" reporting system is set up.

More specifically, internal reporting - addressed to the bodies and structures inside the Group - is a strategic and operational tool for projecting, planning and monitoring capital and risk management actions.
Internal reporting is the official tool through which Risk Management communicates the state of development of the risks and any infringement of the limits established according to the logic and parameters of Solvency II to the various corporate levels, each for its own area of responsibility.

The **mitigation** activities consist of identifying and proposing actions or interventions necessary or useful for mitigating the levels of risk present (or prospective) that are not in line with the levels of risk defined in the company. The most important forms of risk mitigation tools are:

- financial hedges;
- reinsurance;
- management actions;
- guarantees as a hedge against credit risks.

<u>Financial hedges</u>: these actions can take the shape of hedges on the market by way of financial derivatives.

<u>Reinsurance</u>: permits transferring the underwriting risk outside the Group so there is a greater business development capacity through both a proportional reduction of volumes at risk (e.g. proportional treaties) and by limiting the amounts of excesses of loss (e.g. non-proportional claims).

<u>Management actions</u>: corrective actions defined on the Corporate Governance level such as, for example, resetting the structure of the assets and/or liabilities under management or the disposal of assets and/or liabilities (closing positions) to apply after certain events take place.

<u>Guarantees as a hedge against credit risks</u>: the most important form of guarantee available on exposures to

reinsurers is represented by the deposits with the Group for the risks ceded and retroceded, whose changes (constitution and repayment) usually take place once a year or every half-year. The relevant duration is basically related to the specifics of the underlying insurance guarantees and the actual duration of the reinsurance relationship, whose renewal is negotiated at the end of each year. With regard to exposures to reinsurers, the Group also has a limited number of guarantees basically made up of letters of credit and securities. Moreover, the collateral deposited by the counterparties for operations in derivatives against Credit Support Annex (CSA) agreements is also part of the credit risk guarantees.
Should the internal models for measuring risks take into account the effect of mitigation techniques, the consistency and continuous updating with operating performance is guaranteed.
The various forms of mitigation are documented with special policies or within the general policies.

## Internal Model

### Insurance Business

The logic underlying the Internal Model for measuring the Solvency Capital Requirement is developed consistent with the new Solvency II principles currently being defined. In the specific instance, the Unipol Group has defined its own taxonomy in line with the provisions of the EIOPA according to the following risk classes:

- Technical-Insurance Risk in the Non-Life and Life Sectors;
- Financial risk (Market, Liquidity/ALM);
- Credit risk;
- Operating and Other Risks.

Identification of the risk classes and its constant updating arise from painstaking work carried out on an ongoing basis by monitoring company operations, carefully interpreting the regulations and making comparisons with the opinions the industry and trade associations collect, and with the contributions coming from conferences, forums and specialised studies.

In 2013 internal risk assessment models that the two Unipol and Fondiaria-SAI Groups use were quickly integrated. This was made easier by the common use in the two Groups of several calculation applications, processes undertaken with homogenous methods, and the rapid extension of Unipol's operational and Risk Management organisation to the new Group.

The evolution of the Internal Model, which was implemented in 2013, was the fruit of a continuous refinement process previously defined calculation models, in line with development of the guidelines of the validation activity.

The Internal Model requires that every risk be measured using appropriate parameters and tools and then be aggregated.
A summary of how each risk is measured is presented below, whereas further information on the measurement methods and main results is provided for each risk in the following paragraphs.

The **Non-Life underwriting and provision risk** is measured with an internal model consistent with the new principles set out in the Solvency II regulation, using random methodologies for assessing the underwriting risk (premium risk and reserve risk).

The **Life underwriting and provision risk** is measured with an internal model based on the ALM type of random approach consistent with the new Solvency II principles, which allows the asset and liability components to be measured at fair value in an integrated manner.

As for the **market risk**, it is measured with an internal model consisting of two distinct submodels:

- Historical Simulation model (Non-Life and assets);
- Monte Carlo Life ALM (Life portfolios).

The Value at Risk Historical Simulation was used to manage the Non-Life portfolio and assets. The methodology is based on using distributions of probability for each risk factor determined, starting from the market scenarios observed on a historical basis.
To manage the Life portfolios, in view of the specific characteristics of the business, a joint assessment of assets and liabilities is made bearing in mind the rules with which the yield of the segregated funds and the provision revaluation criteria are determined.

In keeping with the requirements of the IFRS standards, a table with an analysis of the most important sensitivities is given below.

**Credit risk**

Banking Business
The BancaSai banking group adopts the standardised methodologies established by the Bank of Italy (Circular no. 263 of 27 December 2006 and subsequent updates) and used in the supervisory reporting for the Pillar I risk factors.

## Financial Risks

### Market Risks

For the market risks, reference is made to the risk of losses due to changes in interest rates, share prices, exchange rates and credit spread.
The following types are therefore taken into consideration:

- *Interest rate risk*, i.e. the risk of a possible change in value of a financial asset in the portfolio consequent to adverse interest rate movements;
- *Share price risk*, i.e. the risk tied to losses due to adverse share price movements;
- *Exchange rate risk*, i.e. the risk of possible losses on the currency positions in the portfolio consequent to a downward exchange rate trend;
- *Credit spread risk*, i.e. the risk that the value of the credit-sensitive portfolio sustains a negative change caused by the deterioration of the quality of the issuer's credit.

The value of the sensitivity of the portfolios of financial assets sensitive to the market risk factors for the Fondiaria-SAI Consolidation is provided below. Sensitivity is calculated as the change in market value of the assets when there are shocks following a:

- parallel change in the interest rate curve of +10 bps;
- -20% change in the share prices;
- +10 bps change in the credit spread.

| (€m) | Economic Impact | Capital Impact |
|---|---|---|
| Interest rate sensitivity (+10 bps) | (0.03) | (101.13) |
| Credit spread sensitivity (+10 bps) | (0.08) | (117.65) |
| Equity sensitivity (-20%) | (2.75) | (174.87) |

The ***exchange risk*** from the ALM viewpoint is considered the risk of a possible change in value of the assets and liabilities in the financial statements and in the Net Asset Value as a consequence of downward changes of the exchange rates or the volatility of the exchange rates. Based on the Group's Investment Policy, the overall exposure in currencies other than the Euro, net of the exchange risk hedging, must be limited to 3% of total investments.
The Unipol Group's exposure to exchange risk at 31 December 2013 is insignificant.

***Real estate risk*** is the risk tied to the emergence of losses following adverse movements of the prices of property assets.
The asset items falling within the calculation of the *real estate risk* include the real estate funds, the directly owned property and the direct or indirect equity investments in property projects.
More specifically, with reference to the directly owned property, the value used to calculate the risk (fair value) is the result of the estimate made by independent appraisers.

The ***interest rate risk*** from the ALM viewpoint is quantified in terms of duration mismatch. The duration mismatches at 31 December 2013 referring to the Fondiaria-SAI insurance companies follow. The asset items falling within the calculation of duration mismatch comprise the securities, funds and real estate holdings, liquidity, receivables and property; the liability items include the financial liabilities and technical provisions. The gap is then calculated as the weighted difference for the market value of the assets, financial liabilities and best estimates of the technical provisions considering the corrective effect of the derivatives.

A duration mismatch for the Life Insurance Sector of 0.03 is recorded for the Fondiaria-SAI Consolidation, whereas that for the Non-Life Sector is 0.72.

The Group Investment Policy was updated and the policy guidelines were also extended to the Fondiaria-SAI Consolidation companies during 2013. The criteria upon which the investment policy is based, the types of assets in which it is deemed appropriate to invest, and the breakdown of the medium to long-term investments portfolio are established in the Group Investment Policy, and limits for the market risk taking and monitoring activities are set in order to ensure global exposure in line with the risk appetite set out in the Group's strategic objectives, thus guaranteeing an adequate diversification of the portfolio.

### Liquidity risk

***Liquidity risk*** is the risk that the Fondiaria-SAI Consolidation can run into when it has to sell less liquid assets at inequitable conditions in order to meet cash commitments (foreseen or unforeseen), thus influencing its solvency. The liquid resources of the Group come from the normal operation of the Life and Non-Life insurance classes. The fundamental principles on which the liquidity risk management model is based can be summed up in the following points:

- concentration of the Liquidity Management functions on the Group level;
- management of structural liquidity while maintaining a balance between liabilities and medium to long-term investments in assets in order to avoid pressure on the short-term liquidity situation;
- management of the short-term liquidity in order to have cash or cash equivalents to meet the short-term commitments, foreseen or unforeseen, while keeping an adequate balance between inflows and outflows;
- keeping a high level of assets in bank deposits and Euro Area government debt securities that are easy to divest immediately.

The liquidity gap, both structural and tactical, is analysed every week using the maturity ladder. The net liquidity requirement is compared with the liquid or easy to divest assets reserves.

### Credit risk

***Credit risk*** is generally considered:

1. the risk that a debtor or examined guarantor does not fully or partially fulfil its obligation accrued towards the Group (customer or borrower risk);
2. the risk of deterioration of the creditworthiness of an issuer of financial instruments (issuer risk).

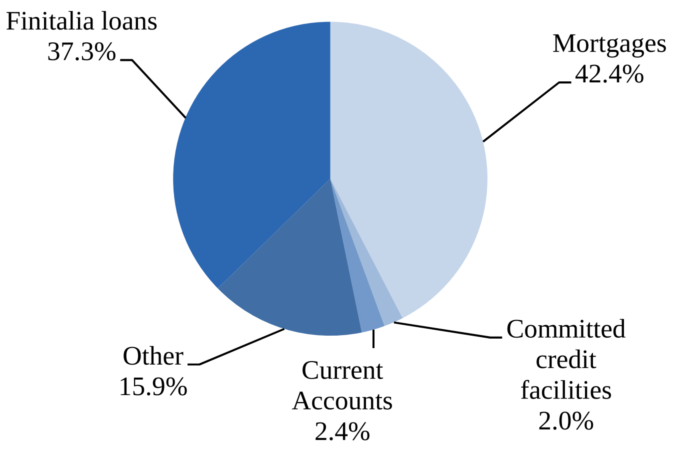
The credit risk in the scope of the Fondiaria-SAI Consolidation mainly lies in the following areas: banking, insurance and outward reinsurance.

The Group's Credit Policy was extended to all the insurance companies directly and indirectly controlled by Unipol having registered offices in Italy and the Unipol Banca Banking Group and BancaSai Banking Group in 2013.
This document regulates the guidelines on the subject of taking and monitoring credit risk in order to ensure global exposure towards the single counterparty in line with the risk appetite set out in the Group's strategic objectives, thus guaranteeing an adequate diversification of the portfolio.

<u>Banking commitments</u>
Credit risk is currently monitored throughout its evolution using the classic indicators. Credit risk at BancaSai is monitored using a reporting system periodically shared with the Risk Committee and the Board of Directors.

In 2013 the rating models of the CRS Classic system supplied by CEDACRI were used to measure credit risk on all segments. In particular, BancaSai also used the CRIF acceptance scoring system on retail segments during the disbursement phase.

Bank loans of the BancaSai Group, net of non-performing loans, are made up of about 42.4% mortgages and 37.3% personal loans (loans disbursed by Finitalia).

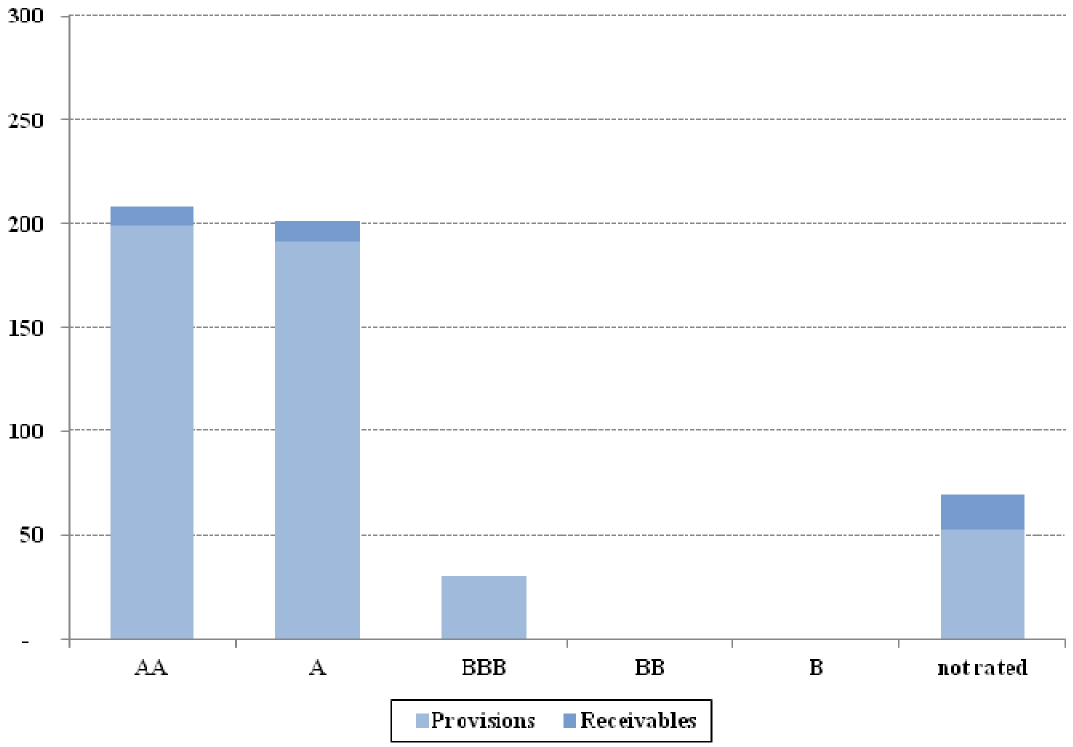



<u>Bonds classes of the Group's insurance companies</u>
This risk is measured with the technical-insurance risks (see relevant section) and is monitored by the Credit Risk Committee of the Unipol Group.

<u>Outward reinsurance</u>
Current exposure for credit risk in this area is broken down into:

- receivables already due coming from the summary of the current account sent to the reinsurer that lists the balances of each contract in the period and those still pending;
- estimated potential receivables (that will become due at the time of the insured's payment and for the relevant amounts) for the claims provisions by the reinsurer; Exposure for the provisions is always considered net of any deposits withheld or other collateral (e.g. Bank LOCs, commitment of the parent company, the reinsurer, etc.).

Distribution of the receivables from reinsurers and the claims provisions by them broken down by rating class that was recognised at 31 December 2013 is provided below for the Fondiaria-SAI Consolidation (values shown in millions of Euro, net of intra-group reinsurance and DDOR Re).



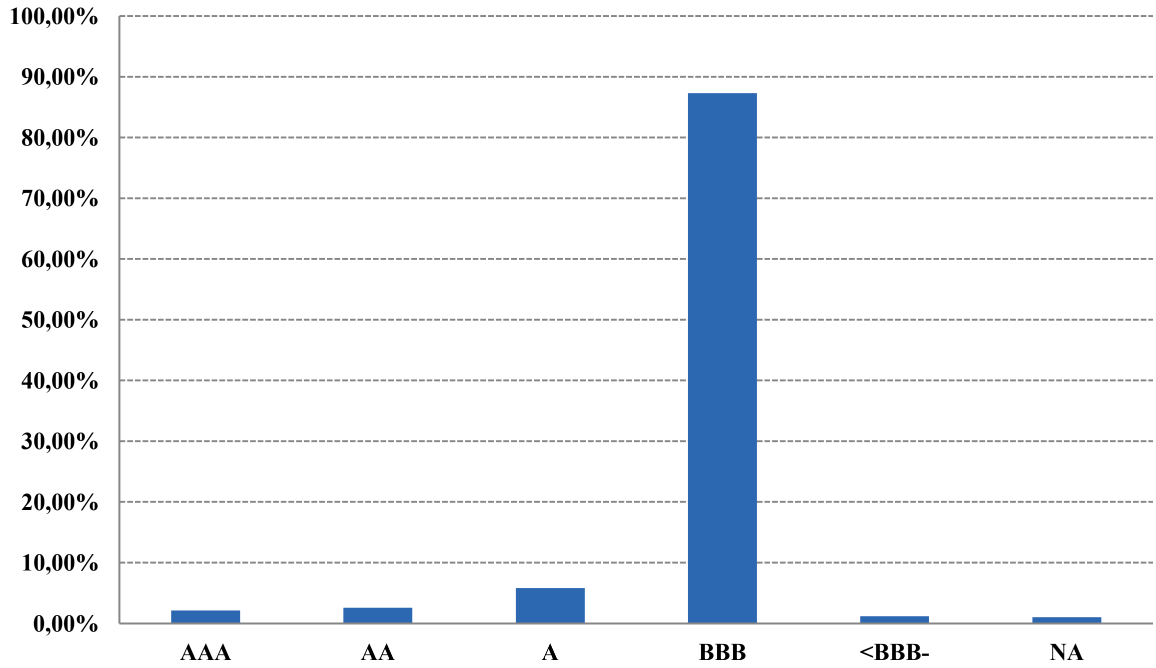

*Values in €m*

<u>Debt security issuer risk</u>

Credit risk of debt securities is monitored within market risk, depending on the volatility of the credit spread, and within credit risk, based on the probability of the issuer's default and relevant loss given default.

The table of the distribution of the bond portfolio of the Fondiaria-SAI Consolidation, insurance and holding business, broken down by rating class is given below.

**Distribution of debt securities by rating class**




*The data refer to 31/12/2013*

Concentration risk

Concentration risk is monitored by identifying the overall exposure to the same issuer of financial instruments and by checking if the thresholds set in the Group's Credit Policy and Investment Policy have been passed.

## Technical-Insurance risks

### Life portfolio risks

The risks of the Life class are estimated using an internal stochastic model that measures all asset and liability components at fair value while considering the risks and their correlation. This model is consistent with the new principles set out in Solvency II. More specifically, the impacts - in terms of Capital absorption (Internal Capital Requirement) - triggered by the following risk factors were assessed:

- mortality/longevity risk, considered as the increase (mortality risk) or decrease (longevity risk) of the expected mortality rates

- redemption risk, considered as the change (increase/decrease) of the redemptions compared to those expected;

- expense risk, considered as the increase in contractual and company expenses compared to those expected;

- catastrophe risk, considered as the instantaneous increase of the probabilities of death caused by a catastrophic event such as pandemic or war;

- interest rate risk, considered as the risk of a possible change in assets and liabilities when there are changes in the term structure and/or in the volatility of the interest rates;

- equity risk, i.e. the risk tied to a possible change in assets and liabilities when there are changes in the market prices and/or in the volatility of the equity instruments;

- exchange risk, considered as the risk of possible changes in the value of assets and liabilities when there are changes in the value or in the volatility of the exchange rates;

- spread risk, considered as the risk of a change in the value of the instruments recognised as financial statement assets and liabilities (debt securities or other fixed income instruments not issued by government entities, credit derivatives and other investment instruments subject to credit risk) when there are changes in the value of the credit spreads compared to the risk-free curve.

A comparison of the results of the internal model on the Life class was made using a stress testing approach and quantitative perspective analyses obtained by varying the most important sources of risk compared to the values of the basic scenario.

<u>Mortality Risk</u>
The Unipol Group implements a risk underwriting policy diversified by sales channel and by tariff types. Considerable attention is particularly focused on the underwriting of Term Life insurance policies, where the procedures envisage underwriting risk both on the capital and on the age of the policyholder. The policies in this category are issued after completing the health, professional and sports questionnaire and based on the answers given, they can be issued by the intermediary autonomously or with Management's validation of underwriting derogations with possible application of health, sports or professional additional premiums. For capital or age higher than the underwriting risk assigned to the sales network, assessment of the risk is passed on to Management, which examines the relevant health tests with the support of its medical consultant. For capital higher than the pre-determined amounts, the risk is assessed together with the reinsurer.
The collective contracts in case of death are issued only by Management, perhaps in collaboration with the reinsurer; the health tests are requested based on a specially prepared grid broken down into capital brackets that is agreed to with the reinsurer.
The underwriting quality of the Group companies is revealed by comparing the actual mortality of the portfolio with its theoretical mortality.

The comparison shows that actual mortality is lower than theoretical mortality.
As already pointed out, from the viewpoint of the insured amounts in the event of death, the Group resorts to reinsurance coverage with risk premiums consistent with the type of products sold and with levels of conservation that are adequate for the capital structure of the individual companies. The main life reinsurers of the Group are marked by elevated financial solidity.

<u>Annuity option</u>
Some Life insurance contracts offer the customer the possibility at expiry to opt for a benefit that can be paid in the form of an annuity instead of collecting the accrued capital. For these contracts, the Group is therefore exposed to a longevity risk due to the progressive trend of human life lengthening. For some years now this risk has been

limited in new contracts by deferring calculation of the annuity coefficient and defining the guaranteed minimum rate at the time the benefit is disbursed. The actuarial provisions have been adequately integrated for the contracts already in the portfolio with an annuity coefficient guaranteed and calculated with non-updated demographic bases.

Deferment option

For some types of contracts, the Group companies offer customers the possibility to defer the capital insured on maturity, totally or partially, for a number of years that the policyholder decides. If the policyholder dies during the deferment period, the designated beneficiaries are paid the revalued capital as it results on the date of death. The contract can be totally or partially surrendered at any time upon the explicit request of the policyholder. In the case of partial surrender, the residual capital will continue to be revalued until the contractual expiration date according to the terms and conditions in force at the time of the option.

The deferment option does not bring about additional risks in terms of minimum capital except for the commitment the Company undertakes. For this reason, since 1998 the deferment option included in the policy terms and conditions states that it be exercised on the basis of the terms and conditions in force at the time the option is exercised.

The propensity to exercise this option is assessed in the analysis of forfeitures applied to the portfolio, aimed at monitoring the commitments undertaken, with particular reference to the levels of financial guarantee and the dynamics of adjusting the benefits provided for in the contracts.

Guaranteed minimum rate option

The Group companies sell a large number of products with returns linked to the results attained by the segregated funds. In most cases, these products offer guaranteed minimum revaluation rates, so the Group Companies are exposed to the risk of not obtaining yields higher than or in line with those pass on to the policyholders from the invested assets. In consideration of the market interest rate trend, and in observance of provisions issued by the Supervisory Authority, the guaranteed minimum rate offered in the products sold has been progressively lowered over recent years and today is 1.5% and 2%, depending on the tariffs marketed. There is a way to consolidate the guaranteed return to a pre-determined expiration date instead of an annual consolidation in many tariffs.

Therefore, the portfolio contains policies undersigned in previous years that provide for guaranteed minimum rates higher than those sold today. As a result, the average guaranteed minimum rate in the current portfolio is lower than that recorded in the previous year.

The risk associated with these options is monitored and assessed with methods and tools that offer quantitative management of the risks the Group takes, help reduce the volatility of the earnings and allow financial resources to be optimally allocated.

When faced with the risk of a possible discrepancy between the foreseeable rates of return of the assets covering the technical provisions linked to segregated funds and the commitments undertaken, the actuarial provisions of the Group companies were integrated, also in compliance with the requirements of ISVAP Reg. 21 of 28 March 2008 (former regulation 1801G of 2001).

The IAS/IFRS accounting standards as well call for the Liability Adequacy Test to check adequacy of the technical provisions of the contracts with regard to the financial guarantees offered.

## Non-Life portfolio risks

The Non-Life technical-insurance risks were measured in 2013 using the Non-Life Internal Model, in line with the Solvency II principles. The component of the model that assesses the risks of the Non-Life portfolio was affected by significant developments introduced in order to adequately reflect the risk profile of the new Group.
In particular, a stochastic Frequency Severity model, which allows us to assess the risk capital, was adopted to assess the underwriting risk:

- separately for the attritional and large claims. The relevant separation threshold is identified using appropriate statistical methodologies;
- taking the effect of the reinsurance agreements into account;
- using a model to estimate the general expenses.

To assess the provision risk, different stochastic models based on historical payment data, on the joint analysis of them and the inventory provisions, on average costs and claims gross and net of the application of the reinsurance agreements are used.

With reference to the Catastrophe Risk, the assessments were made using the standardised scenario method proposed by EIOPA, in which the following events are taken into consideration:

- natural disasters such as earthquakes, floods and hail;
- disasters caused by man such as, for example, large fires, acts of terrorism;
- risks tied to the "health" sector such as, for example, the risk of a pandemic.

With reference to the risk of Earthquakes, in 2013 a software selection was carried out that led to the purchase of one of the main models available on the market in the analytical assessment of said risk, with the aim of having a tool that supports the Group not only in calculating the risk capital, but also in the Underwriting and Rating processes and in defining the reinsurance strategy.

Risk Management continued its collaboration with the Non-Life Technical Area to define risk adjusted tariffs that ensure not only proper coverage of the expected result, but also a profitability of the absorbed capital consistent with the risk profile and performance goals of the Group.

## Operating risk

The Fondiaria-SAI Consolidation developed a framework – for the identification, measuring, monitoring and management of the Operating Risks, which relates to "*the risk of losses deriving from the inefficiencies of persons, processes and systems, including those utilised for distance selling, or from external events, such as fraud or the outsourced supply of services* (outsourcing risk)". Based on the framework of Operational Risk Management, the relationships and the reciprocal impacts between Operating Risks and the risks indicated in the *Map* are also considered, which include risk compliance and reputational risk, with the objective to evaluate the direct and indirect effects of events relating to operating risks. In particular, the analysis adopted is aimed at understanding, according to the casual logic the risk factors, events and effects (monetary and non monetary) as well as the impacts that these effects can have on the solvency of the Group and achieving the objectives set.

Within the corporate governance structure of the Group, the Operational Risk Management activity is undertaken by the Operational Risk Management, IT, Business Continuity and Data Quality Unit within the Risk

Management Department of Fondiaria-SAI. The objectives assigned to this unit, within the internal control system, have the objective to ensure the safeguarding of the Group assets, the adequate control of the risks and the improvement of the efficiency of the business processes.
In undertaking its activities, the Risk Management department works with the *Risk and Control Manager* (RRC).

In relation to the classification of the Operating Risks, the model adopted is that of the event type in the banking area (*Basel II*) and which the current orientation of EIOPA refers to within Solvency II. This classification, structured on three levels was modified for the second and the third levels to adapt it to the specific problems and internal analysis models. The first level of the classification is shown below.

**Table 9 - Classification level 1**

| | |
|---|---|
| **1** | Internal fraud |
| **2** | External fraud |
| **3** | Employment relationship and safety at the workplace |
| **4** | Clients, products and business practices |
| **5** | Damage to property, plant and equipment |
| **6** | Interruption/reduction of operations |
| **7** | Execution, delivery and management of processes |

During the year an integration process of operating risk management was introduced inside the Unipol Group. Based on a comparison of the methodologies, which present differing approaches but are complementary in many aspects, it was decided to review the operating risk analysis methodology to include the best aspects within the relative entities.

It is therefore confirmed that the methodology envisages the following guidelines:

- the underlying organisational model will impose that currently applied by Fondiaria-SAI with a network of analysts within the business lines coordinated by Risk Management;
- the metric adopted for the valuation will be that utilised by Unipol for the drawing up of an internal statistical model.

A similar approach to the integration process was followed for the establishment of business continuity plans; in fact, maintaining the existing approach for the Companies involved in the integration process, a joint table to establish a Business Continuity Operating Model commenced in order to guarantee the objectives of the new Group. The process involves the joint analysis of the strengths and weaknesses of the two models and the establishment of a model which both guarantees the continuity of the new processes and of the new organisations according to international standards (ISO 22301), obviously also promoting the best practices in the current structures.

The IT operating risk management activities are still today under review, also following the Bank of Italy’s issue of regulations with specific references that requires dedicated reflection; to that end the Risk Management function works with the other Group functions in a special project. Verification of the mitigation actions started in previous periods in any case continued during the year.

## Capital Allocation Policies

### Risk Appetite

The risk appetite is defined as the amount of capital at risk that the Board of Directors sets as the maximum acceptable loss without this involving harm to the Group's business continuity. The risk appetite is determined as the amount of maximum sustainable loss at a given confidence level over the time horizon of one year. The risk appetite is identified by "risk factor" and "business areas".

It is calculated each year based on the consolidated budget data and on those of the individual companies falling within the scope of the Unipol Group.

Processing is carried out on growth projections from either the industrial plan or budget that are calculated with a 99.50% confidence level established by the Solvency II Directive.
The other elements Unipol considers as constraints for determining the Risk Appetite can be grouped into three types: rating, risk/profitability and solvency.
The Unipol Group calculates the Risk Appetite based on the total economic capital records resulting from application of internal models, the Standard Formula and the methodologies for integrating various significant Pillar I risks required by the Solvency II regulation. The total economic capital of the Banking Group, calculated following the approaches set out in the Basel II regulation, contributes to defining the Risk Appetite of the Unipol Group and is added to the total economic capital of the Insurance Group.
Observance of the risk appetite levels for 2013 was monitored every quarter during the year.

# PART H - Information on transactions with related parties

## Introduction

Disclosure in the financial statements on “Transaction with related parties” is governed by IAS 24 and by relative Consob Communications.

The transactions between Fondiaria-SAI and its subsidiaries, or the transactions between subsidiaries, were eliminated in the consolidated financial statements and are not disclosed in these notes.

The Fondiaria-SAI Board meeting of 23 December 2011 approved the updating of the previous version of the document “Rules of conduct for carrying out significant transactions and procedures for carrying out transactions with related parties” dated 30 November 2010, prepared pursuant to CONSOB Resolution No. 17221 of 12 March 2010 (“CONSOB Regulation”), amended by Resolution No. 17389 of 23 June 2010 The Board resolution took account of the favourable opinion of all independent directors. The new procedures were published on the Company’s internet website on 23 December 2011 and applied from 1 January 2012. The old provisions remain valid for 2011 and the previous years. In compliance with that stated above, the Board also approved the updated text of the guidelines for transactions with related parties as per ISVAP Regulation No. 25 of 27 May 2010, in relation to which reference is made to the above stated document concerning the procedural aspects of the transactions with related parties.

Following the change in the ownership of the company in July 2012 and the appointment of the new Board of Directors in November 2012, the list of related parties was updated and extended to parties, physical and legal persons, related to the Parent Company UGF and the new Board of Directors.
Therefore the links with physical and legal persons of the Ligresti Group were removed.

The asset, economic and financial values of transactions with related parties at year-end are provided in the following tables.

The details of the transactions between the Group and other related parties are given below.

## Account balances

| (in €K) COUNTERPARTY | 31/12/2013 Assets | 31/12/2013 Liabilities | 31/12/2012 Assets | 31/12/2012 Liabilities |
|---|---|---|---|---|
| Parent company | 852 | 4,726 | 4,951 | 321 |
| Associates | 29,130 | 8,201 | 23,037 | 10,027 |
| Group companies | 64,781 | 15,309 | 8,693 | 2,030 |
| Other related parties | 966 | 5,208 | 1,829 | 5,074 |
| **TOTAL** | **95,729** | **33,444** | **38,510** | **17,452** |

| (in €K) NATURE | 31/12/2013 Assets | 31/12/2013 Liabilities | 31/12/2012 Assets | 31/12/2012 Liabilities |
|---|---|---|---|---|
| Real estate activities | 638 | 6 | 420 | - |
| Insurance activities | 37,645 | 10,832 | 5,002 | 1,988 |
| Financial activities | 41,398 | 8,103 | 32,496 | 14,501 |
| Services provided | 2,093 | 210 | 592 | - |
| Services received | 13,955 | 11,181 | - | 148 |
| Compensation for corporate officers | - | 1,704 | - | 815 |
| Remuneration for senior managers with strategic responsibility | - | 1,408 | - | - |
| **TOTAL** | **95,729** | **33,444** | **38,510** | **17,452** |

| (in €K) COUNTERPARTY | 31/12/2013 Income | 31/12/2013 Charges | 31/12/2012 Income | 31/12/2012 Charges |
|---|---|---|---|---|
| Parent company | 843 | 9,168 | 596 | 276 |
| Associates | 1,820 | 75,941 | 1,077 | 1,869 |
| Group companies | 48,190 | 87,233 | 10 | 2 |
| Other related parties | 27,479 | 11,692 | 35,927 | 158,171 |
| **TOTAL** | **78,332** | **184,034** | **37,610** | **160,318** |

| (in €K) NATURE | 31/12/2013 Income | 31/12/2013 Charges | 31/12/2012 Income | 31/12/2012 Charges |
|---|---|---|---|---|
| Real estate activities | 691 | 6 | 1,474 | 75,265 |
| Insurance activities | 71,690 | 93,920 | 34,199 | 37,335 |
| Financial activities | 3,359 | 79 | 1,378 | 18,789 |
| Services provided | 2,592 | - | 543 | - |
| Services received | - | 83,974 | - | 8,096 |
| Compensation for corporate officers | - | 3,861 | 16 | 5,791 |
| Remuneration for senior managers with strategic responsibility | - | 2,194 | - | 15,042 |
| **TOTAL** | **78,332** | **184,034** | **37,610** | **160,318** |

**Financial cash flows**

| (in €K) | 31/12/2013 | | 31/12/2012 | |
|---|---|---|---|---|
| **COUNTERPARTY** | **Cash inflow** | **Cash outflow** | **Cash inflow** | **Cash outflow** |
| Parent company | 537 | 5,167 | 638 | 10,247 |
| Associates | 2,513 | 78,791 | 520 | 3,231 |
| Group companies | 10,981 | 26,251 | - | - |
| Other related parties | 27,506 | 19,158 | 36,400 | 79,461 |
| **TOTAL** | **41,537** | **129,367** | **37,558** | **92,939** |

| (in €K) | 31/12/2013 | | 31/12/2012 | |
|---|---|---|---|---|
| **NATURE** | **Cash inflow** | **Cash outflow** | **Cash inflow** | **Cash outflow** |
| Real estate activities | 685 | 6 | 1,860 | 15,431 |
| Insurance activities | 38,464 | 41,231 | 34,214 | 36,520 |
| Financial activities | 696 | 191 | 280 | 13,113 |
| Services provided | 1,692 | 1,380 | 1,204 | - |
| Services received | - | 82,525 | - | 10,395 |
| Compensation for corporate officers | - | 3,197 | - | 4,486 |
| Remuneration for senior managers with strategic responsibility | - | 837 | - | 12,994 |
| **TOTAL** | **41,537** | **129,367** | **37,558** | **92,939** |

All of the above transactions were concluded at normal market conditions. The receivables recorded under assets are not guaranteed and will be paid in cash. No provision was made during the period of reference for any losses on receivables from related entities.

## REAL ESTATE ACTIVITIES

The income statement and balance sheet effects of a real estate nature are reported in the table below.

| (in €K) | 31/12/2013 | | | | | |
|---|---|---|---|---|---|---|
| **COUNTERPARTY** | **Assets** | **Liabilities** | **Income** | **Charges** | **Cash inflow** | **Cash outflow** |
| Parent company | 295 | - | 376 | - | 270 | - |
| Associates | 341 | 4 | 101 | - | 153 | - |
| Group companies | 1 | - | 193 | 6 | 232 | 6 |
| Other related parties | 1 | 2 | 21 | - | 30 | - |
| **TOTAL** | **638** | **6** | **691** | **6** | **685** | **6** |

The amount recorded under assets principally include:

- Transactions with the **Parent Company** Premafin Finanziaria S.p.A. totalling €0.3m concerning receivables for lease instalments on properties owned by Fondiaria-SAI;
- Transactions with **Associates** of €0.2m referring to associates of Immobiliare Lombarda S.p.A., including Servizi Immobiliari Martinelli S.p.A. against receivables for real estate services.

## INSURANCE ACTIVITIES

The income statement and balance sheet effects of an insurance nature are reported in the table below.

| (in €K) | 31/12/2013 | | | | | |
|---|---|---|---|---|---|---|
| **COUNTERPARTY** | **Assets** | **Liabilities** | **Income** | **Charges** | **Cash inflow** | **Cash outflow** |
| Parent company | - | - | 88 | - | 89 | 106 |
| Associates | 529 | 55 | 372 | 602 | 465 | 595 |
| Group companies | 37,116 | 10,777 | 43,845 | 84,244 | 10,517 | 23,680 |
| Other related parties | - | - | 27,385 | 9,074 | 27,393 | 16,850 |
| **TOTAL** | **37,645** | **10,832** | **71,690** | **93,920** | **38,464** | **41,231** |

As far as the insurance activities with **Group Companies** are concerned, €36.9m regard co-insurance and reinsurance transactions with Unipol Assicurazioni S.p.A., broken down as follows: Systema Compagnia di Assicurazioni S.p.A. €12.6m, Liguria Assicurazioni S.p.A. €3.4m, Dialogo Assicurazioni S.p.A. €6.5m, Fondiaria-SAI S.p.A. €9.8m, Milano Assicurazioni S.p.A. €4m, SIAT €0.3m and Incontra Assicurazioni S.p.A. €0.3m; and €10.8m of liabilities arising from co-insurance transactions.

During 2013 the income and relevant insurance cash inflow from **Other Related Parties** for premiums which the Fondiaria SAI Group Employee Pension Fund and the Fondiaria-SAI S.p.A. Executive Pension Fund respectively paid in the year to Fondiaria-SAI for €16.7m and Milano Assicurazioni S.p.A. for €10.1m were recorded. These payments are for the investment in Life policies of the contributions from the policyholders.

Insurance charges from **Other Related Parties** include €8.3m due to payment of contributions on behalf of Group companies, in favour of the Fondiaria-SAI Group Employee and Executive Pension Funds. The respective flows amount to €16m. These payments were made in accordance with contractual agreements in force.

Insurance charges from **Group Companies** include €84.3m regarding co-insurance and reinsurance transactions with Unipol Assicurazioni S.p.A. and are broken down as follows: Systema Compagnia di Assicurazioni S.p.A. €18.6m, Dialogo Assicurazioni S.p.A. €11.3m, Fondiaria-SAI S.p.A. €24.6m, Milano Assicurazioni S.p.A. €11.9m, Liguria Assicurazioni S.p.A. €15.3m, DDOR Re Joint Stock Reinsurance Company for €1.2m and Incontra Assicurazioni S.p.A. for €1.4m.

Insurance income from **Group Companies** amounts to €43.5m and regard reinsurance transactions with Unipol Assicurazioni S.p.A., respectively referring to: Systema Compagnia di Assicurazioni S.p.A. €17.1m, Liguria Assicurazioni S.p.A. €10.8m, Dialogo Assicurazioni S.p.A. €11m, Milano Assicurazioni S.p.A. for €3.7m and Incontra Assicurazioni S.p.A. €1m.

Insurance outflows mainly refer to the **Group Company** Unipol Assicurazioni S.p.A., and concern payment of claims for €5.8m by Milano Assicurazioni S.p.A. and for €5.6m by Fondiaria-SAI S.p.A., and reinsurance transactions by, respectively: Systema Compagnia di Assicurazioni S.p.A. for €5.9m; Dialogo Assicurazioni S.p.A. for €3.9m; DDOR Re Joint Stock Reinsurance Company for €0.8m and Incontra Assicurazioni S.p.A. for €0.5m.

Insurance inflows refer to insurance transaction collections for €7.5m in favour of Fondiaria-SAI S.p.A., €0.7m in favour of Compagnia Assicuratrice Linear S.p.A. and €1.5m in favour of Milano Assicurazioni S.p.A. by the **Group Company** Unipol Assicurazioni S.p.A.

## FINANCIAL ACTIVITIES

The income statement and balance sheet effects of a financial nature are reported in the table below.

| (in €K) | 31/12/2013 | | | | | |
|---|---|---|---|---|---|---|
| **COUNTERPARTY** | **Assets** | **Liabilities** | **Income** | **Charges** | **Cash inflow** | **Cash outflow** |
| Parent company | 2 | 63 | 6 | - | - | - |
| Associates | 13,773 | 1,294 | 191 | 73 | 606 | 191 |
| Group companies | 26,700 | 2,730 | 3,132 | 3 | 13 | - |
| Other related parties | 923 | 4,016 | 30 | 3 | 77 | - |
| **TOTAL** | **41,398** | **8,103** | **3,359** | **79** | **696** | **191** |

Please note the financial activities, respectively:

- in relation to **Associated Companies**, loans receivable due to Immobiliare Milano from respectively Borsetto S.r.l. (€8.1m) and Penta Domus S.r.l. (€1.8m) and receivables for €2.6m due to Immobiliare Fondiaria-SAI S.r.l. from Progetto Alfiere S.p.A. for disbursed loans;
- from the **Associate** Scai S.p.A., current account transactions at BancaSai for €0.8m;
- €4.6m from the **Group Company** Unipol Assicurazioni S.p.A. regarding the ownership by Milano Assicurazioni S.p.A. of the Unipol bond 28.07.03/23 subordinate to floating rate and €2.7m from Finitalia S.p.A. with regard to interest income for loans;
- current account transactions at the **Group Company** Unipol Banca S.p.A. by Fondiaria-SAI S.p.A. for €7.4m; by Milano Assicurazioni S.p.A. for €10.2m and by Immobiliare Fondiaria-SAI S.p.A. for €1.7m;
- transactions with **Other Related Parties** for €1m for the issue of credit lines by the subsidiary BancaSai to individuals.

**Other Related Party** liabilities regard current account transactions by legal persons (Fondo Pensione Cassa di Previdenza) with the subsidiary BancaSai for €3.9m.

**Associated Companies** liabilities refer to:

- payables for loans due to Borsetto S.r.l. (€0.7m);
- current account transactions at BancaSai with Penta Domus S.r.l. (€0.5m).

Financial income from **Group Companies** amounts to €2.9m and regards interest receivable for loans disbursed by Finitalia S.p.A. to Unipol Assicurazioni S.p.A.

## SERVICES PROVIDED

| (in €K) | 31/12/2013 | | | | | |
|---|---|---|---|---|---|---|
| **COUNTERPARTY** | **Assets** | **Liabilities** | **Income** | **Charges** | **Cash inflow** | **Cash outflow** |
| Parent company | 506 | - | 373 | - | 179 | - |
| Associates | 581 | 210 | 1,155 | - | 1,290 | - |
| Group companies | 963 | - | 1,020 | - | 217 | 1,380 |
| Other related parties | 43 | - | 44 | - | 6 | - |
| **TOTAL** | **2,093** | **210** | **2,592** | **-** | **1,692** | **1,380** |

Services provided include principally receivables for invoices to be received and diversified sector ordinary revenues.

## SERVICES RECEIVED

| (in €K) | 31/12/2013 | | | | | |
|---|---|---|---|---|---|---|
| **COUNTERPARTY** | **Assets** | **Liabilities** | **Income** | **Charges** | **Cash inflow** | **Cash outflow** |
| Parent company | 50 | 2,747 | - | 5,571 | - | 3,133 |
| Associates | 13,905 | 6,639 | - | 75,266 | - | 78,004 |
| Group companies | - | 1,795 | - | 2,963 | - | 1,173 |
| Other related parties | - | - | - | 174 | - | 215 |
| **TOTAL** | **13,955** | **11,181** | **-** | **83,974** | **-** | **82,525** |

Of the services received by the **Parent Company** Unipol Gruppo Finanziario S.p.A., please note liabilities of €2.5m and charges of €5.3m against invoices receivable for seconded employees.

Assets for services received from Gruppo Fondiaria-SAI Servizi S.c.r.l. for **Associates** include, respectively, €1.5m to Scai S.p.A. and €12.4m to Fondiaria-SAI Servizi Tecnologici S.p.A. for capitalisation of external services.

Liabilities for services received from Gruppo Fondiaria-SAI Servizi S.c.r.l. for **Associates** refer to, respectively, Fondiaria-SAI Servizi Tecnologici S.p.A. for €4.2m and Scai S.p.A. for €2.3m. These values amounted to €13.6m and €2.3m, respectively, at 31 December 2012.

As for the charges and financial outflows for services received from **Associates**, please note:

- to Fondiaria-SAI Servizi Tecnologici S.p.A. €0.8m from Liguria Assicurazioni S.p.A.; €0.6m from Auto Presto&Bene S.p.A. and €66.7m from Gruppo Fondiaria-SAI Servizi S.c.r.l. regarding software application fees, server management and maintenance and ICT outsourcing activities;
- to SCAI S.p.A. €7m from Gruppo Fondiaria-SAI Servizi S.c.r.l.

Of the services received by the **Group Company** Unipol Assicurazioni S.p.A., please note liabilities of €1.3m against invoices receivable for seconded employees and charges of €2.3m.

Finally, charges due to the **Parent Company** Unipol Gruppo Finanziario S.p.A. and **Other Related Parties** include compensation for members of the Group Company boards for €3.9m and salaries of senior managers with strategic responsibility for €2.2m.

Assets referring to transactions with related parties at 31 December 2013 (including associated companies) account for approx. 0.24% of the total reported in the consolidated financial statements with liabilities accounting for 0.09% excluding the items relating to shareholders' equity.
Likewise, the net financial cash flow absorbs 18.3% of net cash generated by operating activities, as reported in the Consolidated Cash Flow Statement at 31 December 2013.

To complete the information provided, please also note that financial statement assets include €231m of receivables from Im.Co. S.p.A. and Avvenimenti e Sviluppo Alberghiero S.r.l. (subsidiary of Im.Co.), and from Sinergia Holding di Partecipazioni and Europrogetti, with which the relationship terminated during 2012, coming from real estate operations stipulated in previous years.
The amount indicated is already net of a €145.0m Provision for Impairment, allocated following the bankruptcy of Im.Co., Sinergia and Europrogetti declared in 2012.

## Directors' fees

The remuneration of directors for offices held in the Group is shown in the following table:

| (in €K) | **31/12/2013** | **31/12/2012** |
|---|---|---|
| Fees | 3,064 | 4,732 |
| Non-monetary benefits | - | 90 |
| **Total** | **3,064** | **4,822** |

The remuneration of directors is set based on average market compensation.
The tables below exclude remuneration for employment service in the Group Companies and post-employment benefits.

## Obligation to disclose audit fees and fees for other services provided by audit firms

The Consolidated Finance Act reform contained in Law No. 262 of 28 December 2005, supplemented by Legislative Decree No. 303 of 29 December 2006, changed the rules regarding conflicts of interest for the audit firm and introduced new requirements in relation to the disclosure of audit fees pursuant to Article 160, paragraph 1-bis.
Article 149-duodecies of the Consob Issuers Regulations implemented Article 160, paragraph 1-bis of the Consolidated Finance Act, establishing the format for the disclosure of the fees that the audit firm and entities belonging to its network received, for auditing or for other services, disclosed separately by type or category.

The breakdown of fees received by the audit firm PricewaterhouseCoopers S.p.A. and the companies that belong to the network of the audit firm, with reference to Fondiaria-SAI S.p.A. are shown below:

| Type of service | Party providing the service | Company | Fees (in €K) |
|---|---|---|---|
| a) audit | PriceWaterhouseCoopers S.p.A. | Fondiaria-SAI | 965 |
| b) certification work | PriceWaterhouseCoopers S.p.A. | Fondiaria-SAI | 232 |
| c) fiscal consulting | PriceWaterhouseCoopers S.p.A. | Fondiaria-SAI | - |
| d) other services | PriceWaterhouseCoopers S.p.A. | Fondiaria-SAI | - |
| Total fees in the year | | | 1,197 |

*n.b. fees excluding VAT.*

The details by type of the fees received by the audit firm PricewaterhouseCoopers S.p.A. paid by the subsidiaries of the former Fondiaria-SAI Group are listed below:

| Type of service | Party providing the service | Company | Fees (in €K) |
|---|---|---|---|
| a) audit | PriceWaterhouseCoopers S.p.A. | Subsidiaries | 1,247 |
| b) certification work | PriceWaterhouseCoopers S.p.A. | Subsidiaries | 124 |
| c) fiscal consulting | PriceWaterhouseCoopers S.p.A. | Subsidiaries | - |
| d) other services | PriceWaterhouseCoopers S.p.A. | Subsidiaries | - |
| Total fees in the year | | | 1,371 |

*n.b. fees excluding VAT*

# PART I - Other Information

## Subsequent events after the year end

There were no significant events as per paragraph 21 and subsequent of IAS 10 after year-end which would adjust the values of the current financial statements.

## Exchange Rates

The exchange rates of the principal currencies utilised for the conversion of the balance sheet accounts are as follows:

| | 2013 | 2012 |
|---|---|---|
| US Dollar | 1.3791 | 1.3194 |
| UK Sterling | 0.8337 | 0.8161 |
| Japanese Yen | 144.72 | 113.61 |
| Swiss Franc | 1.2276 | 1.2072 |
| Serbian Dinar | 114.791 | 112.605 |

Bologna, 20 March 2014

For the Board of Directors
The Chairman

*Fabio Cerchiai*

# Attachments to the Consolidated Financial Statements

**Consolidation scope**

| Order number | Company name | State | Method (1) | Assets (2) | % Direct holding | % Total holding (3) | % available votes in Ordinary Shareholders' Meeting (4) | % consolidation |
|---|---|---|---|---|---|---|---|---|
| 1 | PRONTO ASSISTANCE SPA | 086 | G | 1 | 100.00 | 100.00 | 100.00 | 100.00 |
| 2 | SIAT SOCIETA' ITALIANA ASS E RIASS SPA | 086 | G | 1 | 0.00 | 94.69 | 94.69 | 100.00 |
| 3 | BIM VITA SPA | 086 | G | 1 | 50.00 | 50.00 | 50.00 | 100.00 |
| 4 | EUROSAI FINANZIARIA DI PARTECIPAZIONE SRL | 086 | G | 11 | 100.00 | 100.00 | 100.00 | 100.00 |
| 5 | FINSAI INTERNATIONAL SA | 092 | G | 11 | 19.92 | 100.00 | 100.00 | 100.00 |
| 6 | SAIAGRICOLA SPA | 086 | G | 11 | 92.01 | 97.51 | 100.00 | 100.00 |
| 7 | SAIFIN - SAIFINANZIARIA SPA | 086 | G | 11 | 100.00 | 100.00 | 100.00 | 100.00 |
| 8 | SAINTERNATIONAL SA | 092 | G | 11 | 100.00 | 100.00 | 100.00 | 100.00 |
| 9 | SAI HOLDING ITALIA SPA | 086 | G | 11 | 100.00 | 100.00 | 100.00 | 100.00 |
| 10 | SAILUX SA | 092 | G | 11 | 0.00 | 100.00 | 100.00 | 100.00 |
| 11 | SIM ETOILE SAS | 029 | G | 10 | 100.00 | 100.00 | 100.00 | 100.00 |
| 12 | SRP SERVICES SA | 071 | G | 11 | 0.00 | 100.00 | 100.00 | 100.00 |
| 13 | CONSORZIO CASTELLO | 086 | G | 10 | 0.00 | 98.43 | 99.57 | 100.00 |
| 14 | DIALOGO ASSICURAZIONI SPA | 086 | G | 1 | 0.00 | 63.29 | 99.85 | 100.00 |
| 15 | DOMINION INSURANCE HOLDING LTD | 031 | G | 11 | 0.00 | 100.00 | 100.00 | 100.00 |
| 16 | EUROPA TUTELA GIUDIZIARIA SPA | 086 | G | 1 | 100.00 | 100.00 | 100.00 | 100.00 |
| 17 | FONDIARIA-SAI NEDERLAND B.V. | 050 | G | 11 | 100.00 | 100.00 | 100.00 | 100.00 |
| 18 | SERVICE GRUPPO FONDIARIA-SAI SRL | 086 | G | 11 | 70.00 | 89.02 | 100.00 | 100.00 |
| 19 | MILANO ASSICURAZIONI SPA | 086 | G | 1 | 61.10 | 63.39 | 63.40 | 100.00 |
| 20 | NUOVE INIZIATIVE TOSCANE SRL | 086 | G | 10 | 96.88 | 98.86 | 100.00 | 100.00 |
| 21 | STIMMA SRL | 086 | G | 10 | 100.00 | 100.00 | 100.00 | 100.00 |
| 22 | SYSTEMA COMPAGNIA DI ASS.NI SPA | 086 | G | 1 | 0.00 | 63.39 | 100.00 | 100.00 |
| 23 | THE LAWRENCE RE IRELAND LTD | 040 | G | 5 | 0.00 | 100.00 | 100.00 | 100.00 |
| 24 | THE LAWRENCE LIFE ASSURANCE CO. LTD | 040 | G | 2 | 0.00 | 50.00 | 100.00 | 100.00 |
| 25 | GRUPPO FONDIARIA-SAI SERVIZI SCRL | 086 | G | 11 | 64.16 | 87.29 | 100.00 | 100.00 |
| 26 | VILLA RAGIONERI SRL | 086 | G | 10 | 100.00 | 100.00 | 100.00 | 100.00 |
| 27 | CASCINE TRENNO SRL | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 28 | TRENNO OVEST SRL | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 29 | INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 30 | MERIDIANO BELLARMINO SRL | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 31 | MERIDIANO BRUZZANO SRL | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 32 | MERIDIANO SECONDO SRL | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 33 | BANCA SAI SPA | 086 | G | 7 | 100.00 | 100.00 | 100.00 | 100.00 |
| 34 | BRAMANTE SRL | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 35 | CAMPO CARLO MAGNO SPA | 086 | G | 10 | 0.00 | 63.39 | 100.00 | 100.00 |
| 36 | CASA DI CURA VILLA DONATELLO SPA | 086 | G | 11 | 100.00 | 100.00 | 100.00 | 100.00 |
| 37 | CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA SRL | 086 | G | 11 | 100.00 | 100.00 | 100.00 | 100.00 |
| 38 | FINITALIA SPA | 086 | G | 11 | 0.00 | 100.00 | 100.00 | 100.00 |
| 39 | IMMOBILIARE LITORELLA SRL | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 40 | IMMOBILIARE LOMBARDA SPA | 086 | G | 10 | 64.17 | 86.88 | 100.00 | 100.00 |
| 41 | INIZIATIVE VALORIZZAZ.NI EDILI - IN.V.ED. SRL | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 42 | APB CAR SERVICE SRL | 086 | G | 11 | 0.00 | 70.00 | 70.00 | 100.00 |
| 43 | ATAVALUE SRL | 086 | G | 11 | 0.00 | 100.00 | 100.00 | 100.00 |
| 44 | MIZAR SRL | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 45 | MARINA DI LOANO SPA | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 46 | PROGETTO BICOCCA LA PIAZZA SRL in liquidation | 086 | G | 10 | 0.00 | 74.00 | 74.00 | 100.00 |
| 47 | PRONTO ASSISTANCE SERVIZI SCARL | 086 | G | 11 | 37.40 | 79.92 | 100.00 | 100.00 |
| 48 | RISTRUTTURAZIONI EDILI MODERNE R.EDIL.MO SRL | 086 | G | 10 | 0.00 | 100.00 | 100.00 | 100.00 |
| 49 | SAI INVESTIMENTI SGR SPA | 086 | G | 8 | 51.00 | 69.38 | 80.00 | 100.00 |
| 50 | SAI MERCATI MOBILIARI SIM SPA | 086 | G | 11 | 100.00 | 100.00 | 100.00 | 100.00 |
| 51 | SOGEINT SRL | 086 | G | 11 | 0.00 | 63.39 | 100.00 | 100.00 |
| 52 | TIKAL R.E. FUND | 086 | G | 10 | 59.65 | 82.06 | 95.01 | 100.00 |
| 53 | FLORENCE CENTRO DI CHILURGIA AMBULATORIALE SRL | 086 | G | 11 | 0.00 | 100.00 | 100.00 | 100.00 |
| 54 | LIGURIA SOCIETA' DI ASSICURAZIONI SPA | 086 | G | 1 | 0.00 | 63.37 | 99.97 | 100.00 |
| 55 | LIGURIA VITA SPA | 086 | G | 1 | 0.00 | 63.37 | 100.00 | 100.00 |
| 56 | MERIDIANO AURORA SRL | 086 | G | 10 | 100.00 | 100.00 | 100.00 | 100.00 |
| 57 | INCONTRA ASSICURAZIONI SPA | 086 | G | 1 | 51.00 | 51.00 | 51.00 | 100.00 |
| 58 | POPOLARE VITA SPA | 086 | G | 1 | 24.39 | 50.00 | 50.00 | 100.00 |
| 59 | SINTESI SECONDA SRL | 086 | G | 10 | 0.00 | 63.39 | 100.00 | 100.00 |
| 60 | SOCIETA' EDILIZIA IMMOBILIARE SARDA S.E.I.S SPA | 086 | G | 10 | 0.00 | 51.67 | 51.67 | 100.00 |
| 61 | DDOR NOVI SAD ADO | 289 | G | 3 | 99.99 | 99.99 | 99.99 | 100.00 |
| 62 | AUTO PRESTO & BENE SPA | 086 | G | 11 | 100.00 | 100.00 | 100.00 | 100.00 |
| 63 | ATHENS RE FUND | 086 | G | 10 | 0.00 | 63.39 | 100.00 | 100.00 |
| 64 | CITTA' DELLA SALUTE SCRL | 086 | G | 11 | 0.00 | 100.00 | 100.00 | 100.00 |
| 65 | ATAHOTELS COMPAGNIA ITALIANA AZIENDE TURISTICHE ALBERGHIERE SPA | 086 | G | 11 | 51.00 | 82.06 | 100.00 | 100.00 |
| 66 | DDOR RE JOINT STOCK REINSURANCE COMPANY | 289 | G | 6 | 0.00 | 100.00 | 100.00 | 100.00 |
| 67 | DONATELLO DAY SURGERY SRL | 086 | G | 11 | 0.00 | 100.00 | 100.00 | 100.00 |
| 68 | IMMOBILIARE FONDIARIA-SAI SRL | 086 | G | 10 | 100.00 | 100.00 | 100.00 | 100.00 |
| 69 | IMMOBILIARE MILANO ASSICURAZIONI SRL | 086 | G | 10 | 0.00 | 63.39 | 100.00 | 100.00 |
| 70 | ITALRESIDENCE SRL | 086 | G | 11 | 0.00 | 82.06 | 100.00 | 100.00 |

(1) Consolidation method: Line-by-line=G, Proportional=P, Line-by-line on unified basis=U
(2) 1=Italian ins; 2=EU ins; 3=non-EU ins; 4=insurance holdings; 5=EU reins; 6=non-EU reins; 7=banks; 8=SGR; 9=other holdings; 10=real estate 11=other
(3) the product of the equity investments relating to all the companies that, as they fall along the investment chain, are potentially placed between the company preparing the consolidated financial statements and the company in question. If the latter is directly held by two or more subsidiaries, it is necessary to add up the single products
(4) total percentage of ordinary shareholders' meeting votes available if different from the direct or indirect holding
(*) consolidated as per SIC 12

## Details of non-consolidated investments

| Order number | Company name | State | Activity (1) | Type (2) | % Direct holding | % Total holding (3) | % available votes in Ordinary Shareholders' Meeting (4) | Book value |
|---|---|---|---|---|---|---|---|---|
| 1 | FIN. PRIV. SRL | 086 | 11 | b | 28.57 | 28.57 | 28.57 | 26,580,000.00 |
| 2 | SOFIGEA SRL in liquidation | 086 | 11 | b | 14.91 | 19.66 | 22.41 | 762,000.00 |
| 3 | UFFICIO CENTRALE ITALIANO SCARL | 086 | 11 | b | 13.75 | 20.80 | 24.82 | 132,000.00 |
| 4 | FINADIN SPA | 086 | 11 | b | 0.00 | 40.00 | 40.00 | 20,253,000.00 |
| 5 | SOCIETA' FUNIVIE DEL PICCOLO S. BERNARDO SPA | 086 | 11 | b | 0.00 | 27.38 | 27.38 | 2,487,000.00 |
| 6 | BORSETTO SRL | 086 | 10 | b | 0.00 | 28.48 | 44.93 | 2,439,000.00 |
| 7 | GARIBALDI SCA (*) | 092 | 11 | b | 0.00 | 30.43 | 48.00 | 76,541,000.00 |
| 8 | METROPOLIS SPA in liquidation | 086 | 10 | b | 0.00 | 18.83 | 29.71 | 0.00 |
| 9 | SERVIZI IMMOBILIARI MARTINELLI SPA | 086 | 10 | b | 0.00 | 12.68 | 20.00 | 162,000.00 |
| 10 | A7 SRL in liquidation | 086 | 10 | b | 0.00 | 12.68 | 20.00 | 113,000.00 |
| 11 | SOAIMPIANTI- ORGANISMI DI ATTESTAZIONE SRL in liquidation | 086 | 11 | b | 21.64 | 21.64 | 21.64 | 14,000.00 |
| 12 | PENTA DOMUS SPA | 086 | 10 | b | 0.00 | 15.63 | 24.66 | 3,449,000.00 |
| 13 | FONDIARIA-SAI SERVIZI TECNOLOGICI SPA | 086 | 11 | b | 51.00 | 51.00 | 51.00 | 1,840,000.00 |
| 14 | SVILUPPO CENTRO EST SRL | 086 | 10 | b | 0.00 | 25.36 | 40.00 | 0.00 |
| 15 | DDOR AUTO DOO | 289 | 3 | a | 0.00 | 99.99 | 100.00 | 12,000.00 |
| 16 | DDOR GARANT | 289 | 11 | b | 0.00 | 40.00 | 40.00 | 495,000.00 |
| 17 | CONSULENZA AZIENDALE PER L'INFORMATICA SCAI SPA | 086 | 11 | b | 30.07 | 30.07 | 30.07 | 1,511,000.00 |
| 18 | BUTTERFLY AM SARL | 092 | 11 | b | 0.00 | 28.57 | 28.57 | 6,769,000.00 |
| 19 | VALORE IMMOBILIARE SRL | 086 | 10 | b | 0.00 | 31.69 | 50.00 | 520,000.00 |
| 20 | HOTEL TERME DI SAINT VINCENT SRL | 086 | 11 | a | 0.00 | 82.06 | 100.00 | 19,000.00 |
| 21 | ITAL H&R SRL | 086 | 11 | a | 0.00 | 82.06 | 100.00 | 14,000.00 |
| 22 | TOUR EXCECUTIVE SRL in liquidation | 086 | 11 | a | 0.00 | 82.06 | 100.00 | 0.00 |
| 23 | ISOLA SCA (**) | 092 | 11 | b | 0.00 | 27.26 | 43.00 | 15,290,000.00 |
| 24 | SAINT GEORGE CAPITAL MANAGEMENT SA | 071 | 11 | * | 0.00 | 100.00 | 100.00 | 0.00 |

(1) 1=Italian ins; 2=EU ins; 3=non-EU ins; 4=insurance holdings; 5=EU reins; 6=non-EU reins; 7=banks; 8=SGR; 9=other holdings; 10=real estate 11=other
(2) a=subsidiaries (IAS27) ; b=associates (IAS28); c=joint ventures (IAS 31); mark the companies classified as held for sale in compliance with IFRS 5 with an asterisk (*) and provide the key at the foot of the statement
(3) the product of the equity investments relating to all the companies that, as they fall along the investment chain, are potentially placed between the company preparing the consolidated financial statements and the company in question. If the latter is directly held by two or more subsidiaries, it is necessary to add up the single products
(4) total percentage of ordinary shareholders' meeting votes available if different from the direct or indirect holding

(*) the % indicated in the table represents the company's share of financial commitments and income.
The formal investment is 32%.

(**) the % indicated in the table represents the company's share of financial commitments and income.
The formal investment is 29.56%.

## Details of property, plant and equipment and intangible assets

(in €K)

| | At cost | At restated value or at fair value | Total book value |
|---|---|---|---|
| Investment property | 2,064,924 | 0 | 2,064,924 |
| Other property | 318,884 | 0 | 318,884 |
| Other tangible assets | 65,705 | 0 | 65,705 |
| Other intangible assets | 39,673 | 0 | 39,673 |

## Details of financial assets

(in €K)

| | Investments held to maturity | | Loans and receivables | | AFS financial assets | | Financial assets at fair value through profit or loss: Financial assets held for trading | | Financial assets at fair value through profit or loss: Financial assets designated at fair value through profit or loss | | Total book value | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Equity securities and derivatives valued at cost | | 0 | | 0 | | 0 | | 0 | | 0 | 0 | 0 |
| Equity securities at fair value | | 0 | | 0 | 665,011 | 914,069 | 17 | 38 | 59,139 | 49,962 | 724,167 | 964,069 |
| *of which listed securities:* | | 0 | | 0 | 429,822 | 678,573 | 17 | 38 | 59,139 | 49,962 | 488,978 | 728,573 |
| Debt securities | 627,320 | 718,119 | 1,745,838 | 2,422,383 | 21,456,825 | 19,306,788 | 76,776 | 39,102 | 3,522,159 | 5,114,772 | 27,428,918 | 27,601,164 |
| *of which listed securities:* | 508,675 | 643,526 | 0 | 519,859 | 21,411,151 | 19,267,336 | 74,375 | 36,366 | 665,886 | 810,362 | 22,660,087 | 21,277,449 |
| Fund units | | 0 | 0 | 0 | 447,695 | 627,184 | 413 | 18,858 | 1,769,623 | 1,085,504 | 2,217,731 | 1,731,546 |
| Loans and receivables from bank customers | | 0 | 460,235 | 518,706 | | 0 | | 0 | 0 | 0 | 460,235 | 518,706 |
| Interbank loans and receivables | | 0 | 516 | 2,853 | | 0 | | 0 | 0 | 0 | 516 | 2,853 |
| Deposits held by ceding companies | | 0 | 19,104 | 22,358 | | 0 | | 0 | 0 | 0 | 19,104 | 22,358 |
| Financial asset components of insurance contracts | | 0 | 0 | 0 | | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other loans and receivables | | 0 | 600,058 | 534,470 | | 0 | | 0 | 0 | 0 | 600,058 | 534,470 |
| Non-hedging derivatives | | 0 | 0 | 0 | | 0 | 8 | 22 | 67,611 | 94,954 | 67,619 | 94,976 |
| Hedging derivatives | | 0 | 0 | 0 | | 0 | | 0 | 0 | 7,282 | 0 | 7,282 |
| Other financial investments | | 0 | 29,209 | 26,260 | | 0 | | 0 | 44,711 | 28,825 | 73,920 | 55,085 |
| **Total** | **627,320** | **718,119** | **2,854,960** | **3,527,030** | **22,569,531** | **20,848,041** | **77,214** | **58,020** | **5,463,243** | **6,381,299** | **31,592,268** | **31,532,509** |

**Details of the assets and liabilities relating to contracts issued by insurance companies where investment risk is borne by policyholders and from pension fund management**

(in €K)

| | Unit-linked/index-linked services | | Pension fund management-linked services | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| Assets recorded in financial statements | 5,076,432 | 6,016,977 | 352,754 | 318,079 | 5,429,186 | 6,335,056 |
| Intra-group assets * | 155 | 6,335 | | | 155 | 6,335 |
| **Total Assets** | **5,076,587** | **6,023,312** | **352,754** | **318,079** | **5,429,341** | **6,341,391** |
| Financial liabilities recorded in financial statements | 150,128 | 162,181 | 352,754 | 318,079 | 502,882 | 480,260 |
| Technical provisions recorded in financial statements | 4,926,221 | 5,861,051 | | | 4,926,221 | 5,861,051 |
| Intra-group liabilities * | | | | | 0 | 0 |
| **Total Liabilities** | **5,076,349** | **6,023,232** | **352,754** | **318,079** | **5,429,103** | **6,341,311** |

* Assets and liabilities eliminated during the consolidation process

**Details of technical provisions - reinsurers' share**

(in €K)

| | Direct premiums | | Indirect premiums | | Total book value | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Non-Life provisions** | ***391,488*** | ***394,100*** | ***283,280*** | ***334,968*** | ***674,768*** | ***729,068*** |
| Premium provision | 83,883 | 76,571 | 72,681 | 75,546 | *156,564* | *152,117* |
| Claims provision | 307,605 | 317,529 | 210,599 | 259,422 | *518,204* | *576,951* |
| Other provisions | | 0 | | 0 | *0* | *0* |
| **Life provisions** | ***29,487*** | ***37,766*** | ***37,400*** | ***40,470*** | ***66,887*** | ***78,236*** |
| Provision for sums to be paid | 1,511 | 711 | 1,812 | 1,311 | *3,323* | *2,022* |
| Actuarial provisions | 27,976 | 37,055 | 35,588 | 39,159 | *63,564* | *76,214* |
| Technical provisions where investment risk is borne by policyholders and from pension fund management | | 0 | | | *0* | *0* |
| Other provisions | | | | | *0* | *0* |
| **Total technical provisions - reinsurers' share** | ***420,975*** | ***431,866*** | ***320,680*** | ***375,438*** | ***741,655*** | ***807,304*** |

## Details of technical provisions

(in €K)

| | Direct premiums | | Indirect premiums | | Total book value | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Non-Life provisions** | ***11,496,510*** | ***12,411,183*** | ***106,054*** | ***111,030*** | ***11,602,564*** | ***12,522,213*** |
| Premium provision | 2,202,851 | 2,492,992 | 809 | 1,739 | *2,203,660* | *2,494,731* |
| Claims provision | 9,286,851 | 9,908,845 | 105,245 | 109,291 | *9,392,096* | *10,018,136* |
| Other provisions | 6,808 | 9,346 | | | *6,808* | *9,346* |
| *of which provisions made following verification of the adequacy of the liabilities* | | | | | *0* | *0* |
| **Life provisions** | ***21,165,745*** | ***21,119,675*** | ***14,220*** | ***16,011*** | ***21,179,965*** | ***21,135,686*** |
| Provision for sums to be paid | 284,323 | 247,490 | 1,031 | 754 | *285,354* | *248,244* |
| Actuarial provisions | 15,559,343 | 14,930,142 | 13,189 | 15,257 | *15,572,532* | *14,945,399* |
| Technical provisions where investment risk is borne by policyholders and from pension fund management | 4,926,221 | 5,861,051 | | 0 | 4,926,221 | 5,861,051 |
| Other provisions | 395,858 | 80,992 | | 0 | *395,858* | *80,992* |
| *of which provisions made following verification of the adequacy of the liabilities* | *0* | *0* | | *0* | *0* | *0* |
| *of which deferred liabilities to policyholders* | *330,028* | *9,846* | | *0* | *330,028* | *9,846* |
| **Total Technical Provisions** | ***32,662,255*** | ***33,530,858*** | ***120,274*** | ***127,041*** | ***32,782,529*** | ***33,657,899*** |

### Details of financial liabilities

(in €K)

| | Financial liabilities at fair value through profit or loss | | | | Other financial liabilities | | Total book value | |
|---|---|---|---|---|---|---|---|---|
| | Financial liabilities held for trading | | Financial liabilities designated at fair value through profit or loss | | | | | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Equity financial instruments | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subordinated liabilities | | 0 | 0 | 0 | 1,050,643 | 1,048,074 | 1,050,643 | 1,048,074 |
| Liabilities from financial contracts issued by insurance companies from: | | 0 | 502,882 | 480,260 | | 0 | 502,882 | 480,260 |
| Contracts for which investment risk is borne by policyholders | | 0 | 150,128 | 162,181 | 0 | 0 | 150,128 | 162,181 |
| Pension fund management | | 0 | 352,754 | 318,079 | 0 | 0 | 352,754 | 318,079 |
| Other contracts | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deposits received from reinsurers | | 0 | 0 | 0 | 134,975 | 153,236 | 134,975 | 153,236 |
| Financial liability components of insurance contracts | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt securities issued | | 0 | 0 | 0 | 18,399 | 84,766 | 18,399 | 84,766 |
| Payables to bank customers | | 0 | 0 | 0 | 164,539 | 167,242 | 164,539 | 167,242 |
| Interbank payables | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other loans obtained | | 0 | 0 | 0 | 122,759 | 123,720 | 122,759 | 123,720 |
| Non-hedging derivatives | | 0 | 0 | 308 | 0 | 0 | 0 | 308 |
| Hedging derivatives | 113 | 511 | 48,623 | 85,022 | 0 | 0 | 48,736 | 85,533 |
| Other financial liabilities | | 0 | 2,611 | 2,474 | 202,769 | 170,013 | 205,380 | 172,487 |
| **Total** | **113** | **511** | **554,116** | **568,064** | **1,694,084** | **1,747,051** | **2,248,313** | **2,315,626** |

## Details of technical insurance items

(in €K)

| | | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|---|
| | | Gross amount | Reinsurers' share | Net amount | Gross amount | Reinsurers' share | Net amount |
| **Non-Life business** | | | | | | | |
| NET PREMIUMS | | **6.063.559** | **-320.869** | **5.742.690** | **6.665.585** | **-301.379** | **6.364.206** |
| a | Premiums written | 5.792.191 | -319.399 | 5.472.792 | 6.420.807 | -293.294 | 6.127.513 |
| b | Change in premium provision | 271.368 | -1.470 | 269.898 | 244.778 | -8.085 | 236.693 |
| NET CHARGES RELATING TO CLAIMS | | **-4.246.119** | **169.438** | **-4.076.681** | **-5.296.257** | **296.944** | **-4.999.313** |
| a | Amount paid | -4.988.818 | 228.208 | -4.760.610 | -5.254.709 | 174.490 | -5.080.219 |
| b | Change in claims provision | 626.374 | -56.573 | 569.801 | -163.252 | 123.408 | -39.844 |
| c | Change in recoveries | 116.223 | -2.197 | 114.026 | 121.448 | -954 | 120.494 |
| d | Change in other technical provisions | 102 | 0 | 102 | 256 | 0 | 256 |
| **Life business** | | | | | | | |
| NET PREMIUMS | | **3.914.958** | **-7.504** | **3.907.454** | **3.611.582** | **-8.553** | **3.603.029** |
| NET CHARGES RELATING TO CLAIMS | | **-4.309.767** | **7.231** | **-4.302.536** | **-4.363.772** | **5.531** | **-4.358.241** |
| a | Sums paid | -4.596.725 | 18.541 | -4.578.184 | -6.474.814 | 20.420 | -6.454.394 |
| b | Change in the provision for sums to be paid | -41.231 | 1.309 | -39.922 | 106.537 | -1.124 | 105.413 |
| c | Change in the actuarial provisions | -605.809 | -12.619 | -618.428 | 223.207 | -13.765 | 209.442 |
| d | Change in technical provisions where investment risk is borne by policyholders and from pension fund management | 936.535 | 0 | 936.535 | 1.808.967 | 0 | 1.808.967 |
| e | Change in other technical provisions | -2.537 | 0 | -2.537 | -27.669 | 0 | -27.669 |

**Financial and investment income and charges**

(in €K)

| | | Interest | Other income | Other charges | Profits realised | Losses realised | Other income and charges realised | Valuation gains: Valuation capital gains | Valuation gains: Write-back of value | Valuation losses: Valuation capital losses | Valuation losses: Reduction in value | Other income and charges not realised | Total income and charges 2013 | Total income and charges 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Result of investments** | | **952,629** | **227,848** | **-102,405** | **524,308** | **-148,527** | **1,453,853** | **111,364** | **12,158** | **-193,748** | **-101,702** | **-171,928** | **1,281,925** | **913,431** |
| a | From investment property | 0 | 76,233 | -59,407 | 19,104 | -31 | **35,899** | 0 | 2,908 | -67,737 | -38,555 | **-103,384** | **-67,485** | **-301,830** |
| b | From investments in subsidiaries, associates and joint ventures | 0 | 7,816 | -314 | 0 | 0 | **7,502** | 0 | 0 | -1,813 | 0 | **-1,813** | **5,689** | **-18,927** |
| c | From investments held to maturity | 37,663 | 0 | -14 | 0 | 0 | **37,649** | 0 | 0 | 0 | 0 | **0** | **37,649** | **42,300** |
| d | From loans and receivables | 161,978 | 0 | -50 | 583 | -7,025 | **155,486** | 0 | 223 | 0 | -6,833 | **-6,610** | **148,876** | **147,647** |
| e | From AFS financial assets | 679,333 | 32,807 | -6,924 | 411,921 | -55,229 | **1,061,908** | 0 | 9,027 | 0 | -56,314 | **-47,287** | **1,014,621** | **498,292** |
| f | From financial assets held for trading | 918 | 1 | -1 | 1,165 | -181 | **1,902** | 29,191 | 0 | -55 | 0 | **29,136** | **31,038** | **6,174** |
| g | From financial assets designated at fair value through profit or loss | 72,737 | 110,991 | -35,695 | 91,535 | -86,061 | **153,507** | 82,173 | 0 | -124,143 | 0 | **-41,970** | **111,537** | **539,775** |
| **Result of other receivables** | | 9,471 | 0 | -28 | 0 | 0 | **9,443** | 0 | 0 | 0 | 0 | **0** | **9,443** | **3,842** |
| **Result of cash and cash equivalents** | | 9,502 | 0 | -435 | 0 | 0 | **9,067** | 0 | 0 | 0 | 0 | **0** | **9,067** | **14,222** |
| **Result of financial liabilities** | | **-44,117** | **0** | **-384** | **0** | **0** | **-44,501** | **0** | **0** | **-59** | **0** | **-59** | **-44,560** | **-55,437** |
| a | From financial liabilities held for trading | | | | | | **0** | | | -59 | | **-59** | **-59** | **-1,268** |
| b | From financial liabilities designated at fair value through profit or loss | 0 | 0 | 0 | 0 | 0 | **0** | | | | | **0** | **0** | **0** |
| c | From other financial liabilities | -44,117 | 0 | -384 | 0 | 0 | **-44,501** | | | | | **0** | **-44,501** | **-54,169** |
| **Result of payables** | | -4,763 | 0 | -16 | 6 | **0** | **-4,773** | | | | | **0** | **-4,773** | **-5,831** |
| **Total** | | **922,722** | **227,848** | **-103,268** | **524,314** | **-148,527** | **1,423,089** | **111,364** | **12,158** | **-193,807** | **-101,702** | **-171,987** | **1,251,102** | **870,227** |

## Details of insurance business expenses

(in €K)

| | | Non-Life business | | Life business | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| Gross commissions and other acquisition expenses | | -1.141.929 | -1.199.242 | -125.112 | -124.078 |
| a | Acquisition commissions | -802.961 | -867.426 | -96.252 | -93.030 |
| b | Other acquisition expenses | -222.259 | -212.074 | -25.897 | -26.653 |
| c | Change in deferred acquisition costs | 8.337 | 19.311 | 3.180 | 2.637 |
| d | Collection commissions | -125.046 | -139.053 | -6.143 | -7.032 |
| Reinsurers' commissions and profit sharing | | 78.550 | 73.607 | 1.128 | 962 |
| Investment management expenses | | -10.779 | -9.998 | -13.170 | -5.924 |
| Other administration expenses | | -260.326 | -271.741 | -65.486 | -74.434 |
| **Total** | | **-1.334.484** | **-1.407.374** | **-202.640** | **-203.474** |

**Details of the other comprehensive income statement items**

| | Allocation | | Adjustments due to reclassification to the income statement | | Other changes | | Total changes | | Income taxes | | Balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Other income components without reclassification to income statement** | | | | | | | | | | | | |
| Provision from changes in the shareholders' equity of the investees | | | | | | | 0 | 0 | | | 0 | 0 |
| Revaluation reserve of intangible assets | | | | | | | 0 | 0 | | | 0 | 0 |
| Revaluation reserve of property, plant and equipment | | | | | | | 0 | 0 | | | 0 | 0 |
| Income and charges relating to non-current assets or disposal groups classified as held for sale | | | | | | | 0 | 0 | | | 0 | 0 |
| Actuarial gains and losses and adjustments relating to defined-benefit plans | 420 | -11,274 | | | | | 420 | -11,274 | -243 | 4,654 | -30,085 | -30,505 |
| Other items | | | | | | | | | | | | |
| **Other income components with reclassification to income statement** | | | | | | | | | | | | |
| Reserve for currency translation differences | -2,815 | -9,200 | | | | | -2,815 | -9,200 | | | -68,784 | -65,969 |
| Gains or losses on AFS financial assets | 257,877 | 782,064 | -200,257 | 183,286 | | | 57,620 | 965,350 | -111,031 | -388,084 | 345,706 | 288,086 |
| Gains or losses on cash flow hedging instruments | 20,179 | -14,578 | | | | | 20,179 | -14,578 | -7,894 | 6,282 | -31,240 | -51,419 |
| Gains or losses on net investment hedging instruments in a foreign operation | | | | | | | 0 | 0 | | | 0 | 0 |
| Provision from changes in the shareholders' equity of the investees | 27,565 | 7,585 | | | | | 27,565 | 7,585 | | | 27,552 | -13 |
| Income and charges relating to non-current assets or disposal groups classified as held for sale | | | | | | | 0 | 0 | | | 0 | 0 |
| Other items | | 1 | | | | | 0 | 1 | | | 53,656 | 53,656 |
| **TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS** | **303,226** | **754,598** | **-200,257** | **183,286** | **0** | **0** | **102,969** | **937,884** | **-119,168** | **-377,148** | **296,805** | **193,836** |

**Assets and liabilities measured at fair value on a recurring basis and on a non-recurring basis: breakdown by fair value levels**

| | | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Assets and liabilities measured at fair value on a recurring basis** | | | | | | | | | |
| AFS financial assets | | 21,918,020 | 20,207,157 | 26,492 | 21,657 | 625,019 | 619,227 | 22,569,531 | 20,848,041 |
| Financial assets at fair value through profit or loss | Financial assets held for trading | 74,805 | 57,527 | 0 | 9 | 2,409 | 484 | 77,214 | 58,020 |
| | Financial assets designated at fair value through profit or loss | 2,472,605 | 1,844,642 | 1,110,750 | 2,200,526 | 1,879,888 | 2,336,131 | 5,463,243 | 6,381,299 |
| Investment property | | | | | | | | 0 | 0 |
| Property, plant and equipment | | | | | | | | 0 | 0 |
| Intangible assets | | | | | | | | 0 | 0 |
| *Total assets measured at fair value on a recurring basis* | | 24,465,430 | 22,109,326 | 1,137,242 | 2,222,192 | 2,507,316 | 2,955,842 | 28,109,988 | 27,287,360 |
| Financial liabilities at fair value through profit or loss | Financial liabilities held for trading | | | 113 | 511 | | | 113 | 511 |
| | Financial liabilities designated at fair value through profit or loss | | | 554,116 | 568,064 | | | 554,116 | 568,064 |
| *Total liabilities measured at fair value on a recurring basis* | | 0 | 0 | 554,229 | 568,575 | 0 | 0 | 554,229 | 568,575 |
| **Assets and liabilities measured at fair value on a non-recurring basis** | | | | | | | | | |
| Non-current assets or disposal groups classified as held for sale | | | | | | | | 0 | 0 |
| Liabilities of a disposal group held for sale | | | | | | | | 0 | 0 |

### Details of changes in level 3 assets and liabilities measured at fair value on a recurring basis

| | AFS 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 | |
|---|---|---|---|---|---|---|---|---|
| | | Financial assets held for trading | Financial assets designated at fair value through profit or loss | | | | Financial liabilities held for trading | Financial liabilities designated at fair value through profit or loss |
| **Opening balance** | **619,227** | **484** | **2,336,131** | | | | | |
| Acquisitions/Issues | 219,628 | 695 | 206,655 | | | | | |
| Sales/Repurchases | -170,312 | -790 | -579,307 | | | | | |
| Reimbursements | -20,014 | 0 | -20,328 | | | | | |
| Gains or losses recognised through profit or loss | -20,362 | 981 | -71,281 | | | | | |
| - of which valuation gains/losses | -20,362 | 985 | -71,740 | | | | | |
| Gains or losses recognised in other comprehensive income statement items | -12,232 | 0 | 460 | | | | | |
| Transfers to level 3 | 0 | 1,039 | 3,984 | | | | | |
| Transfers to other levels | 0 | 0 | 0 | | | | | |
| Other changes | 9,084 | 0 | 3,574 | | | | | |
| **Closing balance** | **625,019** | **2,409** | **1,879,888** | | | | **0** | **0** |

**Assets and liabilities not measured at fair value: breakdown by fair value levels**

| | Book value | | Fair value | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Level 1 | | Level 2 | | Level 3 | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Assets** | | | | | | | | | | |
| Investments held to maturity | 627,320 | | 566,322 | | 86,136 | | 1,486 | | 653,944 | 0 |
| Loans and receivables | 2,854,960 | | | | 1,793,539 | | 1,166,052 | | 2,959,591 | 0 |
| Investments in subsidiaries, associates and joint ventures | 159,402 | | | | | | 159,402 | | 159,402 | 0 |
| Investment property | 2,064,924 | | | | | | 2,638,579 | | 2,638,579 | 0 |
| Property, plant and equipment | 384,589 | | | | | | 532,147 | | 532,147 | 0 |
| **Total assets** | 6,091,195 | 0 | 566,322 | 0 | 1,879,676 | 0 | 4,497,666 | 0 | 6,943,664 | 0 |
| **Liabilities** | | | | | | | | | | |
| Other financial liabilities | 1,694,084 | | | | | | 1,694,084 | | 1,694,084 | 0 |

# DECLARATION ON THE CONSOLIDATED FINANCIAL STATEMENTS
## as per Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 and subsequent modifications and integrations

### DECLARATION ON THE CONSOLIDATED STATEMENTS AS PER ARTICLE 81-ter OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned Carlo Cimbri, as Chief Executive Officer, and Maurizio Castellina, as Manager in charge of financial reporting of UnipolSai Assicurazioni S.p.A., the company resulting from the merger of Unipol Assicurazioni S.p.A., Milano Assicurazioni S.p.A. and Premafin HP S.p.A. into Fondiaria-SAI S.p.A. hereby declare that, under the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998, the administrative and accounting procedures applied in drawing up the consolidated financial statements for the period 1 January 2013 – 31 December 2013:
   - were appropriate for the type of business concerned and
   - were properly applied.
2. The suitability of the accounting and administrative procedures for drawing up the consolidated financial statements at 31 December 2013 was assessed using a process laid down by Unipol Gruppo Finanziario S.p.A. that is based on the COSO Framework (Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Tradeway Commission), and in terms of the IT component, is based on the COBIT Framework (Control OBjectives for IT and related technology), which are unanimously recognized as benchmarks for the implementation and assessment of internal control systems.
3. We also declare that:

3.1. the consolidated financial statements at 31 December 2013:

- are drawn up in accordance with the International Accounting Standards endorsed by the European Community in conformity with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the underlying accounting documents and records;
- provide a true and fair view of the financial position and results of operations of the issuer and of the consolidated companies;

3.2. the Directors' Report includes a reliable analysis of the performance, the results and the situation of the issuer and of all the 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 | The Manager in charge of financial reporting |
|---|---|
| *Carlo Cimbri* | *Maurizio Castellina* |
| *(signed on the original)* | *(signed on the original)* |

# Board of Statutory Auditors' Report

Dear Shareholders,

As necessary, your Company has prepared the Consolidated Financial Statements at 31 December 2013, and has applied the IAS/IFRS international accounting standards issued by the IASB and approved by the European Union, in conformity with EC Regulation no. 1606 of 19 July 2002 and Italian Legislative Decree 58/1998, as well as Italian Legislative Decree 209/2005 and subsequent amendments and supplements. The Financial Statements and their Notes were drawn up adopting the formats required by IVASS Regulation no. 7 of 13 July 2007 as subsequently amended.

The Consolidated Financial Statements therefore consist of the Balance Sheet, Income Statement, Comprehensive Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and the Notes to the financial statements.
These financial statements are presented together with the Directors' Report, containing information on the operational performance of the Fondiaria-SAI Group.

The Consolidated Financial Statements and the Directors' Report also contain exhaustive and detailed information on the operational performance of the Company and of the consolidated companies, on the principal sectors of activities of the Fondiaria-SAI Group (non-life and life insurance, real estate and other activities), on the asset and financial management, on the litigation in course, on the significant events after the year end and on the outlook.

It is reported that the Independent Audit Report of PricewaterhouseCoopers S.p.A. on the consolidated financial statements of the Fondiaria-SAI Group at 31 December 2013, dated 7 April 2014, contains neither observations nor requests for information.

The Consolidated Financial Statements, prepared in thousands of Euro, report a net profit and Group equity respectively of €330m and €2,510m, respectively.

Lastly, we declare that the structure of the consolidated financial statements is considered correct and compliant with legislative requirements.

Bologna, 7 April 2014

*The Board of Statutory Auditors*

Giuseppe ANGIOLINI

Giorgio LOLI

Sergio LAMONICA

# Independent Audit Report

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**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 39 OF 27 JANUARY 2010 AND WITH ARTICLE 102 OF LEGISLATIVE DECREE 209 OF 7 SEPTEMBER 2005**

**UNIPOLSAI ASSICURAZIONI SPA (FORMERLY FONDIARIA-SAI SPA)**

**CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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## AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 39 OF 27 JANUARY 2010 AND WITH ARTICLE 102 OF LEGISLATIVE DECREE 209 OF 7 SEPTEMBER 2005

To the Shareholders of
UnipolSai Assicurazioni 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 UnipolSai Assicurazioni SpA (formerly Fondiaria-SAI SpA) and its subsidiaries for the year ended 31 December 2013.
The Directors of UnipolSai Assicurazioni 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 90 of Legislative Decree 209 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.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference is made to the report issued by other auditors on 24 April 2013.

3 In our opinion, the consolidated financial statements of UnipolSai Assicurazioni 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 90 of Legislative Decree 209 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 UnipolSai Assicurazioni SpA (formerly Fondiaria-SAI SpA) and its subsidiaries for the year then ended.

4 The Directors of UnipolSai Assicurazioni SpA are responsible for the preparation of the Board of Directors' Report and the Corporate Governance and Share Ownership Report available in UnipolSai Assicurazioni SpA web-site section "*Governance*", in accordance with 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 Legislative Decree 58 of 1998, contained in the Corporate Governance and Share Ownership Report, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Board of Directors' Report and the information required by paragraph 1, sub-paragraphs c), d), f), l), m) and by paragraph 2, sub-paragraph b) of Article 123-bis of Legislative Decree 58 of 1998, contained in the Corporate Governance and Share Ownership Report are consistent with the consolidated financial statements of UnipolSai Assicurazioni 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.**

**UnipolSai Assicurazioni S.p.A.**

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Share capital
€1,977,533,765.65 fully paid-up
Bologna Business Register,
Tax and VAT No. 00818570012
R.E.A. No. 511469

A company subject
to management and direction
by Unipol Gruppo Finanziario S.p.A.,
entered in Section I of the Insurance
and Reinsurance Companies List
at No. 1.00006
and a member of the
Unipol insurance Group,
entered in the Register of Insurance
Groups – No 046

www.unipolsai.com – www.unipolsai.it

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